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# *Chapter I*

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## *INNOVATION MANAGEMENT*



ALEKSANDRA LASKOWSKA-RUTKOWSKA

*Warsaw School of Economics*

**EFFECTIVENESS OF POLISH INNOVATION POLICY IN SERVICES  
AREA**

**Polish innovation policy**

In recent years the stimulation of innovation has received top priority in Poland's economic policy. The government adopted the "Increasing innovation in Poland to 2006" plan in 2000. It has now been extended in a document entitled "Directives for increasing innovation in the economy during 2007–2013", which contains an assessment of innovation in the Polish economy, as well as policy recommendations for the future.

The Operational Programme "Innovative Economy 2007–2013" is one of the key instruments of the national strategy, which will mobilize EU Regional Development Funds of EUR 7 bilion and an additional EUR 12,2 Billion from national public sources. This programme includes the following priority axes:<sup>1</sup>

- Research and Development of New Technology,
- R & D infrastructure,
- Capital for Innovation,
- Investments in innovative undertakings,
- Diffusion of innovation,
- Polish Economy of the International Market,

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<sup>1</sup> *Szczegółowy opis priorytetów Programu Operacyjnego Innowacyjna Gospodarka, 2007–2013, Ministerstwo Rozwoju Regionalnego, Warszawa 7 lutego 2008.*

- Information Society Establishment and Development,
- Technical Assistance.

International research indicates that innovation in the Polish economy has grown significantly since 2005. In Inno Metrics survey “European Innovation Scoreboard, Comparative Analysis of Innovation Performance 2006” Poland was grouped with countries that are “catching up”: Portugal, Lithuania, the Czech Republic, Latvia, Greece and Slovenia.<sup>2</sup> This marks a change, since in the previous year Poland was listed among countries that are “losing ground”. Most of the components of the SII have increased in Poland significantly. Notwithstanding the fact that the Polish economy is growing fast relative to EU-15 countries, it ranked last but one in the survey. It scored lowest in applications and export of hi-tech products (47) and in intellectual property rights (44). In knowledge creation and diffusion of innovation Poland ranked 39<sup>th</sup> and 38<sup>th</sup>, respectively.

Factors that limit the level of innovation in Poland include:

- low employment in KBE sectors (9.3% in 2000),
- insufficient cooperation between business and research institutions,
- small number of new technology implementations,
- small number of enterprises founded on new technologies.

The list of imperfections of Polish innovation policy is longer.

Polish National System of Innovation has often been criticized.

According to Metcalfe’s definition adopted by the OECD, the National System of Innovation is a group of institutions that work together and individually to develop and disseminate new technology and create a foundation, on which governments can build their policy designed to stimulate innovation. In other words, it is a system of mutually linked institutions, whose purpose is to create, store and transmit knowledge and skills that support new technologies. The National System of Innovation plays an important role in supporting innovation in the economy.

Polish NIS has often been described as fragmented. Many analysts point at a lack of horizontal coordination at ministerial level. There are three alternative models of governance of innovation in Poland:<sup>3</sup>

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<sup>2</sup> *Inno Metrics, European Innovation Scoreboard, Comparative Analysis of Innovation Performance 2006.*

<sup>3</sup> J. Walendowski, M. Miedziński, *Annual Innovation Policy Trends and Appraisal Report, European trend chart on innovation, 2006, p. 2, 12.*

- several ministries are involved in NIS coordination,
- appointment of one of the present Ministries to perform the role of coordination,
  - coordination by a high Level Innovation Council.

The current model is based on the first solution. However the idea to establish the high level Innovation Council has been resurrected. This is an opportunity as it may lead to an improvement of the services of business intermediaries.

1. Despite a significant increase in the number of innovation and enterprise centres in Poland, a proportional increase in the level of innovation in the Polish economy did not occur.<sup>4</sup> These centres are mostly engaged in training activity, which has only limited potential to stimulate business innovation. Furthermore, the quality of the services provided is less than satisfactory. This situation is probably caused by financial difficulties experienced by these centres and by multiple barriers to their development, such as economic difficulties in a given region, lack of funds for growth and expansion of services and poor cooperation with local and regional institutions. Another reason for the poor quality of services provided by these centres is the shortage of experts with experience in innovation support, particularly technology transfer and commercial application of new technologies.<sup>5</sup>
2. As far as institutions supporting innovation are concerned, there is a structural gap in relation to EU and other highly developed countries, since there is a lack of organizations to support the implementation of innovative projects that have already emerged from the research and development phase but have not yet entered the implementation phase.
3. Policy benchmarking (comparing innovation performance, policy making and delivery processes and methods) is not carried out systematically and no specific benchmark countries or regions have been defined. This does not mean that there is a lack of exchange of

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<sup>4</sup> *Ośrodki innowacji i przedsiębiorczości w Polsce – Raport*, Instytut Ekonomii Uniwersytetu Łódzkiego, SOOIP, Łódź–Poznań 2004.

<sup>5</sup> *Kierunki zwiększania innowacyjności gospodarki na lata 2007–2013*, The Ministry of the Economy, Warszawa, 19 August 2006, p. 29.

information with other foreign institutions, but there is still lack of bilateral or multilateral programmes on innovation.<sup>6</sup>

As we can see the Polish innovation policy is not the perfect one and possesses many shortcomings. The following recommendations to improve Poland's innovation policy mix have been proposed: strengthen the science and technology base, focus on excellence and critical mass; improve the incentives for business R&D and innovation; foster industry – science linkages; strengthen human resources for science and technology; improve the governance of the innovation system.<sup>7</sup>

### **The European Union innovation Policy in services**

Due to the importance of services for the economic growth of developed countries, the EU decided to design a policy that would promote innovation in the service sector.

This is not a simple task, as the service sector itself is highly heterogeneous. Another source of difficulty is the problem of how to separate production from services. Until recently, there was no way to measure – and therefore to manage – innovation in the service sector (as it is impossible to manage something that cannot be measured). The European Innovation Scoreboard (EIS), which has been perfected over the past 8 years and which plays an important role in comparisons of innovation in various EU countries as well as globally, makes no distinction between products and services.

The first report on innovation in the European business services industry appeared in 2006. The authors of the report defined new indicators, which are more appropriate for measuring innovation in service sectors. The SSII (Service Sector Innovation Index) is available for 25 EU member countries, as well as for Bulgaria, Romania and Norway.<sup>8</sup> The SSII required a new approach to the measurement of innovation. Only 4 out of the selected 24 indicators have been retained from EIS in an unchanged form. The 24 indicators cover seven areas:

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<sup>6</sup> J. Walendowski, M. Miedziński, *op. cit.*, p. 11.

<sup>7</sup> *Policy Mix For Innovation in Poland – Key Issues and Policy Recommendations*, Directorate for Science, Technology and Industry, Warszawa 2007, p. 4.

<sup>8</sup> M. Kanerva, H. Hollanders, A. Arundel, *Trendchart Report: Can we Measure and Compare Innovation in Services?*, Maastricht Economic Research Institute on Innovation and Technology, 2006.

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human resources, demand for innovation, technical expertise, non-technological change (e.g. organizational innovation), sources of knowledge, commercialisation and intellectual property.<sup>9</sup>

The availability of indicators designed exclusively to measure innovation in services must be considered an important step towards developing a policy that would support innovation in the service sector. The indicators need more work, but they already provide an important management tool.

Other important components of an EU policy to support innovation include the assessment of the current level of innovation in the service sector, the formulation of conclusions concerning necessary adjustments and the proposal of a comprehensive strategy to promote innovation in the service sector.

The strategy is based on four elements:

- the need to better understand the specificities of innovation in services,
- the need to support all forms of innovation, not only technological innovation,
- the need to develop specific support mechanisms for innovative services with growth potential,
- the need to foster trans-national cooperation on “better policies” in support of innovation in services in Europe.<sup>10</sup>

### **The role of services in Poland’s innovation policy**

Polish innovation policy is conditioned by development guidelines adopted by the European Commission. However, as with any member country, the economic conditions peculiar to Poland are superimposed on general EU policy guidelines.

As yet, Poland cannot boast of any great achievements in service innovation.

Polish regulations concerning innovation are also deficient in comparison to EU status quo. The 2006 document (“Directives for increasing innovation in the economy during 2007–2013”) evaluating the level of innovation in the Polish economy and formulating policy recommendations fails to accord

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<sup>9</sup> *Innovation: In Your Offer, in Service*, [http:// cordis.europa.eu](http://cordis.europa.eu), 19.7.2011.

<sup>10</sup> *Commission Staff Working Document, Towards a European Strategy in Support of Innovation in Services: Challenges and Key Issues for Future Action*, Commission of the European Communities, Brussels, 2007.

services a prominent place. It does mention services, but only en passant, as it were. There is no separate section devoted to services. The same is true of another document, namely “The Operational Programme Innovative Economy”. Services are again relegated to the background entirely.

While this treatment of services does not eliminate solutions in this sector of the economy that might stimulate innovations, it also does nothing to foster them. Key documents devoted to innovation in Poland fail to highlight the importance of services in an innovative economy. Under such circumstances, one can hardly expect entrepreneurs working in the service sector to feel encouraged to implement innovative solutions.

### **Effectiveness of innovation support in the assessment of Polish entrepreneurs in the service industry<sup>11</sup>**

To see how Polish entrepreneurs in the service industry evaluate measures to support innovation, a two-part survey was carried out in late 2008 and early 2009. Twenty-two respondents — including 10 representatives of SMEs, 2 representatives of large companies and 10 persons working for consulting companies, consultants to European funds, members of research and technology parks, business associations and organisations or institutes that issue certificates of innovation in connection with EU projects — were interviewed in detail.

A quantitative empirical study (by means of a questionnaire) was conducted among 80 entrepreneurs working in the service industry in Poland. The composition of the sample used in the survey is shown in figure 1.

### **Advantages of the current system of grants**

Respondents mentioned the following advantages of the existing system of innovation support:

- a) establishment of cooperation between institutions responsible for the distribution of EU funds and banks, and the growing tendency to simplify the required documentation, which helps eliminate the need to create a “double business plan” (one for the funding institution, and one for the bank, for the purpose of creditworthiness assessment);

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<sup>11</sup> A. Laskowska-Rutkowska, M. Szymański, *Analizy w zakresie działalności innowacyjnej w sektorze usług, zlecenie Departamentu Rozwoju Ministerstw Gospodarki*, Warszawa 2008.

- b) proliferation of preselection, which significantly accelerates the process of learning whether a company or project is eligible for support;
- c) gradual implementation of plans to reduce the amount of documentation required at the preselection stage;
- d) the criteria used to evaluate applications have become more objective;
- e) cross-financing, which allows for subsidisation (in part — up to 10 percent) of “soft” investments with money granted for “hard” projects (and vice versa);
- f) obvious benefits for the entrepreneur who receives a subsidy.

However, it should be noted that a large proportion of SME respondents (in the case of some issues — more than half) did not mention these benefits. This might mean that these opportunities are not known to them and, therefore, that they do not take advantage of the full potential of the system in running their businesses. On the other hand, those entrepreneurs who were acquainted with these issues were almost unanimous in their positive attitude towards such measures, which demonstrates the great practical value of these opportunities.

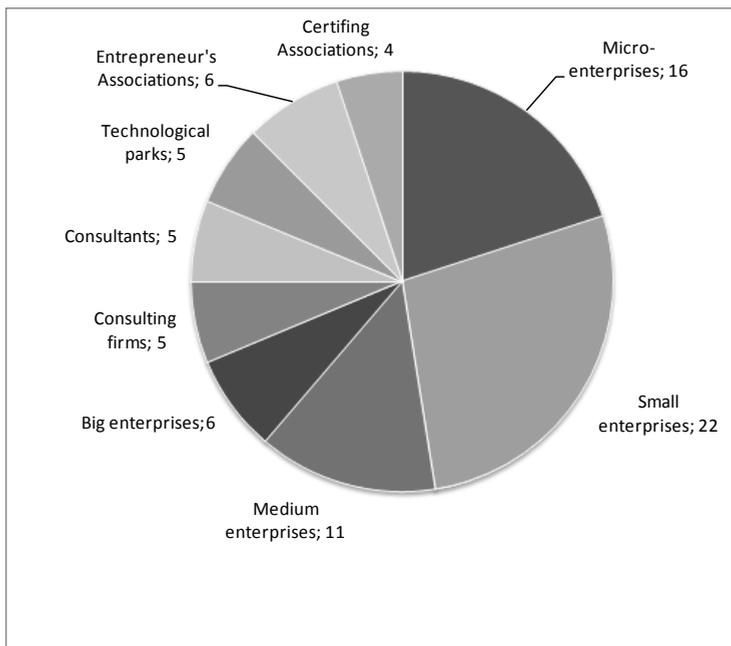


Fig. 1. The composition of the respondent group used in the survey

Source: A. Laskowska-Rutkowska, M. Szymański, *op. cit.*

### **Disadvantages of the current system of grants**

Respondents mentioned the following disadvantages of many programmes, including the Innovative Business Operating Programme (PO IG):

- the requirement (still enforced) to provide extensive documentation, even at the preselection stage (30 percent of respondents mentioned this issue),
- different procedures and criteria for the evaluation of applications used in different programmes. An entrepreneur who wants to apply for funding under several programmes will likely have to prepare full, complex documentation, even in several versions and with separate sets of documents,
- the fact that several assistance programmes (again, PO IG is a typical example) require very high project valuations, running into millions of zlotys. For most SMEs, this amount is much too high, even with a bank loan — which, moreover, many businesses cannot take due to their insufficient creditworthiness,
- no provision for advance payments,
- the fact that, having made the investment, the entrepreneur is not allowed (without returning the subsidy) to abandon the project or to change its goal or scope and, after completing the project, to close down the business for three or five years (depending on the size of the company),
- the vexing (though probably unavoidable) requirement to keep project documentation, which may at any moment be reviewed by authorised institutions,
- the fact that the investment must not be started before the application is submitted — which often impacts the timing of various investment activities.

Thus, the improvements that have been announced have been implemented only in part. The system designed to support innovation is not entirely clear and it raises a number of problems as to the correct interpretation of various provisions (e.g., the question which programme a given project should be assigned to). At the same time, institutions with decision-making powers introduce various amendments (such as the replacement in the Lubuskie province of disbursement of money in advance by reimbursement), which clearly indicates that the system under discussion is not fully effective.

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**Assessment of cooperation between the service industry and research institutions**

1. Cooperation between science and business is one of the basic problems facing innovation in Polish enterprises. There is a general lack of trust in research — although it is an indispensable element in investment ventures of this kind. While consultants advising EU funds who participated in the survey pointed to examples of excellent cooperation between R&D and businesses, they stressed that research institutions should be encouraged to promote their services more actively.
2. The survey has shown that although the importance of education is well appreciated in Poland, the right conditions for generating and applying new knowledge have not been put in place. This may cause continued outflow of highly educated individuals from the country.

Entrepreneurs often fail to see R&D as a source of innovation in the service industry. Micro enterprises and small businesses usually lack their own R&D resources and do not purchase new solutions from other institutions.

Even though research and development activity plays a key role in securing approval for a funding application, only a tiny proportion of companies engage in this kind of cooperation. High risk of investment failure is one of the main factors hindering investment in new technologies, particularly in the form of research and development. This is exacerbated by the high cost of commissioned research, while a small company certainly cannot maintain its own R&D department (this would require large outlays a long time before potential payoff).

Respondents representing technology parks also highlighted the difficulties in communication stemming from different understanding of terminology and economic processes and patterns, as well as the lack of familiarity with research among entrepreneurs on the one hand, and imperfect understanding of SMEs by researchers on the other. Studies indicate that only a tiny percentage of businesses cooperate with research and development institutions.

Nevertheless, innovation in Poland is highly dynamic and outlays on research and development are also increasing, which promises to narrow the economic gap between Poland and other EU countries.

### **The utilisation of EU funds for investment in innovation**

Reluctance to engage in innovation is often caused by the lack of funds that could be used for this purpose. Research has shown that the smaller the company (this is especially true of the micro and small business sectors), the greater the likelihood that it finances research and development with its own funds. Only 22% of companies take out commercial loans; moreover, this figure is much higher for medium-sized businesses than for micro enterprises. Only 2% of companies use public funds; the same is true of loan funds. More importantly, a relatively larger number of medium-sized businesses benefit from public credit, such as technology loans and grants.

This is also true of EU funding for enterprises. However, it is not the only problem. Other important hurdles that companies must overcome include:

- obtaining exhaustive information about the funds — while this information is scattered over a number of websites,
- imperfect translations of some EU documents — without a good command of English it may be difficult to become fully acquainted with the support offered by the European Union,
- the lack of an easy way to find out whether a given company and its investment projects are eligible for EU support,
- the requirement to form groups (consortia) for the purpose of project implementation.

All these barriers stand in the way of the full utilisation of EU financial assistance by Polish businesses. However, in the opinion of five out of six respondents (professionals in this field, consultants, advisers and representatives of companies that issue certificates), this situation should improve due to the following measures: a wide range of preferential forms of project financing; opportunities for networking with international partners; access to innovative research results.

### **The main barriers to innovation in the service industry)**

The study shows that entrepreneurs see the lack of funds as one of the main reasons why they fail to introduce innovations in their companies (in the survey, 35% of respondents mentioned this problem, out of which 20% mentioned it at the top of the list; for the in-depth interview, these figures were

40% and 20% respectively). The lack of qualified staff was mentioned further down the list (survey — 10% of all responses, 5% at the top of the list; interview — 30% and 15% respectively); it is worth noting that the respondents who were interviewed — and who were better acquainted with the issues surrounding innovation — mentioned this problem much more often than respondents who only filled out the questionnaire.

Respondents mentioned financial factors as the main barriers to investment. Insufficient capital for innovation, difficulties in securing outside financing and the high costs of implementation of innovative solutions were seen as the main obstacles faced by businesses (33% of respondents in the survey and 35% of respondents who were interviewed mentioned this problem at the top of the list). The mistaken belief that the market does not demand innovation, as well as the high risk of failure were also among the factors that had a negative impact on investment in organisations participating in the survey. Companies often decide against investment in innovation because they believe that they do not have sufficient financial resources to implement innovative solutions; that they lack competence to create an investment plan and to assess risk; finally, they do not perceive any need to invest in this area.

Other barriers worth mentioning include adverse legal and fiscal regulations — these were indicated significantly more often by the respondents who were interviewed than by those who filled out the questionnaire.

In 2005, entrepreneurs gave similar reasons for deciding against bringing innovations to their companies.<sup>12</sup>

This means that attitudes towards innovation among entrepreneurs have not changed significantly in the recent years — perhaps indicating that the quality, scope and persuasiveness of innovation promotion have not been very high.

## **Conclusions**

There are still many imperfections in Poland's innovation policy in the service sector. However the legislators are trying to fulfil the gap between the European Commission recommendations towards innovation policy in services and Poland's current innovation policy. In the last time some researches and

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<sup>12</sup> A. Żołnierski, *Potencjał innowacyjny polskich małych i średniej wielkości przedsiębiorstw*, Warszawa 2005.

assessments concerning innovations in Polish service sector have been conducted to the legislator's institution's commission.

The typology of systemic failures, described in "Thematic report for the Expert Group on Innovation in Services"<sup>13</sup> could be helpful to examine the reasons of poor results of Poland's innovation policy in services. There are four groups of failures:

- capability failures: inadequacies in potential innovator's ability to act in their own best interest,
- failures in institutions: failure to (re)configure institutions so that they work effectively within the innovation system,
- network failures: failures related to the interactions among actors in the innovation system,
- framework failures: failures in the regulatory frameworks, health and safety rules, etc., as well as other background conditions, such as the sophistication of consumer demand, wider culture and social values.

## **EFEKTYWNOŚĆ POLSKIEJ POLITYKI PROINNOWACYJNEJ W SEKTORZE USŁUG**

### **Streszczenie**

W artykule poruszono kwestie związane z polską i unijną polityką proinnowacyjną w sektorze usług. Artykuł zawiera także ocenę instrumentów wspierania innowacyjności na przełomie 2008 i 2009 roku. Opinie wyłoniono na podstawie badania, w którym udział wzięła grupa 22 osób: dziesięciu przedstawicieli MSP, dwóch reprezentantów dużych firm, a także dziesięć osób z firm doradczych, konsultantów funduszy europejskich, członków naukowych parków technologicznych, stowarzyszeń i organizacji skupiających przedsiębiorców, organizacji i instytutów wystawiających firmom certyfikaty innowacyjności na potrzeby projektów unijnych. W artykule omówiono ponadto wady obecnego systemu przyznawania dotacji, współpracę sektora usługowego z jednostkami naukowymi, stopień wykorzystywania funduszy

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<sup>13</sup> *Fostering Service Innovation. The Role of Research. Thematic Report for the Expert Group on Innovation in Services. Dialogic Innovative & Interactie*, Utrecht 2006, p. 17.

Unii Europejskiej w inwestowaniu w innowacje oraz główne przeszkody utrudniające przedsiębiorcom działającym w sektorze usług wprowadzenie innowacyjnych rozwiązań.



TOMASZ NOREK

*University of Szczecin*

**INNOVATION AUDIT AS A TOOL OF CONSTRUCTION AND  
EVALUATION OF INNOVATIVE POTENTIAL OF THE COMPANY.  
RESULTS OF EMPIRICAL STUDIES**

The article presents a platform of innovation audit and the results of the innovativeness studies of companies from the Western Pomeranian region obtained by means of it. Particular attention is devoted to those aspects of innovation audit that are used for building and evaluation of the innovative potential of companies.

Innovation audit platform is a research tool developed by the employees of the Department of Innovation Effectiveness of the Faculty of Management and Economics of Services at the University of Szczecin. The article uses selected results of empirical studies carried out by the Department of Innovation Effectiveness of the Faculty of Management at the University in the period from January to September 2010.

**Introduction**

In the opinion of a classic of management, P.F. Drucker, there are only two basic functions of an enterprise that bring income, namely innovations and marketing.<sup>1</sup>

The importance of using modern marketing concepts in contemporary management is commonly known and accepted. Unfortunately, still relatively few companies, especially from the SME sector, notice the importance of

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<sup>1</sup> P. Drucker, *Innowacja i przedsiębiorczość*. Praktyka i zasady, Warszawa 1992, p. 52.

innovativeness as the basic source of progress. It is confirmed by a lot of research carried out among Polish companies.<sup>2</sup>

Internal and external determinants shaping innovativeness of enterprises are widely described in economic literature.<sup>3</sup> Nonetheless, one of the most important problems of contemporary economy is the problem of measuring and evaluation of innovativeness of enterprises. The issue of measuring the innovativeness of enterprises – scope and methodology of this measurement – is also widely discussed, both in academic circles and among practitioners. These discussions are reflected in a number of publications putting in order and systematizing the issue (e.g.: Oslo Manual, Principles of gathering and interpretation of data concerning innovativeness, 2005) or suggesting new methodologies of measuring the innovativeness of enterprises.<sup>4</sup> In the opinion of the Author of this article, the second group of publications deserves special attention since it provides many modern research tools in the problematic area.

An in-depth analysis of the problem indicates that a large part of factors substantially affecting the innovative potential of enterprises is difficult to measure or non-quantificational. An additional problem is the weakness of the systems monitoring the innovative potential of companies in the regional scale, which results in poor availability, quality and quantity of source data describing the condition of innovativeness of the region's companies.

Such a situation involves the following negative consequences:

- information related to innovativeness of the companies operating the region is incomplete, inconsistent, dispersed and often contradictory,
- information is made available with a significant delay,
- there are many difficulties in comparing the innovative potential of companies,

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<sup>2</sup> Comp. A. Żoźnierski, *Potencjał innowacyjny polskich małych i średniej wielkości przedsiębiorstw*, PARP, Warszawa 2005; *Innowacyjność w Polsce w ujęciu regionalnym: nowe teorie, rola funduszy unijnych i klastrów*, ed. S. Pangis-Kania, K. Piech, Instytut Wiedzy i Innowacji, Warszawa, 2008; *Zdolności innowacyjne polskich regionów*, ed. A. Nowakowska Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2009.

<sup>3</sup> Comp. M. Brzozowski, J. Siwińska-Gorzela, D. Milczarek, P. Gierłatowski, *Innowacje i Konkurencyjność*, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa 2005; W. Janasz, K. Kozioł, *Determinanty działalności innowacyjnej przedsiębiorstw*, PWE, Warszawa 2007; M. Raynot, C. Christense, *Innowacje. Napęd wzrostu*, EMKA, Warszawa 2008.

<sup>4</sup> Comp. M. Kanerva, H. Hollanders, A. Arundel, *Can We Measure and Compare Innovations in Services*, MERIT, Maastricht 2008; M. Koszarek, M. Rybacka, S. Szultka, R. Wawrzyńczak, R. Pasternak, K. Flaht, *Badanie innowacyjności sektora usługowego*, PARP, Warszawa 2008.

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- there are many difficulties in comparing, analyzing and evaluation of the dynamics of changes in the innovative potential of enterprises for subsequent time periods.

The above difficulties make us constantly search for new solutions with regard to research and evaluation of the innovativeness of enterprises and their innovative potential.

One of the solutions to the aforementioned problems (in particular with regard to regular gathering of consistent, comparable data) may be innovation audit based on modern IT solutions (in the described case – based on an Internet audit platform).

Such a solution may be a perfect tool of evaluation of a company's innovativeness and innovative potential. It may be a tool providing information for evaluation of innovative activities currently carried out by companies. Thanks to the possibility of regular gathering key information concerning innovativeness, it may also be a stimulator of construction and improvement of the strategy with regard to the company's innovativeness.

The purpose of this article is to present an innovation audit platform and to show selected results of studying the innovativeness of enterprises from the Western Pomeranian region obtained by means of it. Innovativeness audit platform is a research tool developed by the employees of the Department of Innovation Effectiveness of the Faculty of Management and Economics of Services at the University of Szczecin. The article uses selected results of empirical studies carried out by the Department of Innovation Effectiveness of the Faculty of Management at the University.

### **Innovation audit of companies in Western Pomeranian Region**

Effective course of the innovative process in a company (usually under the adopted strategy of innovativeness) requires continuous analysis, the results of which enable making reliable effective management decisions. This analysis should have particular stages of the innovative process implemented in a company: identification of the company's problems with regard to innovativeness, preparation of ideas, development of programs and projects in the area of innovations, conducting research on innovative products and services or, eventually, evaluation of acceptance of new solutions by clients and other shareholders.

Innovation audit described in the present article is conducted by using a research survey containing 43 questions. The questions are divided into eight categories – which corresponds to the stages of the innovative process in the company. This methodology of research is consistent with the path of implementing the innovative process, commonly described in the subject literature.<sup>5</sup>

The structure of innovation audit corresponds to the analysis of subsequent phases of the implementation process of innovative projects, starting from the analysis of the entity's situation and environment, through efficient searching for new ideas, accurate estimation of future results, obtaining the sources of financing, to successful and effective implementation of initiatives along with necessary control of their products and results. Filling in the survey enables automatic generation of a report summing up the research, along with anonymous comparison of the company's condition as compared to other entities in accordance with the selected criteria of choosing the background for comparisons.

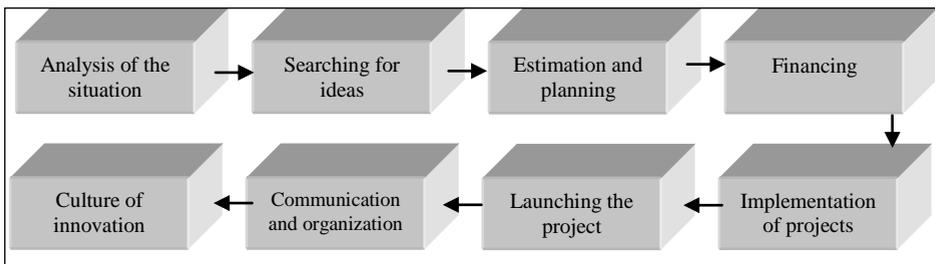


Fig. 1. Scheme of studying the company's innovativeness under the innovation audit

Source: prepared by the author.

The platform was started on the server of the Faculty of Management and Economics of Services.<sup>6</sup>

<sup>5</sup> Comp. P. Niedzielski, *Zarządzanie innowacjami w przedsiębiorstwach usługowych*, in: *Przedsiębiorstwo usługowe. Zarządzanie*, ed. B. Filipiak i A. Panasiuk, Wydawnictwo Naukowe PWN, Warszawa 2008, p. 240 or D. Vahs, R. Burmester, *Innovationsmanagement, Von der Produktidee zur erfolgreichen Vermarktung*, Schäffer Poeschel, Verlag Stuttgart 2003, p. 144.

<sup>6</sup> The platform is available on the website [www.ai.wzieu.pl](http://www.ai.wzieu.pl). Detailed information on the Innovation Audit platform can be found, among others, in the report by: P. Niedzielski, W. Downar, M. Skweres-Kuchta, *Innovation Audit, Report on Pilot Research*, Szczecin 2010.

## Innovation audit of companies in the Western Pomeranian Region

This article will present the results of studies implemented by means of the described audit platform in the period from January to September 2010. In accordance with the subject of the article and taking into account the nature and limited volume of the publication, one will also present only selected results of the conducted research. Particular attention is devoted to those aspects of innovation audit that are used for building and evaluation of the innovative potential of companies.

The study covered 312 randomly selected companies with their seats in the Western Pomerania province.

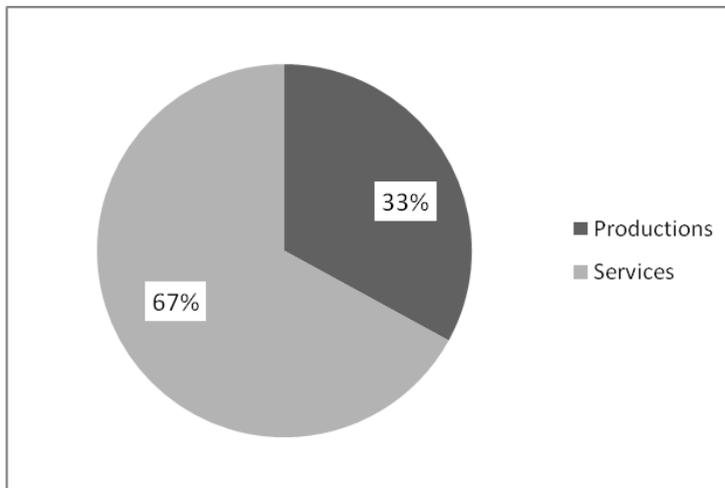


Fig. 2. Type structure of the research sample

Source: prepared by the author.

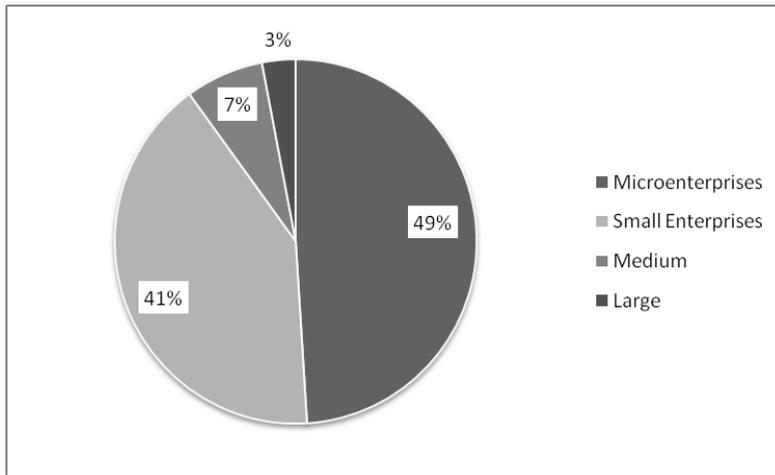


Fig. 3. Size of the research sample

Source: prepared by the author.

The companies that participated in the research represent various trades divided into the sector of services – 67% of the surveyed entities and companies from the production sector – 33%. Size structure of the examined companies looked as follows: the dominant group were small enterprises – 49%, the subsequent one are micro-enterprises – 41%, the number of medium and large enterprises was relatively close and oscillated within the range of 10%. In the audited sample as much as 86% of the examined entities implemented their operations in municipal areas.

The basic analysis, according to the methodology assumed in the course of research, refers to the general evaluation of the innovativeness climate in the examined company. This allows to evaluate the general approach of companies to the problem of innovativeness and the possible degree of involvement in the implementation of innovative projects.

The analysis of this category indicates that the dominant group of companies are entities evaluating this climate as average or good – 62% (as more optimistic ones we may consider production companies – 67% entities, while service companies – 59%). Assessment on a very good level is observed for production and services-oriented companies at a similar level: 15 and 14%, respectively.

The climate of innovativeness is regarded as very bad in 8% of the examined companies, more often in the case of services-oriented companies: 9%. The results obtained in this area are presented graphically on figure no. 4.

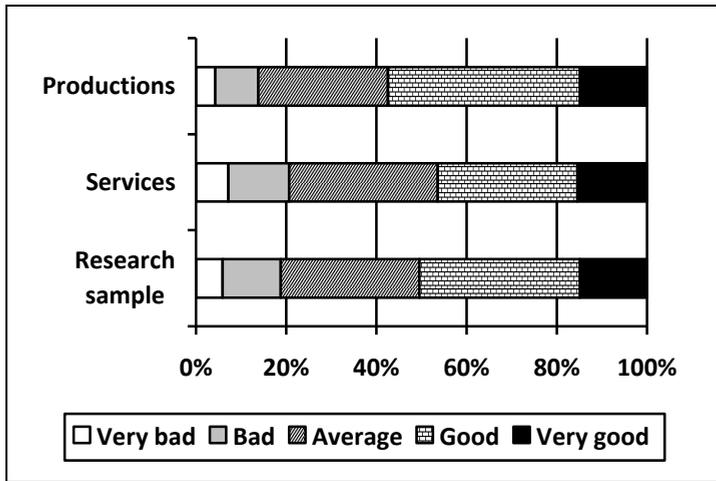


Fig. 4. Assessment of the innovativeness climate in the examined companies

Source: prepared by the author.

Another presented section of research is the specification of information concerning the evaluation of effects of the conducted innovative operations of companies.

The level of the company's innovativeness is defined as a share of the number of new products and services over the period of the last three years, regardless of whether they are successful on the market or not.

The notion of “*success ratio*” includes the share of new products and services over the last five years which, after implementation, gained market approval (this aspect was also the subject of detailed studies).

This evaluation is supplemented by indicators concerning relations of revenue and profit from sale of new products and services to total turnover of the company over the period of the last three years. Distinctive companies in this respect are the ones for which the value of the aforementioned indicators exceeded the level of 30%. In the research methodology one assumed that if these indicators oscillate within the range of 1%, the examined entity is in the weakest group of companies.

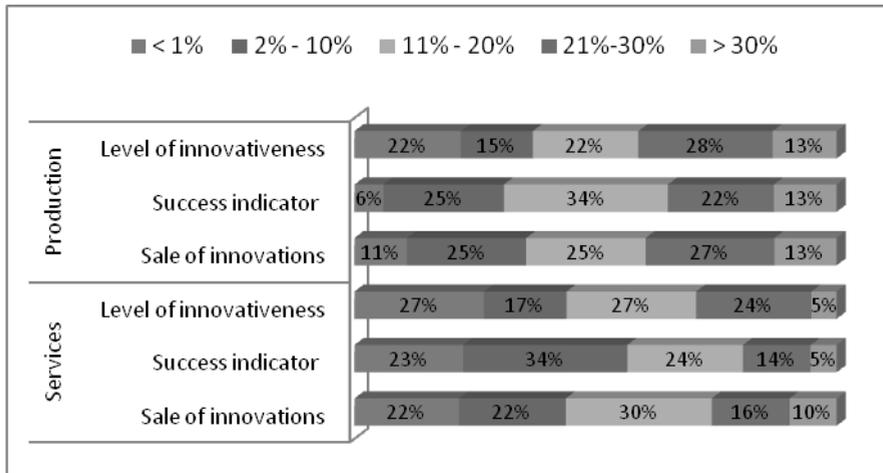


Fig. 5. Evaluation of effectiveness of innovative activities

Source: prepared by the author.

Analyzing the above area of data with the division of results for the sector of production and services, one should note that in the production sector all three indicators: level of innovativeness, success indicator and sale of innovations, reach a level definitely higher than among services-oriented entities. This means that hard innovations are definitely better received by the market.

Certain supplement for the above reasoning is the information with regard to acceptance by the market in respect of the new offer and consequences of its introduction in the form of entering a new area of operations. Most customers accepted new products or services of the examined companies, however, these innovations were identical to entering into the new area of the company's operations only in 9%.

The evaluated aspect of innovative customers acceptance as well as the issue of diffusion of these innovations show high diversity with regard to the sector of services and production – detailed results of research are presented graphically in figure 6.

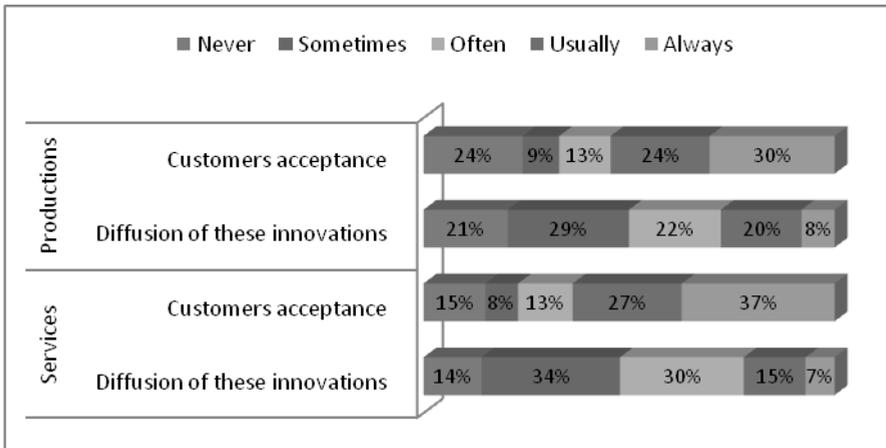


Fig. 6. Assessment of market acceptance of introduced innovations and their diffusion  
Source: own study.

The obtained results also provide the possibility of collective assessment of particular stages of implementation of innovative processes in the examined companies. In order to indicate the most effectively completed stages of this process among the examined companies, one completed a point-based evaluation of the provided answers (in the scale of 1–5 points), and the results were subsequently averaged for the whole sample and with division into the sector of production and services. Figure 7 graphically presents the results of analysis of particular stages of the innovation process.

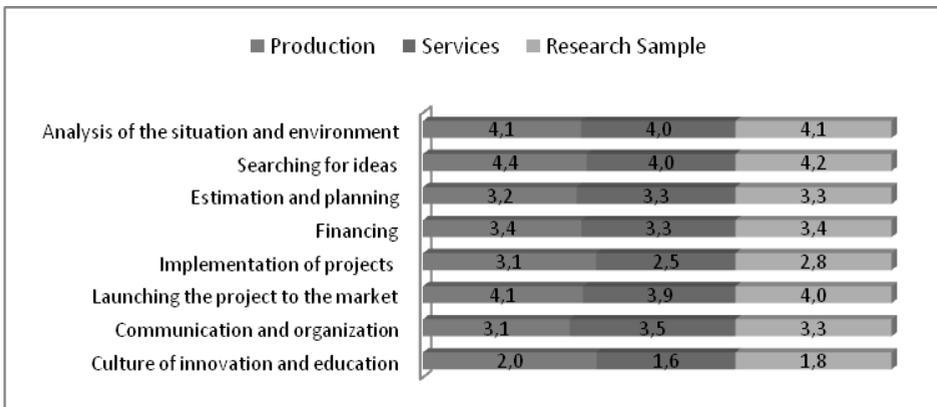


Fig. 7. Assessment of particular stages of the innovation process implemented by the examined companies  
Source: prepared by the author.

As the weakest link the examined entrepreneurs regard the culture of innovation in their companies – this applies both to the companies from the

sector of services and production. Operations involving implementation and control of the implemented innovative projects and their financing was also assessed relatively low.

The examined companies best evaluate the stage of looking for ideas and the analysis of the situation and environment, which may indicate high innovative potential of companies from the region of the Western Pomerania. Similar evaluations for production companies were obtained for the stages of implementation and control of projects as well as communication and organization of operations. A highly evaluated stage was the stage of launching the created innovations onto the market, which indicates the importance that the companies attach to the introduction of new products and services to the market (which is often related to the hope to increase profit).

Generally, one can also state that self-assessment of production sector companies is generally higher than self-assessment of services-oriented entities.

Very interesting information is provided by the analysis of the area related to financing innovative activities in companies.

Although management bodies of the examined companies are relatively well informed about the possibility of acquisition of funds for innovative operations (the answers “often” and “yes” were given for 44% of production companies and services for 41% of services-oriented companies, while only in the case of 8% of production companies and 11% of services-oriented companies it was stated that management has no such knowledge), most companies do not have budgets for the development of innovations (50% of production companies and 40% of services-oriented companies have no budget for the development of innovations) or these budgets are insufficient (64% of production companies and 54% of services-oriented companies).

Analysis and evaluation of this area indicates that it is the lack of funds that is the main barrier in the development of innovativeness in the examined companies.

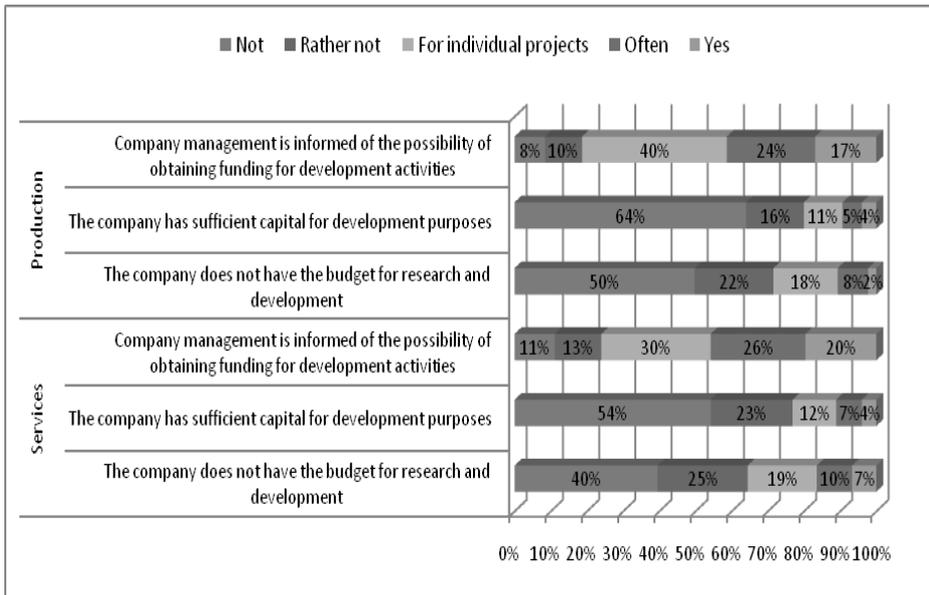


Fig. 8. Financing of innovative operations in a company

Source: prepared by the author.

Another important area subject to the study is profit from sales of innovative goods and services. The analysis of this area indicates that the sale of 4% of goods and services (classified by the examined companies as innovative) brings significant profits to the examined companies – over 30% of total profit. On the other hand, almost a half of the sale (48%) of innovative goods and services accounts for up to 20% of the profit. This may lead to the conclusion that innovations introduced to the market by the examined companies do not bring the anticipated level of profit.

The analysis also indicates that the sale of innovations introduced by production companies is more profitable.

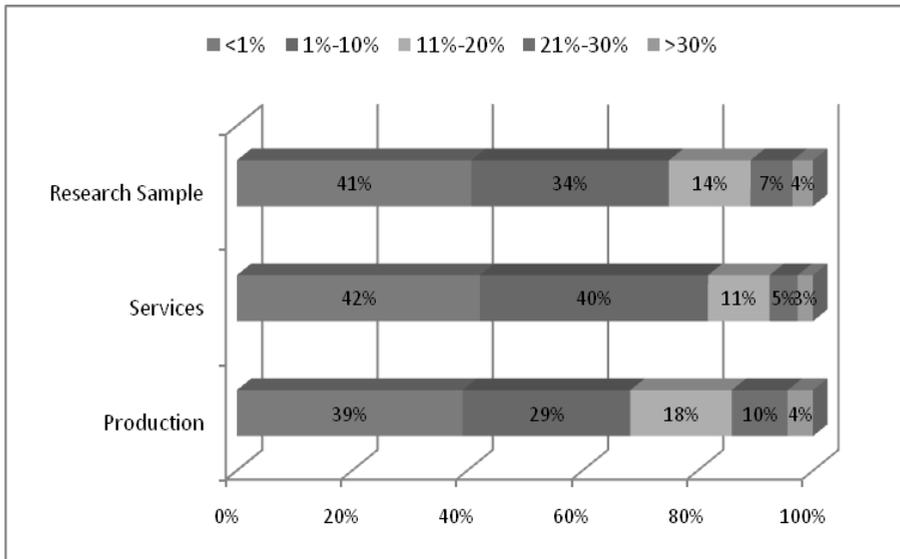


Fig. 9. Profit from sales of innovations

Source: prepared by the author.

When analyzing and evaluating this area, one should note that the exact distribution was not known (quantity and volumes of the sale of particular goods and services regarded by the company as innovative), which makes it impossible to conduct precise reasoning in this respect. Precise analysis of this area would require recording detailed data on the sales of particular goods.

## Conclusions

Innovation audit platform is an original and modern solution with regard to gathering and analyzing data concerning innovative activity of enterprises.

The first studies implemented by means of this tool show that this is a tool that may have a potentially strong influence on support of scientific research as well as support of the operations of enterprises interested in conducting precise evaluations of functioning of their operations in the area of innovativeness.

The most important advantages of the described innovation audit platform should include:

- general availability of the Internet platform,
- simplicity, clarity and free participation in the study,

- availability of the mechanism allowing to evaluate the dynamics of innovativeness changes in the company, since the audit can be performed in cycles,
- availability of the mechanism allowing to conduct benchmarking comparisons with other entities registered in the system.

An additional advantage of is the fact that innovativeness of a company may be perceived differently, depending on the responding entity (subjectivity of opinions) – thus, the tool allows to confront various positions and opinions on the development of the company's innovativeness, which may positively affect the shaping the company's innovative strategy.

## **AUDYT INNOWACYJNOŚCI JAKO NARZĘDZIE BUDOWY I OCENY POTENCJAŁU INNOWACYJNEGO PRZEDSIĘBIORSTWA. WYNIKI BADAŃ EMPIRYCZNYCH**

### **Streszczenie**

W artykule zaprezentowano platformę audytu innowacyjności oraz uzyskane dzięki niej wyniki badań innowacyjności przedsiębiorstw regionu zachodniopomorskiego. Szczególną uwagę poświęcono tym aspektom audytu innowacyjności, które służą budowaniu i ocenie potencjału innowacyjnego przedsiębiorstw.

Platforma audytu innowacyjność jest narzędziem badawczym stworzonym przez pracowników Katedry Efektywności Innowacji Wydziału Zarządzania i Ekonomiki Usług Uniwersytetu Szczecińskiego. W artykule wykorzystano wybrane wyniki badań empirycznych przeprowadzonych przez Katedrę Efektywności Innowacji Wydziału Zarządzania Uniwersytetu w okresie od stycznia do września 2010 roku.



AGNIESZKA WOJTCZUK-TUREK

*Warsaw School of Economics*

**ORGANIZATIONAL INNOVATIVE BEHAVIOURS – THE ROLE OF  
HUMAN CAPITAL IN CREATING ORGANIZATIONAL VALUE IN  
THE SECTOR OF SERVICES**

**Introduction**

A modern model of organization and value creation significantly differs from what the Industrial Revolution began with. Digitalization, communications and globalization influenced both the change in the nature of companies and the way in which values are created. Business transformation is supported by two main pillars: 1) value is based on exceptional, personalized consumer experience (concentration on individuals); 2) the stress is put on seeking access to resources (not basing on the ownership of resources), which will allow to satisfy the customers' needs in a given moment of time.<sup>1</sup> Abandonment of the paradigm of treating the consumer as a homogeneous group forms – in the opinion of the authors – “a step forward”.

What changes, then, is the very understanding of innovation – and, in the words of Prahalad and Krishnan – innovation is perceived as shaping of the customers' expectations, and also as a continuous reaction to the ever-changing expectations, behaviours and experiences. It is achievable via reaching for the

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<sup>1</sup> C.K. Prahalad, M.S. Krishnan, *Nowa era innowacji*, Wydawnictwa Profesjonalne PWN, Warszawa 2010, p. 15.

best talent and resources available anywhere worldwide. These two ideas must remain interconnected – the resources of the many to sustain the needs of an individual.<sup>2</sup>

Implementation of such a new approach (to create the values basing on personalized customer's experience and not on the product) requires the companies, among others, to increase flexibility within business processes which are meant to reach the resources and to exploit them in an appropriate manner. The rise of innovation – reshaping of ideas into specific actions – is achieved by way of processes in which a significant role is played by social and technological architecture. The authors state that these processes should be related to appropriate qualifications, attitudes and orientations on the part of the managers. As Magretta stresses, a change in the process of creation of values for the company and the customer is expressed in the fact that creation of values is subject to information and ideas.<sup>3</sup> Therefore, an extremely important role in the company's innovativeness is played by **human capital**, and, in particular, the competence potential of its employees. Such a view is validated by the fact that modern innovative processes are characterized by interactivity and multidisciplinary, and that the innovations are conditioned by technological know-how and B+R activities only partly; in most cases they spring from experience, knowledge – especially managerial knowledge – and a general level of education.<sup>4</sup> Moreover, innovation may be treated in the categories of “learning”, as an effect of accumulation of knowledge used by the company. Knowledge forms a base for innovative creation of new values.

### **Specificity of value creation in the process of providing services – the role of human capital**

Creation of economic value by modern organizations is based, to a significant extent, on non-material resources, and a special role in this process is ascribed to human capital.<sup>5</sup> Value generation is a function of employees'

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<sup>2</sup> *Ibidem*, p. 12.

<sup>3</sup> J. Margetta, *Managing In the New Economy*, Harvard Business School Press, Boston 1999.

<sup>4</sup> E. Malicka, *Kompetencje menedżerów w kontekście przedsięwzięć innowacyjnych*, in: *Zarządzanie kompetencjami w organizacji*, ed. E. Mastyk-Musiał, Oficyna Wydawnicza WSM, Warszawa 2005.

<sup>5</sup> N. Bontis, J. Fitzenz, *Intellectual Capital ROI: a Causal Map of Human Capital Antecedents and Consequents*, “Journal of Intellectual Capital” 2002, Vol. 3, No. 3, pp. 223–247;

competences, attitudes and intellectual ability. The special generative potential of the human capital lies in a possibility to create knowledge which is a source of organizational innovation. Human capital is generally assumed to be the most significant element of the Intellectual Capital (IC).

Although intellectual capital became the main driving force behind value creation for all types of organizations, there is no systematic research as to whether there exist any fundamental differences in the ownership, management, creation and protection of IC of the service oriented companies as compared with product oriented companies.<sup>6</sup> In the light of analyses to date, it appears that service oriented companies have larger resources of human capital and “renewal capital”, and they focus to a larger degree on creation of intellectual capital. It has consequences for the way in which value is created in a company – such approach is diversified and business-dependent.

In the case of the service sector, the added value is created at the meeting point of organization and customer (in contact with the customer). On the other hand, in production sector the product is treated as a key element in the value chain. However – according to Prahalad and Krishnan – this characteristic is changing. The transformation lies in the fact that a company moves from selling the product to selling a service<sup>7</sup> (product becomes an integral part of a service, but its value is based on the service), which reshapes the relation with the client from transactional relationship towards service relationship.<sup>8</sup> There occurs a shift from approach to value creation focused on the product (e.g., tyres) to encompassing value creation on the basis of personalized experience (e.g., pricing which is based on the way tyres are used and the driver’s habits, which influence their wear).<sup>9</sup> A particular consumer becomes a “centre” of value

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P.N. Rastogi, *Knowledge Management and Intellectual Capital as a Paradigm of Value Creation*, “Human System Management” 2002, No. 21, pp. 229–240; K. Namasivayam, B. Denizci, *Human Capital in Service Organizations: Identifying Value Drivers*, “Journal of Intellectual Capital”, 2006, Vol. 7, No. 3, pp. 381–393; A. Kianto, P. Hurmelinna-Laukkanen, P. Ritala, *Intellectual Capital in Service- and Product-oriented Companies*, “Journal of Intellectual Capital” 2010, Vol. 11, No. 3, pp. 305–325.

<sup>6</sup> A. Kianto, P. Hurmelinna-Laukkanen, P. Ritala, *op. cit.*

<sup>7</sup> Services comprise an increasingly larger share of production activities in developed countries; to an extent which justifies using the term of a “service based economy”. This is why understanding the role of intellectual capital has, according to researchers of this domain, fundamental importance. H. Chesbrough, J. Spohrer, *A research manifesto for services science*, “Communication of the ACM” 2006, Vol. 49, No. 7, pp. 35–40.

<sup>8</sup> C.K. Prahalad, M.S. Krishnan, *op. cit.*

<sup>9</sup> *Ibidem*, p. 25.

creation and his personalized needs are fulfilled via employment of multiple resources. It forces the organization to function with increasing flexibility (e.g. facilitating regrouping of resources) in the process of value co-creation, jointly with the customer. According to Prahalad and Krishnan *such a co-creative character of involvement may enable the company to get to know its customers as participants of the value creation process*.<sup>10</sup>

Complexity of problems resulting from concentrating the attention on an individual customer, related to the situation of value creation in the process of providing services, requires the employees to possess not only high competence, but also an appropriate attitude – of respect for these requirements, of motivation for undertaking them, of presenting a wide array of diversified behaviours related to their implementation, and of willingness to learn.

Paying attention to individual competence in the process of providing services is important also because even if the value is created by processes which are invisible for the customer (e.g. in tourist products and services), the possibility to transfer these values by the front line employees is of critical significance for the organization.<sup>11</sup> The activities characteristic for the sector of services are: a close interaction between the supplier and the consumer, simultaneity of “production” and consumption in real time, multifaceted character of the created knowledge and exchange (heterogeneity), combining of knowledge into useful systems, exchange of processes and experience, a lack of possibility for preservation over time (e.g., permanence), using the creation of intellectual capital, transparency and elusiveness.<sup>12</sup>

Namasivayam and Denizci stress that service sector is particularly dependent on knowledge.<sup>13</sup> The knowledge employed in the process of providing services is generated in a continual manner, in the ongoing interaction with the consumers, global suppliers and partners. In the context of direct contact of an employee with a customer, a significant role is played by both personal competence and the knowledge related to the product. To a significant extent, however, the so called hidden knowledge<sup>14</sup> is required – knowledge

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<sup>10</sup> *Ibidem*, p. 123.

<sup>11</sup> K. Namasivayam, B. Denizci, *op. cit.*

<sup>12</sup> A. Kianto, P. Hurmelinna-Laukkanen, P. Ritala, *op. cit.*, p. 306.

<sup>13</sup> K. Namasivayam, B. Denizci, *op. cit.*

<sup>14</sup> Nonaka and Takeuchi employ a division into explicit knowledge and tacit knowledge. The former is expressed via formal language, and may be communicated or propagated by way of

about specific combinations of different elements, of possible substitutes and creation of novel elements of services – important to secure customer value.<sup>15</sup> It can be stated that reacting to individual needs of a customer, who co-creates value in the process of providing the service, requires the employee (e.g., a consultant) to face solving a problem which is open in nature, where it is not possible to employ earlier functioning algorithms. In a heuristic process of solution generation (creating a service for a customer basing it on his personalized experience), the employee will rely, to a significant extent, on hidden knowledge (which has individual character and is difficult to communicate intersubjectively), and which is used to create its new resources (in the process of turning hidden knowledge into open knowledge, and the other way round). To this sense, the solutions offered to the customer are of a novel – innovative – character, and the way in which the task is performed is similar to a creative process. Providing services (especially those with a high level of knowledge content, e.g., in a consulting process) is labour-intensive, it does not base on automatic activities, it requires working in real time, it requires significant knowledge, competence and a creative approach. That is why, as Namasivayam and Denizci stress, special attention should be paid in the service sector to such employee characteristics as creativity and emotional intelligence, which have a marked influence on the value perceived by the customers.<sup>16</sup>

### **Innovative behaviours in organization**

Particular generative potential of human capital lies in the possibility to create knowledge that becomes a source of organizational innovation. In the words of Teece, the assets of knowledge and/or products result from individual's experience and competence.<sup>17</sup> However, the structure of resources (physical, social) located in a company becomes significant when they are “transposed” into competence, which help generate knowledge products. From this point of view, creativity is especially important, as it forms a basis for

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hard data, universal rules, codified procedures. The latter is personalized, it is contained in an individual experience, covers personal convictions, attitudes, values, is related to skills, but also to intuition and individuals' values, see: I. Nonaka, H. Takeuchi, *Kreowanie wiedzy w organizacji*, Poltext, Warszawa 2000.

<sup>15</sup> K. Namasivayam, B. Denizci, *op. cit.*

<sup>16</sup> *Ibidem.*

<sup>17</sup> D.J. Teece, *Managing Intellectual Capital*, Oxford University Press, Oxford 2000.

innovative behaviours. Creativity<sup>18</sup> conditions the appearance of ideas which are novel, original, valuable; and, combined with the initiative, with motivational dispositions and competence in self-management, enable effective implementation of ideas. The literature on this subject stresses the connection between organizational innovation and its employees' creativity,<sup>19</sup> because value creation depends on information and ideas.

According to Amabile, appearance of creativity in an organization is related to employees' skills, which are contained in three main components of competence: specialist knowledge, creative abilities, motivation, which changes during various stages of the creative process.<sup>20</sup> Its role is crucial in the phase of initiating activity and in the first phase of problem solving, the creative abilities gain particular significance in the phase of solution generation. Specialized knowledge in a given field is employed in all stages of working on a problem.

Creativity, together with other competences, forms a basis for undertaking innovative behaviours by the employees. The category of "innovative behaviour",<sup>21</sup> which appears in the literature on the subject, comprises a multi-dimensional construct which applies to individual characteristics – the features, behaviours, objects. It is defined as all activities on the part of an individual which are directed at creation, presentation and effective implementation/usage of "novelties" at all organizational levels.<sup>22</sup> It is related to development of ideas regarding new products, technologies and administrative procedures which serve to improve the relations in the workplace and significantly increase their effectiveness.

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<sup>18</sup> It is oftentimes treated as a synonym to the notion of "artistic work". "Artistic work" is to be, however, treated as a narrower term than "creativity", as an activity that results in an effect in the form of a specific object. Creativity, on the other hand, is an activity whose result does not have to be a specific object, it does, however, possess its artistic quality, as it results, e.g., in an increase of competence in a given area (artistic work in the sense of its potential).

<sup>19</sup> J. Alves, M. J. Marques, I. Saur, P. Marques, *Creativity and Innovation through Multidisciplinary and Multisectoral Cooperation*, "Creativity and Innovation Management" 2007, Vol. 16, No. 1, pp. 27–34.

<sup>20</sup> T.M. Amabile, *A Model of Creativity and Innovation in Organizations*, "Research and Organizational Behavior" 1988, Vol. 10, 123–67.

<sup>21</sup> R.F. Kleysen, Ch.T. Street, *Toward a multi-dimensional measure of individual innovative behavior*, "Journal of Intellectual Capital" 2001, Vol. 2, No. 3, pp. 284–296; S.G. Scott, R.A. Bruce, *Determinants of innovative behavior: a path model of individual innovation in the workplace*, "Academy of Management Journal" 1994, Vol. 37, No. 3, pp. 580–607; A. Carmeli, R. Meitar, J. Weisberg, *Self-leadership and innovative behavior at work*, „International Journal of Manpower" 2006, Vol. 27, No. 1.

<sup>22</sup> R.F. Kleysen, Ch.T. Street, *op. cit.*, p. 285.

The other definitions stress the processuality of this type of behaviours and the fact that they include not only activities strictly related to creation of ideas, but also undertaking of activities which serve to promote it. These are the aspects to which other researchers pay attention, and they describe innovative behaviours as a multi-stage process within which an individual recognizes the problem, and then generates new (novel/original or adopted) ideas and solutions, promotes them and builds support for their realization, and, subsequently, works out a suitable prototype or model of using them for the benefit of the organization.<sup>23</sup>

In the light of the above definitions it may be stated that competence necessary to undertake and efficiently realize such behaviours goes beyond this which is usually associated with individual innovation, e.g. creative thinking or, more broadly, creativity. Innovative behaviour is a construct which comprises at least several dimensions. Analyses of various types of activities of creative nature conducted by Kleysen and Street<sup>24</sup> allowed to isolate 17 types of behaviours which comprise 5 main general factors. They include:

- a) opportunity exploration of innovations – treated as an opportunity to learn and find out more about them. Specific behaviours within this factor are related to paying attention to the source, looking for opportunities to innovate and gathering information about such possibilities;
- b) generativity<sup>25</sup> – related to the activities which serve the good of others and bring forth development and beneficial changes in the organization (for the employees, but also in the area of products, services and processes). It facilitates generation of ideas and solutions in accordance with possibilities, and generation of associations of ideas and information;
- c) formative investigation – is concerned with analysis and support for ideas, solutions, opinions. Characteristic activities comprise: formulating ideas and solutions, their testing and evaluation;

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<sup>23</sup> A. Carmeli, R. Meitar, J. Weisberg, *op. cit.*, p. 78; S.G. Scott, R.A. Bruce, *op. cit.*

<sup>24</sup> On the basis of an overview of the literature on the subject, the authors identified 289 types of activities related to creativity and innovation. Having eliminated the synonyms and these types of activities which coincide, their number was reduced to 24 groups. As a result, 17 types of behaviour were defined, further grouped into five factors, see: R.F. Kleysen, Ch.T. Street, *op. cit.*, 285–287.

<sup>25</sup> The term is refers to Erikson's concept of stages in psycho-social development, within which generativity (which forms the other pole of stagnation) comprises care for the future generations, for the good of society and the world.

- d) championing regards behaviours such as propagating and promoting, which are indispensable when carrying out potential ideas and solutions: mobilizing resources, persuading, social influence, negotiating, challenging and risk-taking.

The above described activities comprising the innovative behaviour require the employee to have at his or her disposal a number of professional competences and personal ones (including such specific competences as, e.g., creativity and non-specific ones, as e.g., self-management). However, it is necessary to stress that every behaviour on the part of an employee (including the innovative ones) is displayed in a given context and within given organizational conditions (e.g., the management style, motivational systems), which may stimulate the expressions of certain reactions, or may suppress them. This is why creation of a model of innovative behaviours needs to have interactive character and to take into consideration the systems which exist in the organization and which influence them.

When analyzing the determinants of innovative behaviours in a workplace, Scott and Bruce proposed a model which relates to the interaction of four systems: individual, leader, team work and climate for innovation.<sup>26</sup>

In the context of employee's individual attributes which form a basis for innovative behaviour, the authors mention the factors of the cognitive style. It determines the way problems are created and solved. In the aspect of various styles of creation or activity in the process of problem solving, it is worth mentioning Kitron's proposal. He introduced a division into an adaptor and an innovator. An innovator is characterised by high originality, is oriented towards implementation of changes and seeking new solutions, but also presents lower regularity, fluctuating effectiveness and lack of discipline. His attitude towards problems to be solved is active (he defines a problem), he functions well in ambiguous situations, shows a tendency towards breaking group norms. An adaptor, on the other hand, is characterized as precise, disciplined and systematic. When solving problems, he uses well-tried methods. He is predisposed to "improve" while respecting the rules. His social behaviour is directed at co-operation. The styles of activities characteristic for an adaptor and an innovator, described above, present two different orientations: *perfecting* ("to act even better") and *changing* ("to act differently"), and two different styles of

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<sup>26</sup> S.G. Scott, R.A. Bruce, *op. cit.*, p. 582.

functioning while solving problems: 1) organized, sequential, logical; 2) intuitive (with the participation of subconscious processes).<sup>27</sup>

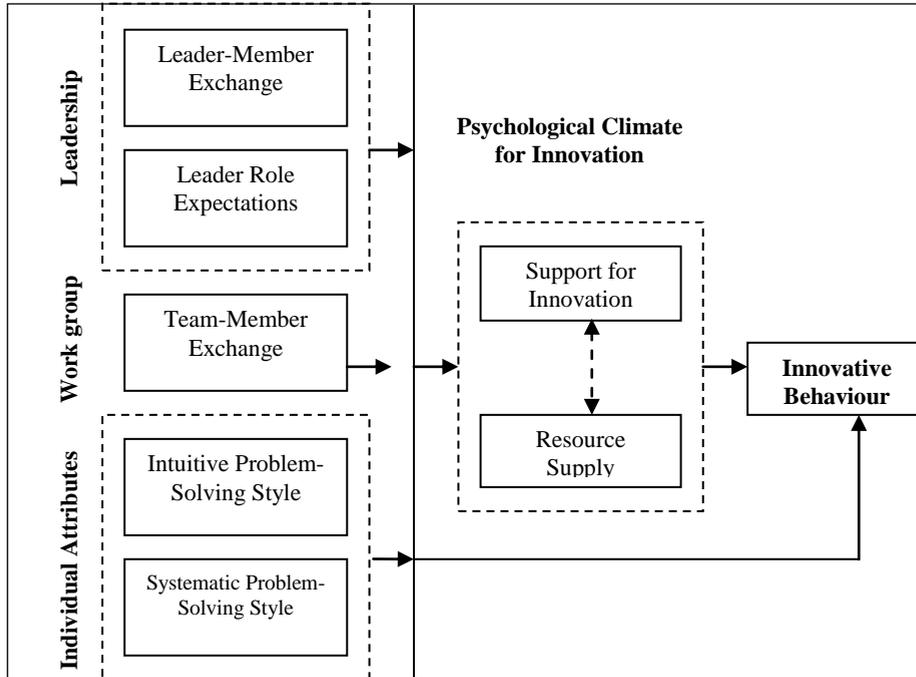


Fig. 1. Determining Innovative Behaviour: A Hypothetical Model

Source: S.G. Scott, R.A. Bruce, *op. cit.*, p. 583.

The authors of the model stress that the expression of employee's individual characteristics occurs in an organizational context. They also indicate that organizational climate is particularly important from the point of view of showing innovative behaviour. It was termed "psychological climate" due to the fact that it expresses a cognitive interpretation of the situation within organization, accomplished by an individual who perceives the organization as a place to implement his own creative abilities. The climate also forms an indicator of organizational behaviours which are expected of an employee. In the innovative organizations, the orientation directed at creativity, change,

<sup>27</sup> Intuitive thinking is characterised by: subconscious, extra-logical, nonverbal, instantaneous, emotional, heuristic. Its result is strictly hypothetical, information received in this way forms "pre-knowledge" (initial, hypothetical knowledge which requires verification). On the other hand, intuition makes it easier to seek new solutions and implementations.

support for independence and “rush towards new ideas” dominates; they are also characterized by tolerance towards diversity.

Leadership forms another determinant of innovative behaviours of organizational character. In the theory of “exchange leader-team member” it is stressed that the quality of relations between a manager and a subordinate is related to innovativeness. Managers and subordinates become involved into a process of “role development” which leads towards an agreement as to the scope of freedom in decision making; autonomy and influence granted to the subordinates. In the course of time, formal and impersonal relations between the leader and the subordinate (a poor quality exchange between the leader and a team member) develop into a mature relationship based on mutual friendliness and respect (high quality exchange between the leader and a team member). In the second type of relation, the subordinates receive more autonomy and a larger margin of freedom in decision making. Both these aspects proved to be essential for innovative behaviours.<sup>28</sup>

The high significance of the social context in order for innovative behaviours to appear in an organization is also expressed in the respect for the idea of team work. Similarly as in the case of relation with the leader, here we also deal with the process of “creating the role” of an employee together with the relevant task groups. Its result may be a high quality exchange between the members of the team, characterized by mutual trust and respect, and the existence of co-operation between the given individual and the task group. Alternatively, the process of role creation may result in low quality exchange between team members, where the individual is not integrated within the task group and the co-operation, trust and respect remain at a low level. In this way, within the conditions of high quality exchange between team members, individuals have access to additional resources in the form of sharing ideas and feedback.

The last organizational aspect which was observed by Scott and Bruce in the context of showing innovative behaviours is related to the character of the tasks performed by the employee and the degree of his or her decisive

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<sup>28</sup> Behaviours are also influenced by the impact on creating psychological perception of the organizational climate, since cognitive creation of sense is subject to the processes of social influence. The key opinion related to this approach states that there is probability that the “significant others” – i.e. those who maintain psychological proximity with regard to a given individual, including his or her co-workers and leader – influence the individual’s perception of the psychological climate.

participation. In the case of realization of routine tasks and low participation in decision making, the relation between the climate and innovative behaviour is lower than when the task is unconventional and the employee possesses high autonomy with relation to decision making.

The organizational determinant described may comprise these factor which have the character of stimulators or inhibitors. Their analysis in the relation to the human factor is necessary to create optimal conditions for fulfilling employee's creative potential and implementing the most adequate motivators in order to build his or her innovative involvement.

## **Conclusions**

Creation of values in the process of providing of services has a heuristic character – thus, it is possible to compare it to solving the problems of divergence. Both the knowledge regarding the product and specific competences which allow for an adequate reaction to the customer's individual needs are of importance, and it occurs because we are facing here the “creation” of a service – the proposed solutions are of innovative, personalized nature, and the process of their design is similar to acts of creation. Therefore the key role is played by these competences which form the base of innovative behaviours.

## **ZACHOWANIA INNOWACYJNE W ORGANIZACJI – ROLA KAPITAŁU LUDZKIEGO W TWORZENIU WARTOŚCI FIRM SEKTORA USŁUG**

### **Streszczenie**

Tworzenie wartości ekonomicznej przez współczesne przedsiębiorstwa – szczególnie w sektorze usług – w większości oparte jest na zasobach niematerialnych, a szczególną rolę w tym procesie przypisuje się kapitałowi ludzkiemu. Potencjał generacyjny kapitału ludzkiego tkwi w możliwości tworzenia wiedzy, w sposób ciągły, w bieżących interakcjach z konsumentami, globalnymi dostawcami i partnerami. Odpowiadanie na indywidualne potrzeby klienta, który współtworzy wartość w świadczeniu usługi stawia pracownika (np. konsultanta) w obliczu rozwiązywania problemu o charakterze otwartym,

gdzie nie jest możliwe zastosowanie wcześniejszych algorytmów działania. W heurystycznym procesie generowania rozwiązania (tworzenia usługi dla klienta na podstawie jego spersonalizowanego doświadczenia) pracownik będzie opierać się w dużym stopniu na wiedzy ukrytej, która wykorzystywana jest do tworzenia nowych jej zasobów. W tym sensie zaproponowane dla klienta rozwiązania mają charakter nowatorski – innowacyjny, zaś sposób wykonywania zadania przypomina proces twórczy. Stąd kluczowe są te kompetencje, które są podstawą zachowań innowacyjnych.

# *Chapter II*

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## *LOGISTICS MANAGEMENT*



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## LOGISTICS SUPPORT SERVICES FOR E-LEARNING COURSES

### Introduction

E-learning system in static view is a set of related professionals (teachers, instructors, staff) and resources (hardware, software, materials, etc.) put in stand-by mode. If there would be no activity to perform, the system would generate only stand-by costs and no educational benefits. It means that only in dynamic view, this is during the time of carrying out the process of e-learning, thus satisfying e-educational needs, the whole system gets the right justification for its existence. Thus, e-learning system can be defined as a set of processes (activities, functions) performed with usage of resources (staff, IT) started in response of an event (e.g. a need for e-education was identified) and completed by an event (e.g. the need was satisfied).<sup>1</sup>

From the above point of view, a system which satisfies e-educational needs also requires support from the other 'in shadow' system or systems. For instance it can require an aid from management body for making the right decisions on initiating, motivating, planning, controlling e-courses; it can need also an assistance of administration staff, technicians, and a lot of support from preparing, training, maintaining, repairing, supplying and other services (financial, legal). All the supportive resources and services can be provided independently, often causing problems with coordination, or integrated within so called logistics service support system. This way, awareness about logistics

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<sup>1</sup> A.W. Scheer, *Architecture of integrated information systems*, Springer-Verlag, Berlin Heidelberg 1992, p. 4.

arises, at the most broad sense, as about a supportive structure of services aimed at supplying any other system with the right package of resources (materials, information, staff, money) at the right time, place and cost.<sup>2</sup> In other words both systems, supporting and supported, formulate a kind of symbiosis or cooperation in the form of a new system functioning on the base of mutual synergic benefits, which can be named as an extended e-learning system. Hence, the aim of this article is to put under critique a reference model of logistics support services for running e-learning courses. Achievement of this aim is also very important from the point of view of service management<sup>3</sup> which proposes to use reference models for instance for planning and controlling purposes or for elaborating work-flow procedures, quality book, instructions and so on.

### **Identification of Logistics Support Services for Running E-learning Courses**

Four projects on building e-learning systems were studied to find how the logistics support aspect was dealt with. They were:

- EMDEL,<sup>4</sup>
- DECTUG,<sup>5</sup>
- System of e-duc@tion in Pommeranian Region,<sup>6</sup>
- The Baltic University Programme.<sup>7</sup>

It was discovered that none of the above projects included a formal model of logistics support activities for the projected e-learning systems, for instance in the form of reference models or some other functional schemes. Only at the third one there was presented a model of the whole education system which one functional module was named “supportive processes”, but with no reference to

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<sup>2</sup> J.V. Jones, *Integrated logistics support handbook*, McGraw-Hill, New York 2006, p. 1.

<sup>3</sup> *Modele referencyjne w zarządzaniu procesami biznesu*, ed. T. Kasprzak, Wydawnictwo Difin, Warszawa 2005, p. 12.

<sup>4</sup> *Emdel – a model for valorization of eLearning in the knowledge society. The final report* (2005), ed. E. Gard, Oslo, <http://www.emdel.org>, 27.11.2009.

<sup>5</sup> *Distance Education Centre at Gdansk University of Technology*, [http://www.dec.pg.gda.pl/dec/index.php?id=index\\_en](http://www.dec.pg.gda.pl/dec/index.php?id=index_en), 28.11.2009.

<sup>6</sup> *System e-duk@cji w Regionie Pomorskim. Projekt Leonardo da Vinci No.M01/69/k/D/354*, Uniwersytet Gdański, Sopot 2003, <http://panda.bg.univ.gda.pl/~cezary/praca.zip>, 17.10.2010.

<sup>7</sup> *The Baltic University Programme*, <http://www.balticuniv.uu.se>, 17.10.2010.

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logistics and treated as so called black boxes with no inside structures (fig. 1). However, this model, though it is high of abstract, seems to be implemented in real e-learning system in Pommeranian Region in Poland. For example, at Gdansk University, the module “main process” (fig. 1) has been implemented in the form of 608 processes running the same number of courses.<sup>8</sup> The next functional module “management process” is reflected by activities carried out by the Council for Distance Learning, a management and advisory body set by Rector of Gdansk University. And finally, the “supportive processes” module is exemplified in formally stated functions of two technicians<sup>9</sup> employed at the Computer Centre of Gdansk University, and a lot of activities, not formally stated, self organised, carried out by tutors, management and administration staff, within their usual duties.

The above example proves clearly that all e-learning systems, just satisfying or planned to meet e-ducational needs, in reality, are supported by logistics services regardless they have got or have not got a formal model. It also proves that logistics activities are critical factors for running e-learning courses enabling or just opposite breaking them, and thus worthy to work out an idea how to be managed.

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<sup>8</sup> *Statistics Educational Portal of Gdansk University*, <https://pe.ug.edu.pl/Statystyki/Kursy>, 17.10.2010.

<sup>9</sup> Consultations with L. Czyżewski at Computer Centre of Gdansk University taken on 16 September 2010.

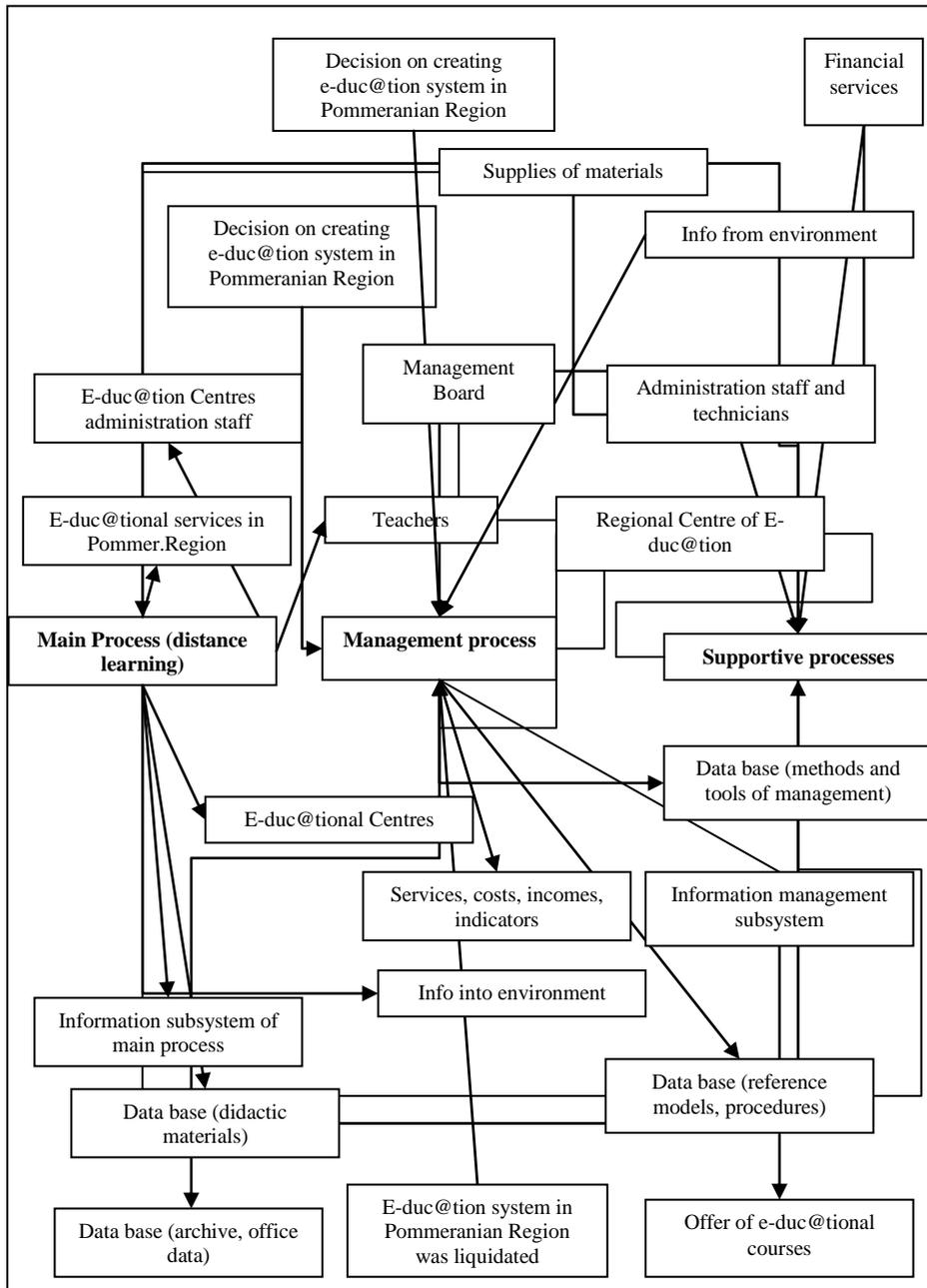


Fig. 1. Reference model of e-duc@tion system in Pommeranian Region

Source: System e-duk@cji w Regionie Pomorskim Projekt Leonardo da Vinci nr M01/69/k/D/354, Uniwersytet Gdański, Sopot 2003, p. 41; retrieved September 17, 2010 from <http://panda.bg.univ.gda.pl/~cezary/praca.zip>.

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## Reference Model of Logistics Support Services for Running E-learning Courses

Some prerequisites to build a reference model of logistics services aimed at supporting e-learning system are required. First of all, the main processes and their needs have to be identified. Next, they should to be related with the right logistics activities supporting them with the right resources. Finally, after presenting the whole structure for instance in the form of reference model, it should be put at the stage of analysis, discussion, and decision taking. Based on my own experience as a tutor of e-learning courses on logistics, as well as a member of the Council for Distance Learning of Gdansk University, and a professional dealing with modelling of business processes according to ARIS<sup>10</sup> methodology, I would like to put the following model under critique.

The proposed model (fig. 2) consists of many related elements, but two groups of them are the most important. First group includes two main processes and the second one embraces five logistics processes which support the first ones. From the point of final user (students, audience), the first main process can be identified as “running e-courses”. Especially, when a course is run at a synchronous mode (e-classroom, e-lecture, video chat), a lot of maintain, preparation, support or operation activities (hidden but critical) have to be taken to serve the on-line course. Of course, all these activities can be also performed out of the real time, especially on the accidental or scheduled base. Their importance allows to compose of them the first group of logistics support services, named in the model as “performing MRO services”.<sup>11</sup> The second supporting set of activities is initiated by the event “need for changing the course’s content occurred”. Usually it is exemplified by the need for changing, updating or improving the course’s content what can be mostly done by tutors, but often may also involve changing the methods or tools used in the course, thus requiring professional training or consultations which can be offered by own personnel (trainer/consultant), or even purchased as outside services (training, voice of lector). Running e-courses can also require such logistics functions as purchasing material resources (multimedia, hardware, software) and supporting with the required information.

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<sup>10</sup> A.W. Scheer, *op. cit.*, p. 41.

<sup>11</sup> Shortcut for maintenance, repair and operations or maintenance, repair and overhaul. Wikipedia, [http://en.wikipedia.org/wiki/Maintenance,\\_Repair\\_and\\_Operations](http://en.wikipedia.org/wiki/Maintenance,_Repair_and_Operations), 17.10.2010.

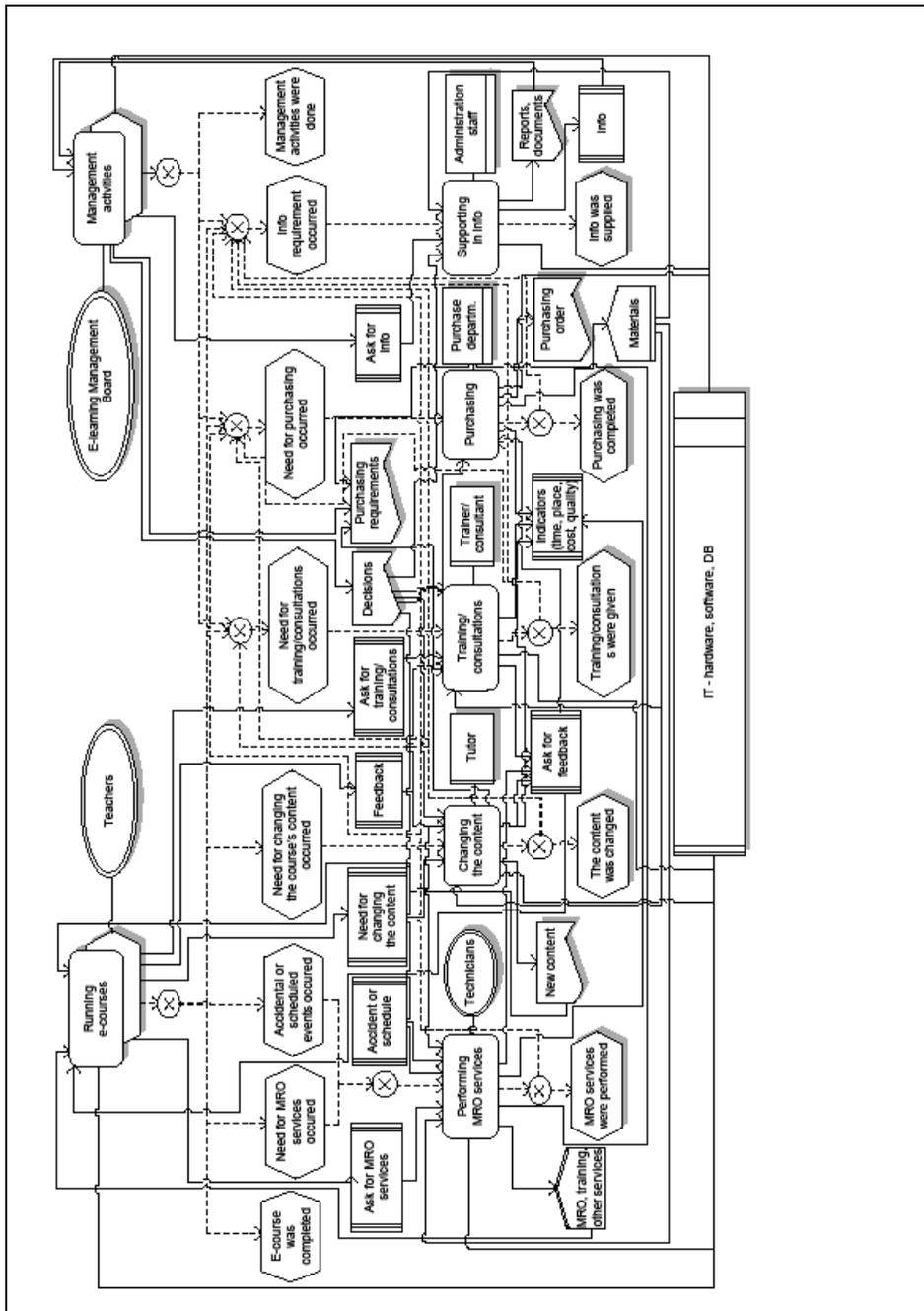


Fig. 2. Reference model of the logistics support services for running e-learning courses

Source: own work based on EPC standard of modelling with usage of ArisToolset, ver. 7.1.

Sometimes, it needs obtaining an earlier agreement in the form of “decision”, as a condition for the change, from a management body. Such a situation shows that in some cases “management activities” play not only main but also supporting role.

The “management activities” are the second group of main functions which need logistics support. Due to the fact that the “management activities” involve a lot of analytic and making decision works, supplying them with the right information, at the right time and place is a very important activity. Thus the service named “supporting in info” is distinguished to reflect all the activities focused on gathering, preparing, presenting, printing, supplying, etc., different kinds of required information, for instance in the form of analyses, statistics, documents, reports and others. As a result, such activities as MRO services, changing the content, training/consultations, purchasing, supporting in info, and sometimes management activities, formulate a set of logistics services aimed at direct or indirect support of e-learning courses.

Finally, the above mentioned supporting services also create some needs mostly for information from the main processes to know what kind of assistance they require and after the support - a feedback. Additionally, supporting functions also need to be supplied with information, materials and services. Thus the model (fig. 2) is full of elements which reflect different kinds of resources and services as the input or output for the respective processes/functions. They are named for instance “need for info”, “feedback”, “reports, documents”, “materials”, “services” and others. It also means that the processes which previously were the main ones now are performing the supportive role, and opposite, what shows once more that altogether they form a whole aimed at meeting e-educational needs.

## **Conclusions**

The presented model of logistics services supporting e-learning courses reveals that the both systems are in very deep interactions. It also means that in real situation they complement one another composing a unity resulting at manifold profits, mainly for final users of the e-educational offer and for the suppliers of the offer. Thanks to high level of abstract, this model can be decomposed to meet specific requirements. Besides, if it would be completed with the concrete data: time, costs, probability, number of staff and others, it

could be simulated, and after receiving an acceptance from management body, to become a routine model ready for implementation for instance in the form of work-flow procedures meeting ISO 9000/2000 standards.

## **USŁUGI WSPARCIA LOGISTYCZNEGO REALIZACJI KURSÓW E-LEARNINGOWYCH**

### **Streszczenie**

Codzienna realizacja kursów e-learningowych pokazuje, że w rzeczywistości rezultaty pracy edukacyjnej nauczycieli zależą nie tylko od ich indywidualnego talentu i osobistego zaangażowania, ale także od czegoś, co zazwyczaj znajduje się poza ich kontrolą, czasami nieuświadomiane, ale o niezwykle istotnym wpływie na końcowe rezultaty. Są to ludzie, infrastruktura informatyczna, procedury, finanse materiały i wiele innych wspierających elementów wymagających zestawu usług zamierzonych na zaopatrzenie nauczycieli we wszystko, czego potrzebują do efektywnego prowadzenia kursów e-learningowych. Powyższy sposób postrzegania relacji między kursami e-learningowymi, a usługami wspierającymi je, pozwala wyszczególnić dwa systemy. Pierwszy z nich jest skoncentrowany na realizacji kursów e-learningowych bezpośrednio zaspokajając potrzeby edukacyjne, podczas gdy drugi z nich – „ciemny kontynent” jest zamierzony na wsparcie pierwszego we wszystkie konieczne zasoby materiałowe, ludzkie, pieniężne oraz informacyjne. Na podstawie koncepcji logistyki odpowiedzialnej za zapewnienie dowolnemu systemowi wszelkich niezbędnych zasobów i usług, w artykule zaprezentowano model referencyjny usług wsparcia logistycznego realizacji kursów e-learningowych. Osiągnięcie tego celu jest także bardzo istotne z punktu widzenia zarządzania usługami, które proponuje stosowanie modeli referencyjnych np. dla celów planistycznych i kontrolnych lub wypracowania procedur, księgi jakości, instrukcji itp.

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**COMPLEXITY OF LOGISTIC SERVICES OFFER AS A MEASURE OF  
COMPETITIVE POSITION OF COMPANIES IN THE TRANSPORT  
AND LOGISTICS SERVICES SECTOR**

**Introduction**

Modern market reality is characterized by extensive cooperation links that enable purchasing logistic services at different levels of delivery network. However, the problem is not selection of a service provider himself, but of a service (several services), which will ensure realization of logistic tasks in a complex manner. Facing this problem, logistic service providers have developed service packages that are sold jointly as one, integrated service. It is supposed to meet the complexity requirement, that is to be a full response to customer's wish. Their competitive position depends on the standard of this task execution.

**The concept of complex logistic services**

Modern logistics coordinates and permeates both company's basic functional areas and enters into the entire management process. Research on this phenomenon confirms active and integrative aspect of logistics and indicates changes in structures of companies focused on streamlining the total logistic cost. At this point it should be emphasized that logistic costs in commerce are

much lower than logistic costs in the area of supplies and sales of industrial companies. However, regardless of the industry where the company operates, each aims at obtaining the effect of synergy. This effect may be due to the systemic shaping and regulating of processes of physical circulation of goods and their informational conditions in the aspect of streamlining performed activities and goals. Synergic effects achieved in this way are the outcome of interaction of individual functions, processes, and elements of a given organization's work. In a broader perspective, they are a result of systemic and multifaceted approach to shaping the structure of activities and expenditures in the area of physical distribution of goods and economic operations of market entities. Apart from synergic effects obtained in the area of logistics, companies aim at supplementing them with the so-called logistic-marketing effects associated with customers' satisfaction. On one hand, satisfaction of clients by the company is being achieved through the level of customer service that is offered them, that is through maximization of time and space utility. On the other hand, achieving an acceptable profit level by the company (resulting from the improved service level) in the long term is determined by the reduction of global logistic costs. All these actions are limited by economic efficiency, that is, in a sense, by the effectiveness of achieving intended goals but with the assumption that these goals will be achieved at rational expenses and effort.

*Logistic service* is a separate activity (offered by specialized companies) providing specified benefits, not necessarily associated with product sales or other services, to buyers. In generating logistic services, tangible goods can be used but without the possibility of changing their owner, the so-called change in ownership.<sup>1</sup> With regard to logistic services it should be emphasized that there are important assumptions in the scope of defining their different types. This means that clear differences are being distinguished between their specific groups. Standard package of services consists of three basic generic groups: transport, freight forwarding, and logistic services. In order to distinguish more comprehensively the particular groups, their short characteristic has been placed in here.

*Transport service* is considered the basic logistic service, because its task is execution of physical transportation, that is the most important operation from the point of view of the transport process itself. However, its scope is

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<sup>1</sup> *Logistyka*, ed. D. Kisperska-Moroń, S. Krzyżaniak, Biblioteka Logistyka, Poznań 2009, p. 214.

tightly limited to a realization of freight on route source-target exclusively (only insignificant scope of consulting, for instance in international transport regarding a selection of the most beneficial delivery base, is acceptable).

*Freight forwarding service* may have double nature, in its basic form it consists in organization of the transport process, preparing the necessary documentation concerning the transported load, its insurance, or customs handling. This type of freight forwarding may be provided by forwarders not having their own terminal facility. In the extended form, freight forwarding is aimed at such organization of the transport process that will bring benefits for the service provider. It should be emphasized that achieving these benefits is possible in case of the bulk loads and/or palletized loads, and not the full truck loads. In addition, provision of this kind of services is the domain of forwarders consolidators operating on the basis of a terminals network (several, a dozen or so), while the service itself consists in consolidation, deconsolidation (often several times) of a given load, its packaging (with optimal warehousing). More and more often one can come across an even more advanced option of compensatory transshipment, the so-called cross docking, that is transit of loads through a terminal (without storage) and stopping their movement only for the time necessary for completion, changes in the form of a load, or change of means of transport.<sup>2</sup>

*Logistic service* is the broadest form of any activities (operations) that are performed during a transporting-forwarding process. It includes, next to the transport-forwarding operations, the terminal services, starting from cross docking, warehousing, to completion. Its characteristic feature is upgrading of loads, that is labeling, foiling, polonization, re-packing, making (co-packing) of promotion sets, minor repairs etc. Logistic companies providing this kind of services are most often widely profiled logistic operators who often manage their customers' inventory, what normally turns into a complex distribution service.<sup>3</sup> The most important issue is the fact that undertaking the provision of these services is possible for the firms that have a perfectly developed IT network, which permits different configurations of links with the client's network.

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<sup>2</sup> *Ibidem*, p. 116.

<sup>3</sup> J. Archutowska, E. Żbikowska, *Rozwój rynku usług logistycznych w Polsce*, Oficyna Wydawnicza Szkoły Głównej Handlowej, Warszawa 2002, p. 2.

On the basis of the characteristics above, it can be concluded that substantially it is more and more difficult to identify qualities that clearly distinguish freight forwarding services from logistic services. Because of all this, logistic services are more and more often called “*higher level freight forwarding services*” or “*a new philosophy of operation*”.<sup>4</sup> This results mostly from the continuous evolution on the logistic services market in the scope of service offer adjustment to dynamically changing requirements and expectations of clients.

Complex logistic service is an integrated set of logistic services, which is provided by the logistic operator, including physical services, informational services, and services within the scope of management, totally fulfilling the demand for realization of the whole or part of logistic functions of a specific service provider.<sup>5</sup>

The concept of complex logistic service is a result of trends in flow of goods and services that are visible in modern economy. One of these trends is common purchasing of logistic services on the external market. It results from companies focusing on maximum reduction in operating costs. It is also a result of a continuous search for the so-called added value which can be achieved by broadening the core activity. What is essential in logistic services is that their provision is realized by external, specialized companies, independent from the client of the services. In addition, it is already almost a standard to buy all services (entire packages, sets) from one service provider without searching for particular partial services contractors – that is to buy a complex logistic service. Clients (buyers of such service) follow the belief that complexity means, above all, a possibility to purchase various services from one contractor and a higher degree of their quality. This means that a new service unit has been created, consisting of various partial services related to transportation and storage of loads, which is being sold as one service containing an integrated logistic offer.

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<sup>4</sup> *Logistyka. Infrastruktura logistyczna na świecie*, ed. M. Mindura, Instytut Technologii Eksploatacji – Państwowy Instytut Badawczy, Warszawa–Radom 2008, p. 52.

<sup>5</sup> *Ibidem*, p. 55.

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### **Characteristics of the market offer of Transport and Logistics Services companies in the scope of provided logistic services**

In order to present the market offer of companies, whose domain is the provision of logistic services, a short description of selected Transport and Logistics Services sector companies, having their seats in Szczecin, will be included. It should be emphasized that the presented characteristics is very synthetic owing to the size restrictions of this article. Only the most important information relating to the profile of operations of a given company and those which enable the classification of provided services in particular generic groups of logistic services have been included therein. Their task is to help in evaluation of the service offer of these firms in terms of their complexity. Due to the companies' reservations with regard to data presentation, their names are hidden. Therefore, they will be analyzed as company A, B, C, D etc. In addition, selection of companies for analysis was focused on companies of various sizes and profile of operation.

Company A – is “a large” company offering services in transport and logistics, specialising in the so-called “door to door” deliveries of any loads around the world. Its domain is port transshipments. In its offer, it has transport of loads with means of maritime and land transport. In addition, it provides transshipment and storage services using its own terminals and storage areas. In the scope of freight forwarding it provides services for any load and method of transportation.

Company B – is a company operating within the framework of organizational structure of the so-called mother company. In its offer, it has transportation of combined loads on EURO pallets of acceptable mass from 100 to 1000 kg. It specializes in transport of palletized consignments on the territory of Poland. In the offer, it has both partial transports and full truck loads. The object of realized carriages are any industrial goods, except for hazardous and perishable ones.

Company C – provides transport services with regard to non-standard or oversized loads. In the scope of its operations, it has got mainly provision of specialized services with the company's own means of road transport. Within its offer it has complex transport service but only with reference to the transported load. On the other hand, it doesn't provide any warehousing services.

Company D – is a company dealing with national and international freight forwarding. In the scope of its operations, it has complex solutions in the scope of transport and freight forwarding of loads with diverse tonnage and sizes but, owing to having mainly the means of piece-goods transport, it specializes in full truck load carriages. Due to the lack of infrastructure, it does not undertake the provision of other logistic services.

Company E – the scope of operations of this company is complex freight forwarding of any goods for export, import, and transit, transported both by sea and land. It is characterized by provision of the so-called “one stop shopping” services allowing clients to purchase the full range of logistic services from one source. In addition, it prepares individual customized offers relating to a selection (purchase) of a specific package of logistic services. The company's offer refers to handling of containers, piece-goods loads, as well as bulk loads.

Company F – this is an international freight forwarding company, whose scope of operation is: logistics, national and international transport of goods, and freight forwarding. Main business profile of this company is provision of freight forwarding together with full formal-legal service. On the other hand, it doesn't provide warehouse-storage services.

Company G – this is a company belonging to a logistic group having its headquarters in one of the European Union member states. In the company's offer, there is a number of logistic services, including: maritime, land, and air freight forwarding, transportation services of piece-goods consignments, full truck load transport, customs handling, load insurance, warehousing, packaging, cross docking and other services, which in full make the complete logistic service.

Company H – this company has in its scope of operation international carriages with means of land, water, and air transport, freight of bulk and piece-goods loads as well as of complete industrial facilities, heavy and oversized loads, storage of goods in consignment warehouses, running customs warehouses within ports, road and railway transports by ferries, it provides services of customs clearance for export and import, transport-tariff counseling and other. Company I – specializes in transport of partial loads for export and import, it provides freight forwarding services and logistic consulting, it doesn't undertake the provision of other logistic services than transport and freight forwarding.

In table 1, the service profile characteristics have been presented of transport and logistic services sector companies, having their seats in the city of Szczecin.

Table 1. The structure of logistic services provided by transport and logistic services sector companies

Company	Profile of the company	Provided logistic services	Services not provided (examples)	Size of the company
A, E, G, H	transport, freight forwarding, Logistics	transport of loads with different branches of transport, "door to door" delivery, transshipment service, storage services, freight forwarding of goods for export, import, and transit, maritime, land, and air freight forwarding, "one stop shopping" services, preparation of customized offers for clients, customs handling, load insurance, warehousing, packaging, transportation services of piece-goods consignments, full truck load transport	services forming the so-called added value, e.g. load upgrading, financial services, management services	large
B, F	transport, freight forwarding, logistics	international freight forwarding, national and international transport of goods, transport of consignments except the hazardous and palleted perishable, freight forwarding of industrial goods	warehousing, cross docking, warehousing-storage services, other terminal services,	average
C, D, J	transport, freight forwarding, logistics	transport of loads, complex transport service only with regard to the transported load, freight forwarding, transport of partial loads for export and import, logistic consulting in the scope of transported load	warehousing, consolidation packaging, transshipment services and other from the group of additional services	small

\* the company size was determined on the basis of employment size in the company i.e. from 1 to 10 employees – small; from 11–50 employees – average; from 51 and more – large.

Source: prepared by the author.

On the basis of the presented comparison, it can be noticed that each analyzed company has the same business profile, that is provision of transport-forwarding-logistic services. On the other hand, there are great differences in

the quantity of provided services and scope of a service offer. These great disproportions result mostly from either the company size and the scope of its influence, or links with other contractors of outsourced logistic services. Small and medium companies focus their activity mainly on basic services, with a narrow radius of specialization, focusing attention on the market being serviced. On the contrary, those large ones are prepared, both with infrastructure equipment and links, to undertake the provision of logistic services of all kinds. They are characterized also by strong dynamics of expansion of the service offer. Summing up, it can be concluded that complex logistic services, comprising of the complete array of services, which is continuously widened, are provided by specialized companies, the so-called logistic operators. On the other hand, the market position of particular companies results from the type of provided services, the market that they are functioning on, the specific nature of provided services e.g. specialized services etc., and the general economic situation.

### **Outsourcing of logistic services**

Provision of logistic services is supposed to improve the efficiency of logistic processes in the economy. In corporate practice, it is very often realized by transferring execution of these services to an external service provider who has appropriate competences and resources. Therefore, the company releases itself from the necessity of possessing and financing their own resources indispensable for this purpose. This type of activity is called *the logistic services outsourcing*. The idea behind this method of logistics management in the company is to limit excessive increase in production capacity and reduce costs of storage and service. The level of using the outsourced logistic services depends to a significant degree on the industry and type of the company. Some companies are using this solution only for the purpose of reduction in fixed costs, however a clear trend is observed among a growing group of enterprises that outsource a part of its production chain. For this group of companies, it is a strategic action, because these companies are ready to transfer subsequent functions for realization to an external service provider. Advantages arising from such actions (the possibility of focusing on key tasks, reduction of investment expenses etc.) make it become almost a standard in business management. It is influenced mostly by market aspects which, through the

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demand variability and flexibility, justify the moment of incorporating an external logistic operator into the company's operations. Not always this incorporation equals resignation of the company's internal service, however the emergence of excessive intensity of logistic operations could disrupt the company's functioning, and therefore they are taken over by the external service provider. An important advantage of incorporating external service is also better response to customers' needs which, in the case of logistic service providers, is usually more flexible.<sup>6</sup> Despite these advantages, the decision to outsource is always a difficult one to take for the company, as it requires a fundamental profitability analysis and identification of the areas in the company that are its distinguishing mark on the market. These areas should never be delegated outside, as customers identify the company through these areas and buy its products, and not the competitors' products.

## **Conclusions**

Complex logistic service is usually a set of partial logistic services bought from one service provider. The idea of creating this kind of package is a response to the needs of the customer who is looking for integrated services that, apart from the basic services related to physical displacement of loads and their storage, create the so-called added value, e.g. through maintenance services group etc.. In complex logistic service, individual groups of basic and additional services can be distinguished. They can have different intensity and this is determined by an individual order, also the range of services may be different. Usually, the main unit of such a package of services consists of physical services (transport, warehousing), and is supplemented by additional services (consulting, financial service, informational service, management services etc.) It happens that supplementary services are purchased separately as a separate service, but most often they constitute a supplementary element of physical services.

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<sup>6</sup> *Usługi logistyczne*, ed. W. Rydzkowskiego, Biblioteka Logistyka, Poznań 2007, p. 23.

**KOMPLEKSOWOŚĆ OFERTY USŁUG LOGISTYCZNYCH  
WYZNACZNIKIEM POZYCJI KONKURENCYJNEJ  
PRZEDSIĘBIORSTW SEKTORA TSL**

**Streszczenie**

W artykule przybliżono zakres przedmiotowy kompleksowej usługi logistycznej, przedstawiając jej koncepcję oraz scharakteryzowano grupy usług, które wchodzi w jej skład. Ponadto przeanalizowano określoną grupę przedsiębiorstw działających w sektorze TSL pod kątem ich oferty logistycznej. Wskazano także na ich zewnętrzne uwarunkowania w odniesieniu do bycia usługodawcą świadczącym zintegrowaną usługę logistyczną. Podkreślono, że w rzeczywistości oferowanie kompleksowych usług logistycznych jest możliwe zasadniczo przez rozbudowane organizacje, czyli operatorów logistycznych, którym to przedsiębiorstwa przekazują część swoich funkcji w formie outsourcingu.

# *Chapter III*

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## *ENTERPRISE SERVICE MANAGEMENT*



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**BUSINESS EXPRESSIONS EXCHANGE CAMPAIGN AS THE  
REMEDY FOR PEJORATION OF THEIR MEANING IN THE  
BUSINESS CONTEXT**

**Introduction**

Selling is challenging and requires professional salespeople who perfectly understand not only their products or services but also the way they add specific value for customers. Unprofessional salespersons create a very negative image in the minds of consumers. “This image was created by people who called themselves salespeople and treated their customers poorly, even dishonestly”,<sup>1</sup> instead of just delivering to them the highest-quality services. The real development of affirmative reactions demands a completely new approach to the sales procedure including professional language. Thus, certain arrangements of words and phrases should be permanently examined and, if needed, instantly eliminated from professional vocabulary since they literally terrify potential buyers and prevent them from taking the buying decision. These expressions ought to be replaced with more suitable and totally customer oriented words or phrases (see tab. 1).<sup>2</sup>

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<sup>1</sup> T. Hopkins, *How to Master the Art of Listing and Selling Real Estate*, Englewood Cliffs, Prentice Hall 1991, p. 7.

<sup>2</sup> *Ibidem*, p. 10f.

Table 1 shows a list of words recommended by Hopkins for elimination and replacement.<sup>3</sup> The words are divided into two categories. Respectively, the words classified as rejection (rejected) words (which acquired negative connotations) should be eliminated and substituted with the other words (which are much better connoted) named the replacement words. Such reasoning is born out by practice because, generally speaking, people do not like to spend money but they want to own property and build up their ownership position. That is why the words like *buy* and *sell* should be avoided and replaced with *own* or *help (them) acquire*. *Deal* and *deal closing* ought to be replaced with *opportunity* and *pending transaction*. *Cost* replaced with *total investment* and *pitch* with *presentation* creates a better relationship with the prospective purchaser or seller. The word *brokerage* or the phrase *fee for service* should replace the word *commission*, which has negative connotations. For the same reasons *initial investment* should replace *down payment*. *Down payment* is directly connected with spending but *initial investment* only with future profits, the same as *monthly payment* versus *monthly investment*. People prefer being investors and do not like to be the payers. *Contract* and *sign* are words that can destroy business relations – people will not accept them, but they will approve of *agreement* and *authorise*. The word *offer* used for the prospective seller's decision to go ahead may upset him or her before the business begins. In this case *proposal* is a much more suitable expression. The use of *prepayment privilege* instead of *prepayment penalty* and *deferred initial investment* instead of *balloon payment* clears the way to do business with a given customer.<sup>4</sup>

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<sup>3</sup> *Ibidem*.

<sup>4</sup> *Ibidem*, p. 7–10.

Table 1. The list of rejection words and replacement words

Rejection words	Replacement words
commission	brokerage or fee for service
down payment	initial investment
monthly payment	monthly investment
contract	agreement or paperwork
sign	authorise, approve or okay
buy	own
sell or sold	help (them) acquire
deal	opportunity
deal closing	pending transaction
cost	total investment
pitch	presentation or demonstration
offer	proposal or commitment
prepayment penalty	prepayment privilege
balloon payment	deferred initial investment

Source: Adapted from T. Hopkins, *op. cit.*, p. 10f.

All the above-listed (tab. 1) exchanges are linguistic manipulations based on a professional knowledge about customers' preferences. The knowledge facilitates the adoption of an efficient strategy for successful manipulation bringing better business relations. The present research has been focused on the study the persuasive powers of selected business expressions used by marketing representative working for ANR Company, which operates in very tough American real estate business segment. The manipulations are employed to the research work and introduced in the paper. The exchanges of business expressions are presented and proposed in the work as the remedies for the pejoration<sup>5</sup> process of their meaning.

### The model for examining the cogency of speech acts

For the purposes of the research work, a special model has been selected and adapted.<sup>6</sup> This model has been used to the intended research on the powers of persuasion of selected business expressions. The model is a tool to scientific

<sup>5</sup> Pejoration can be described as the process by which the meaning of a given word acquires negative meaning over a certain period of time.

<sup>6</sup> The model for examining the cogency of speech acts adapted from M. Gierszewska, K. Chmielewski, L. Kozłowski, G. Skarżyński, *Skala ocen potencjalnej negatywnej i pozytywnej siły wpływu czynnika działającego w otoczeniu*, unpublished seminar papers, Instytut Administracji i Zarządzania, after: M. Gierszewska, G Romanowska, *Analiza strategiczna przedsiębiorstwa*, Warszawa, Państwowe Wydawnictwo Ekonomiczne 1995, p. 193.

research to measure the intensity of some factors highly significant, from the linguistic point of view, because of their essential influence on the rightness or groundlessness of the arguments. figure 1 shows the model used in the present work to examine the cogency of selected (persuasive power) speech acts.

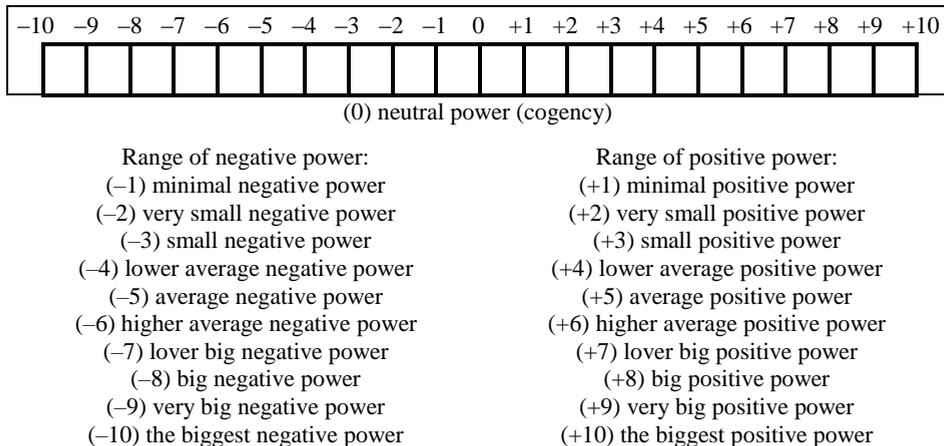


Fig. 1. The model for examining the cogency of speech acts.

Source: Adapted from M. Gierszewska et al., *op. cit.*

The range of the measurement employed by the model (fig. 1) embraces values from minus ten to plus ten. This way, the model for examining the cogency of speech acts makes it possible to obtain the scope of the absolute value of the measurement from zero to twenty points. The described range of the value embraces particularly: The negative power of persuasion is on a scale from minus one (-1) to minus ten (-10) which gives the sum (in absolute values) of ten (10). The positive powers of persuasion are on a scale from plus one (+1) to plus ten (+10) that gives the sum (in absolute values) of ten (10). The range of powers of persuasion is on a scale from minus ten (-10) to plus ten (+10), which gives the absolute value of twenty (20). The zero power of persuasion (0) remains neutral.

### The study on the persuasiveness of selected rejection words

The model adapted for the research (fig. 1) will be used as a diagram for individual presentation of the measured persuasive powers of selected rejection (old) words and phrases. The persuasive powers have been assessed and measured by senior managers who carried out observations and interviewed the

customers of the company. The every single measurement has been placed on the right position on the scale from the model presented in figure 1. The measurements of persuasive power of selected rejection words and phrases are presented as follows (all diagrams represent own research work and elaboration):

Diagram 1 displays the location of the measured persuasive value of the word *commission* on the scale of the model presented in figure 1. The measurement of persuasive power in diagram 1 shows that the persuasive value of the word *commission* is minus five (-5), which in absolute value amounts means five [5].

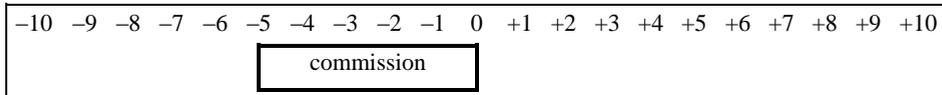


Diagram 1. The examination of persuasive power measured in business application of word *commission*.

The persuasive values of the remaining words and phrases under the analysis are presented in the following diagrams:

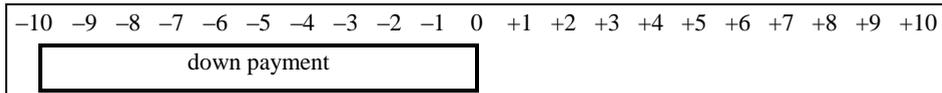


Diagram 2. The examination of persuasive power measured in business application of phrase *down payment*.

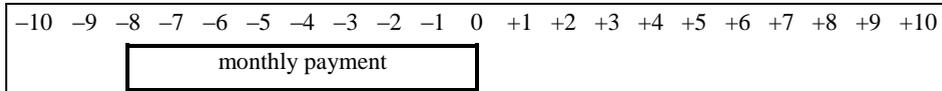


Diagram 3. The examination of persuasive power measured in business application of phrase *monthly payment*.

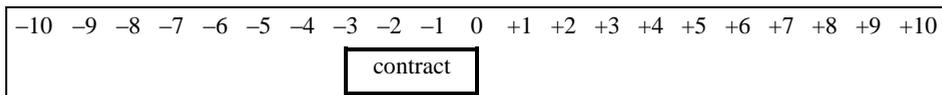


Diagram 4. The examination of persuasive power measured in business application of word *contract*.

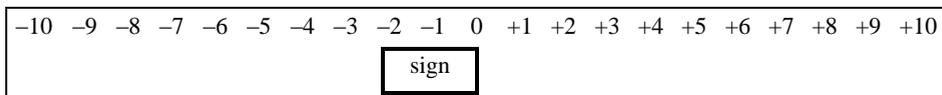


Diagram 5. The examination of persuasive power measured in business application of word *sign*.

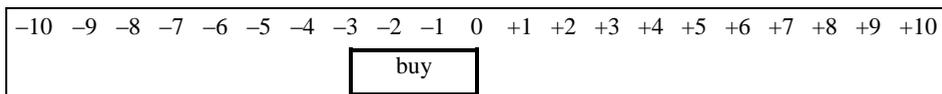
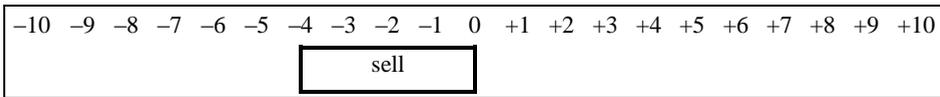
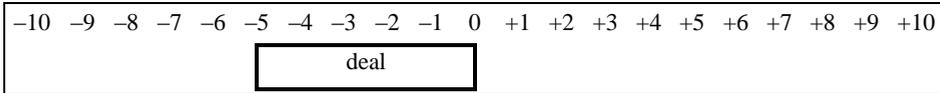
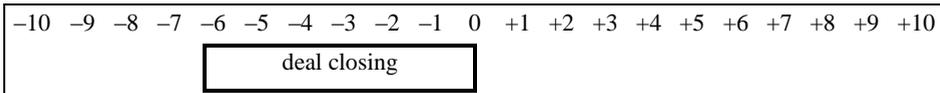
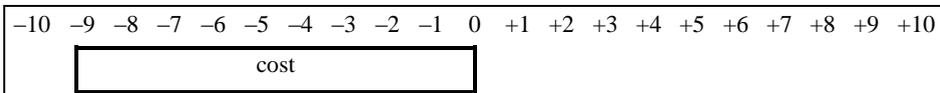
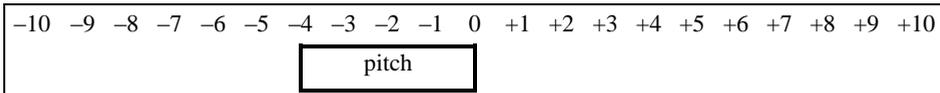
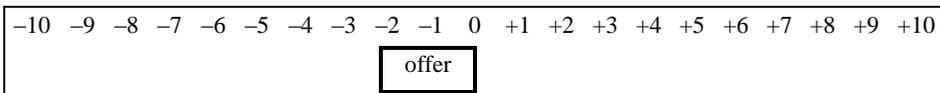
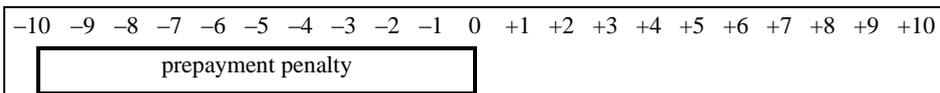
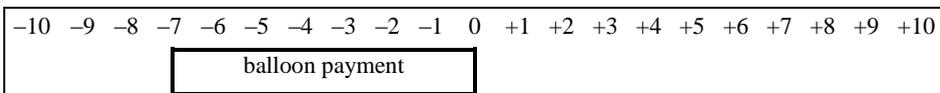


Diagram 6. The examination of persuasive power measured in business application of word *buy*.

Diagram 7. The examination of persuasive power measured in business application of word *sell*.Diagram 8. The examination of persuasive power measured in business application of word *deal*.Diagram 9. The examination of persuasive power measured in business application of phrase *deal closing*.Diagram 10. The examination of persuasive power measured in business application of word *cost*.Diagram 11. The examination of persuasive power measured in business application of word *pitch*.Diagram 12. The examination of persuasive power measured in business application of word *offer*.Diagram 13. The examination of persuasive power measured in business application of phrase *prepayment penalty*.Diagram 14. The examination of persuasive power measured in business application of phrase *balloon payment*.

Before the further discussion about the results of the research work, it should be explained what ‘negative’ and ‘positive’ means in the context of ‘persuasive power’. Both these words reflect opposite direction of semantic

changes in the meaning of existing words and phrases. Nicolas claims that “[s]emantic change is very difficult to describe and explain. It is unlikely to predict the directions in which particular words will change their meanings”.<sup>7</sup>

When the meaning of the word or phrase acquires much more positive connotations than it used to, such type of semantic change is named amelioration (or elevation). Pejoration (or degradation) is called the type of semantic change which associates the word or phrase with a more negative meaning than it use to.<sup>8</sup> The measurement presented in this work follows the same way of thinking. The level of pejoration is adequate to the level of negative power of persuasion, whereas the level of amelioration is adequate to the level of positive power of persuasion. It means that the process of pejoration is represented by negative persuasive power and the process of amelioration is represented by positive persuasive power.

The level of pejoration or amelioration is determined by adequate figures with appropriate minus/plus signs. The absolute value takes into consideration the figures and omits minus/plus signs. This mathematical category is very useful to consider and calculate the results of manipulations which caused changes from negative to positive power of persuasion.

The biggest persuasive negative power of the value of minus ten (−10) is represented by two phrases: *down payment* (diagram 2) and *prepayment penalty* (diagram 13). While the smallest negative persuasive power minus two (−2) is represented by two words: *sign* (diagram 5) and *offer* (diagram 12), the average value of all researched words and phrases having negative power is −5.57. Taking into consideration the values of negative power of persuasiveness, the words and phrases having negative power should be particularly avoided in the business context. First of all, the words and phrases well above average value of negative power of persuasion ought to be replaced. The study on the persuasive power of selected replacement words is the subject of the following section.

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<sup>7</sup> D. Nicolas, *Semantic change and semantic guesswork*; <http://d.a.nicolas.free.fr/ucla/ling10/page30.html>, 30.6.2010.

<sup>8</sup> J. Zieliński, *Language change and language types*, in: *Ways to language*, ed. B. Lewandowska-Tomaszczyk, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1988, p. 164, C.A. Millward, *A biography of the English language: Semantic change*, 1996 <http://cla.calpoly.edu>, 31.6.2010; see also K.G. Wilson, *The Columbia guide to Standard American English*, 1993, <http://www.bartleby.com/68/68/5368.html>, 31.6.2010.

### The study on the persuasiveness of selected replacement words

The same scale as presented in the above section is used for the measurement of persuasive powers of replacement words and phrases as follow:

Diagram 15 shows that the persuasive value of the word *brokerage* is plus three (+3), which in absolute value gives three [3].

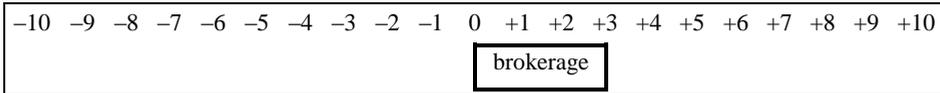


Diagram 15. The examination of persuasive power measured in business application of word *brokerage*.

The persuasive values of the remaining words and phrases under the analysis are presented in the diagrams.

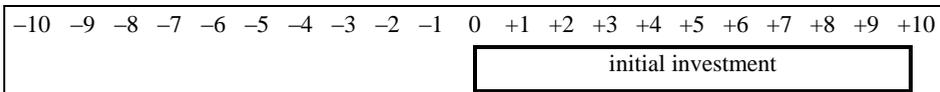


Diagram 16. The examination of persuasive power measured in business application of phrase *initial investment*.

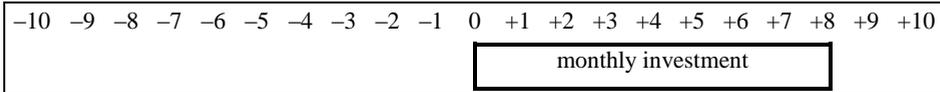


Diagram 17. The examination of persuasive power measured in business application of phrase *monthly investment*.

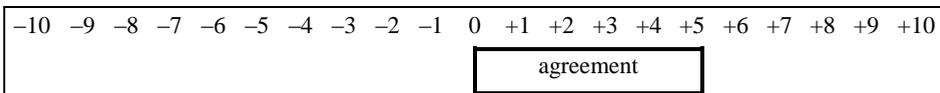


Diagram 18. The examination of persuasive power measured in business application of word *agreement*.

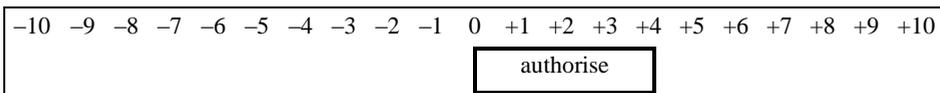


Diagram 19. The examination of persuasive power measured in business application of word *authorise*.

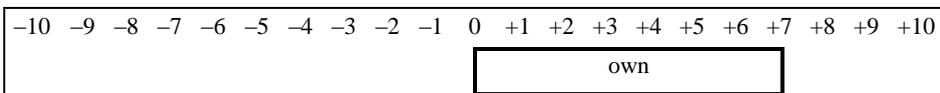


Diagram 20. The examination of persuasive power measured in business application of word *own*.

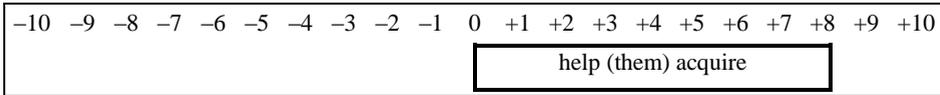


Diagram 21. The examination of persuasive power measured in business application of phrase *help (them) acquire*.

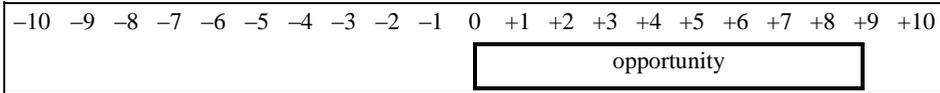


Diagram 22. The examination of persuasive power measured in business application of word *opportunity*.

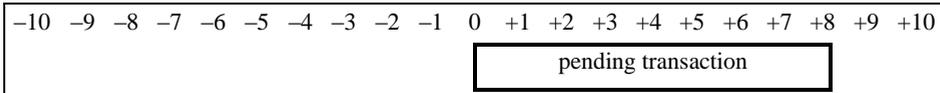


Diagram 23. The examination of persuasive power measured in business application of phrase *pending transaction*.

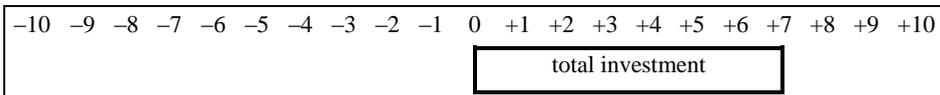


Diagram 24. The examination of persuasive power measured in business application of phrase *total investment*.

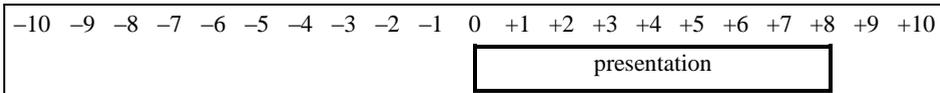


Diagram 25. The examination of persuasive power measured in business application of word *presentation*.

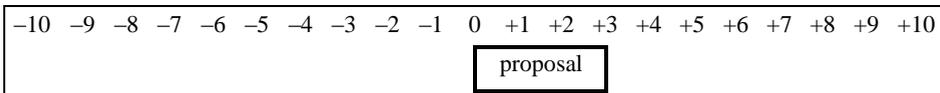


Diagram 26. The examination of persuasive power measured in business application of word *proposal*.

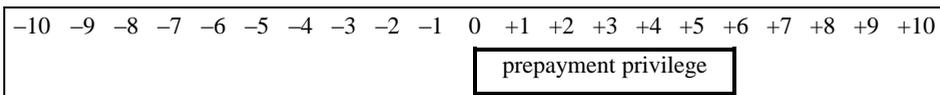


Diagram 27. The examination of persuasive power measured in business application of phrase *prepayment privilege*.

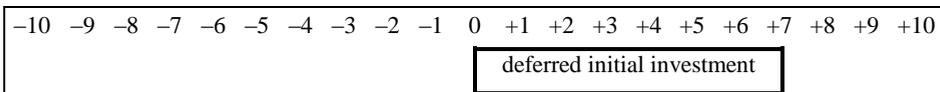


Diagram 28. The examination of persuasive power measured in business application of phrase *deferred initial investment*.

The biggest persuasive positive power of the value of plus ten (+10) is represented by the phrase *initial investment* (diagram 16). The smallest positive persuasive power plus three (+3) is represented by two words: *brokerage* (diagram 15) and *proposal* (diagram 26), whereas the average value of all researched words and phrases having positive power is +6.57. Taking into consideration the values of positive powers of persuasiveness, the words and phrases having big positive power should be particularly frequently employed in the business context. The study on the power of persuasion after linguistic manipulation is the subject of the following section.

### The power of persuasion after linguistic manipulation

All the findings introduced in the above sections support the argument that changes in the range of linguistic expressions (words and phrases) used in the business context can change the direction of influence and simultaneously increase the power of persuasion. This manipulation helps redefine business vocabulary in order to overcome problems created by pejoration of key words used commonly in the business. Diagram 29 shows that the persuasive value between the use of two linguistic units presented separately in diagrams 1 and 17 is eight [8] in absolute value.

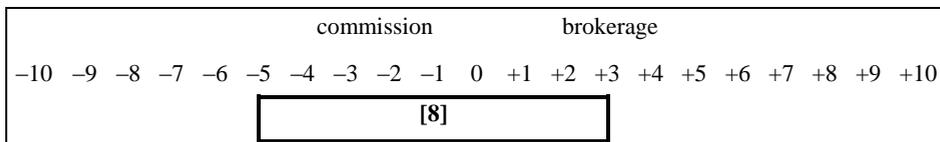


Diagram 29. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 1 and 15.

The measured persuasive values of the remaining linguistic units under the analysis in pairs and calculated in absolute value are presented in the following diagrams:

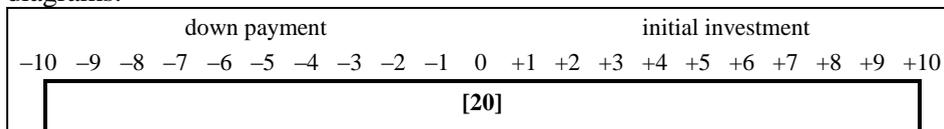


Diagram 30. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 2 and 16.

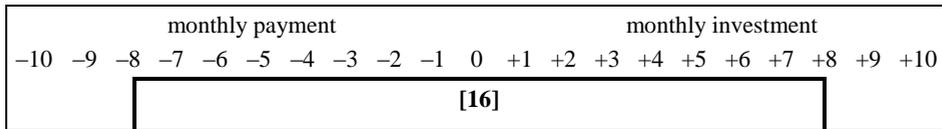


Diagram 31. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 3 and 17.

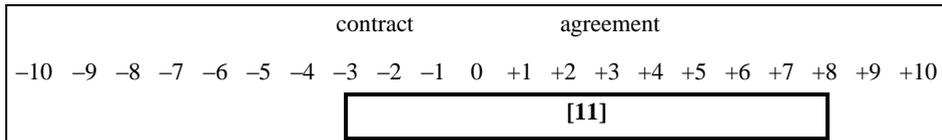


Diagram 32. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 4 and 18.

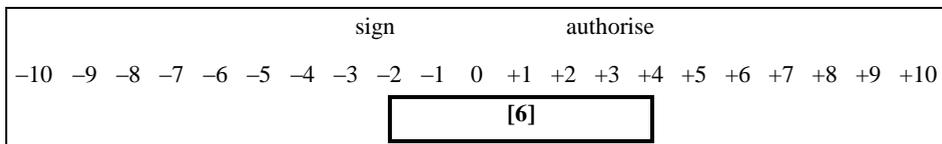


Diagram 33. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 5 and 19.

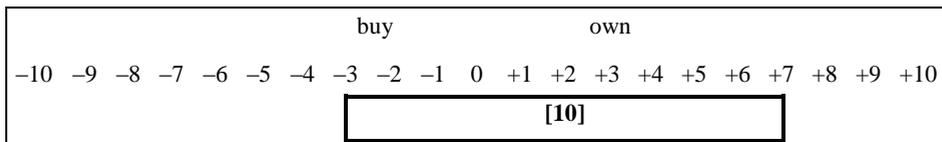


Diagram 34. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 6 and 20.

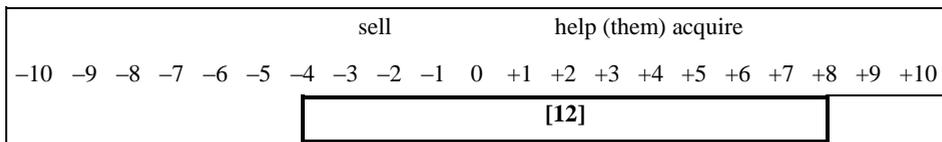


Diagram 35. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 7 and 21.

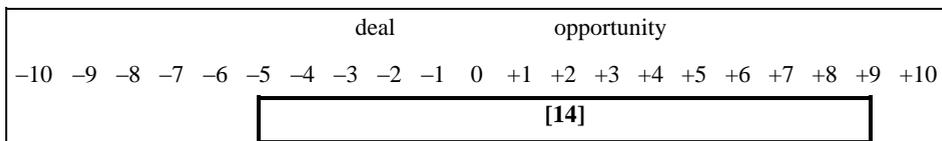


Diagram 36. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 8 and 22.

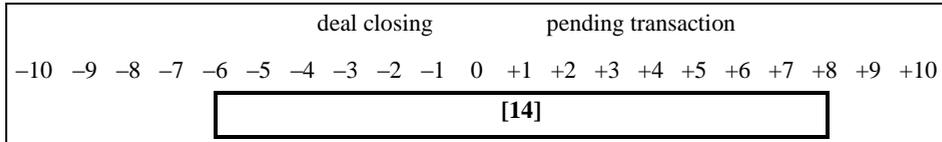


Diagram 37. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 9 and 23.

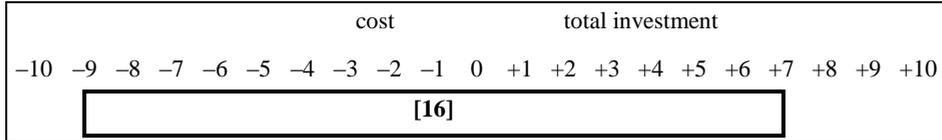


Diagram 38. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 10 and 24.

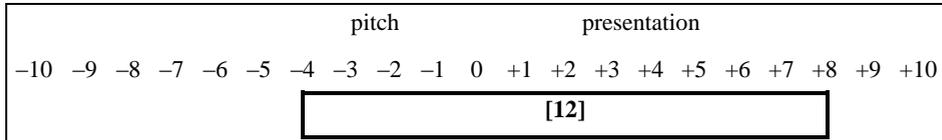


Diagram 39. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 11 and 25.

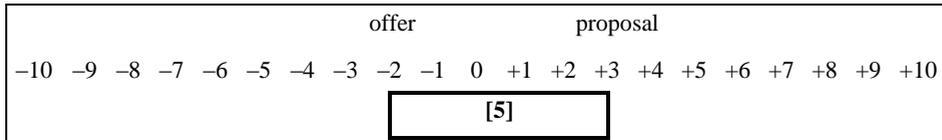


Diagram 40. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 12 and 26.

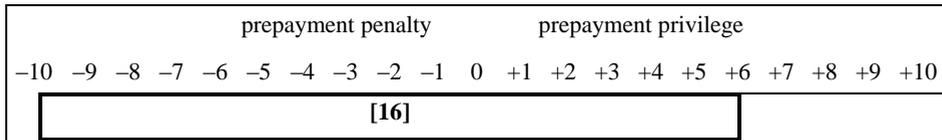


Diagram 41. The examination of persuasive power measured between the use of two linguistic units presented separately in diagrams 13 and 27.

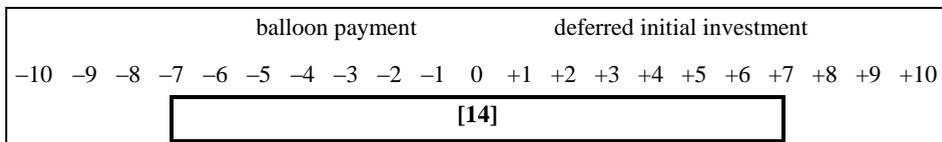


Diagram 42. The examination of persuasive power measured between the use of two linguistic units presented separately in Diagrams 14 and 28.

The difference between the powers of the persuasion shown in diagram 30, represented by the pair of phrases (*down payment* and *initial investment*) and calculated on the absolute value basis (the sum total of the absolute values from diagrams 2 and 16), appeared to be the biggest [20]. It means that when the phrase *down payment* (-10) is replaced with the phrase *initial investment* (+10), instead of negative power of persuasion at the level of minus ten, the power of persuasion will be positive at the level of plus ten. The shift from minus ten to plus ten expressed at absolute values gives [20], so the result of given manipulation shows the highest level of increase of the power of persuasion. It is [7.57] higher than the average absolute value, which is calculated as [12.43].<sup>9</sup>

The smallest difference between the researched powers of persuasion appears in diagram 40 and is represented by two words *offer* and *proposal*. The increase of the power of persuasion calculated in absolute value basis is five [5] (the sum total of the absolute values shown in diagrams 12 and 26) and it is [7.43] lower than the average absolute value. The effect of manipulation presented in diagram 40 is calculated at the level of [5] because both words in question represent adequately relatively low level of decrease and increase of persuasive power of persuasion. The word *offer* causes negative power of persuasion at the level of minus two (in absolute value [2]), whereas positive of the power of persuasion of the word *proposal* is plus three (in absolute value [3]).

## Conclusions

It seems to be a reasonable assertion, fully justified by the results of the research introduced in the present work, that the increased level of negative power of persuasion requires adequate counteraction within the company to counterbalance and then reverse its unfavourable effects. The process of acquiring negative connotations by words and phrases used in business creates a growing demand for change. Without careful monitoring for problems and implementing the change any real improvement will be impossible. All researched examples of carried out manipulations proved that a well considered response to the problems may help acquire significant results.

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<sup>9</sup> The sum of absolute values of all measured persuasive powers of pairs of words and phrases (174) divided by numbers of pairs (14).

## **WYMIANA FACHOWEGO SŁOWNICTWA TRANSAKCYJNEGO, JAKO REMEDIUM NA PEJORATYWIZACJĘ JEGO PIERWOTNYCH KONOTACJI BIZNESOWYCH**

### **Streszczenie**

Prowadzenie skutecznej sprzedaży produktów i usług na konkurencyjnym rynku wymaga podejmowania działań perswazyjnych z wykorzystaniem fachowego słownictwa. Z upływem czasu, wraz ze zmianami zachodzącymi w otoczeniu biznesowym, następują zmiany znaczeniowe, które mogą prowadzić zarówno do pejoratywizacji (degradacji znaczeniowej), jak i do amelioracji (konotacji pozytywnej) tego słownictwa. Artykuł koncentruje się na zjawisku pejoratywizacji języka fachowego w sferze usług (w szczególności obrotu nieruchomościami) oraz siły jego oddziaływania, jak również obejmuje przedsięwzięcia z zakresu wymiany słownictwa fachowego nabywającego skojarzeń o zabarwieniu negatywnym na nowe słownictwo kojarzone wyłącznie pozytywnie. Pejoratywizacja słownictwa fachowego (transakcyjnego) oddziałuje negatywnie na decyzje zakupowe potencjalnych klientów, a tym samym negatywnie rzutuje na wyniki sprzedaży. Funkcjonująca od kilkunastu lat z sukcesem na bardzo trudnym amerykańskim rynku pośrednictwa w obrocie nieruchomościami ANR Company dostrzega ten problem i podejmuje stosowne działania zapobiegawcze, polegające na przeprogramowywaniu zachowań werbalnych swoich przedstawicieli handlowych. Przedsięwzięcia przeprogramowujące ukierunkowane są na zamianę wykorzystywanego w przeszłości negatywnie kojarzonego słownictwa transakcyjnego na całkowicie nowe słownictwo o zdecydowanie pozytywnych konotacjach biznesowych. Przedmiotowe zagadnienia zostały objęte badaniami, których rezultaty przedstawione zostały w artykule.

SERHAT HARMAN

EBRU KANYILMAZ POLAT

Canakkale Onsekiz Mart University, Turkey

**DO CEO DUALITY AND BOARD HETEROGENEITY AFFECT FIRM  
PERFORMANCE? EVIDENCE FROM ISTANBUL STOCK  
EXCHANGE (ISE) SERVICES INDEX\***

**Introduction**

Board of directors plays important role in the corporate governance of publicly listed companies, and therefore understanding the determinants of board structure is an important research in the management area. Recently, theoretical and empirical works<sup>1</sup> show there is high level of attention has given

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\* This paper was presented 6th International Strategic Management Conference, Saint Petersburg, Russia, July 8–10, 2010.

<sup>1</sup> A.M. Zimmerman, *The Influence Of Top Management Team Heterogeneity On The Capital Raised An Initial Public Offering*, *Entrepreneurship Theory And Practice*, 2008, pp. 391–414; K. Elsayed, *Does CEO Duality Really Affect Corporate Performance*, *Corporate Governance*, No. 15(6), 2007, pp. 1201–1215; C. Raheja, *Determinants Of Board Size And Composition: A Theory Of Corporate Boards*, in: *Journal Of Financial And Quantitative Analysis* 40, 2005, pp. 283–306; D.R. Dalton, C.M. Daily, A.E. Ellenstard, J. Johson, *Meta-Analytic Reviews of Board Composition, Leadership Structure and Financial Performance*, in: *Strategic Management Journal*, No. 19, 1998, pp. 269–290; M Harris, A. Raviv, *A Theory Of Board Control And Size*. *Review Of Financial Studies* <http://www.Aeaweb.org>, 25.10.2008; R.B. Adams, D. Ferreira, *A Theory of Friendly Boards*, in: “*Journal of Finance*”, Vol. 62, 2007, pp. 217–250; K. Lehn., P. Sukesh, M. Zhao, *Determinants of the Size And Structure Of Corporate Boards: 1935–2000*, 2003, [http://Papers.Ssrn.Com/Sol3/Papers.Cfm?Abstract\\_Id=470675](http://Papers.Ssrn.Com/Sol3/Papers.Cfm?Abstract_Id=470675), 25.10.2008; A.L. Boone, L.C. Field, J.M. Karpoff, C.G. Raheja, *The Determinants of Corporate Board Size and Composition: An Empirical Analysis*, “*Journal of Financial Economics*”, No. 85, 2007, pp. 66–101; J. Linck, J. Netter, T. Yang, *The Effects And Unintended Consequences Of The*

to the topic. Also in the management research, basic premise is that top management plays a dominant role in formulating corporate strategy. Gioia and Chittipeddi, define CEO as someone who has primary responsibility for setting strategic directions and plans for the organization, as well as responsibility for guiding actions that will realize those plans.

Most of the studies about CEO duality and board heterogeneity studies have been conducted in the US. and Western Europe settings.<sup>2</sup> So there is a need for understanding of how CEO duality and board heterogeneity affect firm performance differ in countries with different legal, institutional and regulatory systems of developing countries.

In this study, effects of CEO duality and board heterogeneity on firms performance was examining with sample of 34 firms which are traded ISE Services Index between periods of 2005–2007. Data was obtained from annual reports and corporate governance reports of these firms. Rest of the paper follows as, theoretical background and hypothesizes of study. Sample design and measurement variables findings, and discussions and managerial implications presented.

## Theoretical Background and Hypotheses

According to agency theory, the agent, in this relationship, will be a self-interest optimizer. In other words, executive managers will take decisions with the aim of optimizing their wealth and/or minimizing their risk at the expense of

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*Sarbanes–Oxley Act, And Its Era, On The Supply And Demand For Directors*, 2007, <http://www.Soxfirst.Com/50226711/Directorpay.Pdf>, 25.10.2008; J.L. Coles, N.D. Daniel D.L. Naveen, *Boards: Does One Size Fit All?*, “*Journal of Financial Economics*” 87, 2008, pp. 329–356; B. Baliga, C. Moyer, R. Rao, *CEO Duality And Firm Performance: What’s The Fuss?*, “*Strategic Management Journal*”, Vol. 17, 1996, pp. 41–53; R. Beatty, E. Zajac, *Top Management Incentives, Monitoring, And Risk-Bearing: A Study Of Executive Compensation, Ownership, And Board Structure In Initial Public Offerings*, “*Administrative Science Quarterly*”, 1994; B. Boyd, *CEO Duality And Firm Performance: A Contingency Model*, “*Strategic Management Journal*”, Vol. 16, 1995, pp. 301–312; A.K. Buchholtz, B.A. Ribbins, *Role Of Chief Executive Officers In Takeover Resistance: Effects Of CEO Incentives And Individual Characteristics*, “*Academy of Management Journal*”, No. 37, 1994, pp. 554–579; C. Daily, D.R. Dalton, *Bankruptcy And Corporate Governance: The Impact Of Board Composition And Structure*, “*Academy of Management Journal*”, Vol. 37, 1994, pp. 1603–1617; J. Davis, D. Schoorman, L. Donaldson, A. Toward, *Stewardship Theory Of Management*, “*Academy Of Management Review*”, Vol. 22, 1997, pp. 20–47; S. Finkelstein, D. Hambrick, *Top-Management Team Tenure And Organizational Outcomes: The Moderating Role of Managing Discretion*, “*Administrative Science Quarterly*”, 35, 1990, pp. 484–503.

<sup>2</sup> Adams and Ferrara, A Theory of...

the shareholders' value.<sup>3</sup> Agency theory can be applied to board structure and CEO duality. As with board composition, there is strong sentiment among board reform advocates, most notably public pension funds and shareholder activist groups and capital market organizations of countries that the CEO should not serve simultaneously as chairperson of the board. And also we can say many in the scholars have pointed out this state.

Empirical evidence from management field research is inconclusive. While some studies<sup>4</sup> support the positive impact of CEO duality on corporate performance, others For example<sup>5</sup> find that duality leads to inferior shareholder value. Yet other studies<sup>6</sup> find that there is no correlation between CEO duality and firm performance.

Some other authors use contingency t to explain the relationship between CEO duality and firm performance. For instance, Boyd<sup>7</sup> clarifies that “We propose that both theoretical perspectives are correct – under different circumstances. Thus, duality may be negatively associated with performance in some situations, but be positively related in others” In a similar, Brickley<sup>8</sup> *et al.* illustrate that the optimal leadership structure of board varies across firms. We can say independence of the CEO and the chairman of board have an impact on

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<sup>3</sup> M. Jensen, W. Meckling, *Theory Of The Firm: Managerial Behavior, Agency Costs and Ownership Structure*, “Journal Of Financial Economics”, No. 3, 1976, pp. 305–360; E. Fama, C. Jensen, *Separation of Ownership and Control*, “Journal Of Law Economics”, No. 26, 1983, pp. 301–325.

<sup>4</sup> L. Donaldson, H. Davis, *Stewardship Theory Or Agency Theory: CEO Governance And Shareholder Returns*, “Australian Journal of Management”, No. 16, 1991, pp. 49–64; Y. Lin, *Corporate Governance, Leadership Structure And CEO Composition: Evidence From Taiwan*, “An International Review”, No. 13, 2005, pp. 824–835.

<sup>5</sup> V. Kula, *The Impact Of The Roles, Structure And Process Of Boards On Firm Performance: Evidence From Turkey*, *Corporate Governance*, “An International Review”, 13(2), 2005, pp. 265–276; P.L. Rechner, D.R. Dalton, *CEO Duality And Organizational Performance: A Longitudinal Analysis*, “Strategic Management Journal”, No. 12(2), 1991, pp. 155–160; L. Pi, S. Timme, *Corporate Control And Bank Efficiency*, “Journal of Banking and Finance”, Vol. 17, 1993, pp. 515–530.

<sup>6</sup> S.V. Berg, S.K. Smith, *CEO And Board Hairman: A Quantitative Study Of Dual Vs. Unitary Oard Leadership*, “Directors and Boards”, No. 3, 1978, pp. 34–39; R.S. Chaganti, V. Mahajan S. Sharma, *Corporate Board Size, Composition And Corporate Ailures In Retailing Industry*, “Journal of Management Studies”, No. 22, 1985, pp. 400–417; Rechner and Dalton, *Ceo Duality....*

<sup>7</sup> B. Boyd, *CEO Duality And Firm Performance: A Contingency Model*, “Strategic Management Journal”, No. 16, 1995, pp. 301–312.

<sup>8</sup> J. Brickley, J. Coles, G. Jarrell, *Leadership Structure: Separating The CEO And Chairman Of The Board*, “Journal of Corporate Finance”, Vol. 3, 1997, pp. 189–220.

corporate performance, but the direction of impact varies from context to context.

In the Turkish context, TUSIAD and SPK (CAPITAL MARKETS BOARD OF TURKEY) recommends to firms which are publicly listed to separate their chairperson and CEO, but some firms separate, some not. And also, there is no empirical evidence in the Turkish context about CEO duality. So we will test the following null hypothesis:

H1: CEO duality has no impact on corporate performance.

Importance of the top management noted first by Cyert and March<sup>9</sup> in their work on the dominant coalition. Hambrick and Mason<sup>10</sup> presented their upper echelons perspective, a behavioral approach that treats the top management as a significant influence on the direction and performance of the business. In the upper echelons perspective, the attitudes, skills, values, and cognitive structures of the top management are often cited as influencing the strategic choices of the top management.<sup>11</sup> A myriad of studies have since examined the characteristics of the top management and their relationship to strategic decision making and firm performance For example.<sup>12</sup>

There are some measures of top management heterogeneity have been usually to explore heterogeneity (functional background, educational background, age, and tenure). These measures have been studied extensively but rarely have all four been studied together<sup>13</sup> Published research offers support for the claim that a heterogeneous directors board makes better strategic

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<sup>9</sup> R.M. Cyert, J.G. March, *A Behavioral Theory Of The Firm*. Englewood Cliffs, NJ 1963 Prentice-Hall.

<sup>10</sup> D. Hambrick, P. Mason, *Upper Echelons: The Organization As A Reflection Of Its Top Managers*, "Academy of Management Journal", Vol. 9, 1984, pp. 193–206.

<sup>11</sup> *Ibidem*.

<sup>12</sup> A.M. Zimmerman, *The Influence Of Top Management Team Heterogeneity On The Capital Raised An Initial Public Offering*, *Entrepreneurship Theory And Practice*, 2008 pp. 391–414; D. Hambrick, T. Cho, M. Chen, *The Influence Of Top Management Team Heterogeneity On Firms' Competitive Moves*, "Administrative Science Quarterly", No. 41(4), pp. 659–684; M.F. Wiersema, K.A. Bantel, *Top Management Team Demography And Corporate Strategic Change*, "Academy of Management Journal", Vol. 35(1), 1992, pp. 91–121.

<sup>13</sup> K. Bantel, *Strategic Clarity In Banking: Role of Top Management-Team Demography*. *Psychological Reports*, 73, 1993, pp. 1187–1201; A. Murray, *Top Management Group Heterogeneity and HRM Performance*, "Strategic Management Journal", Vol. 10, 1989, pp. 125–141; C. Pegels, Y. Song, *Management Heterogeneity, Competitive Interaction Groups, and Firm Performance*, "Strategic Management Journal", No. 21(9), 2000 pp. 911–924.

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decisions and is positively related to a variety of desirable outcomes, at least in established firms, including firm performance.<sup>14</sup>

Hambrick and Mason argued that top managers have an orientation that develops from functional experience; functional background was found to influence the strategic choices of firm founders in that they emphasize the function with which they have experience<sup>15</sup> Brouthers et al. found that managers with functional experience in management pursued more aggressive strategies compared to managers with functional experience in finance and accounting.<sup>16</sup>

H2: Heterogeneity in the functional background is positively related to firm performance.

Hambrick and Mason emphasized that the type of education earned by the top managers will influence their strategic decisions. Heterogeneity in the educational background of the management board suggests variety in their perspective. Positive relationship between educational background and competitive action, competitive response, strategic change, to strategic clarity, and firm performance was found in established firms.

H3: Heterogeneity in the educational background is positively related to firm performance.

According to Richard and Shelor<sup>17</sup> age is a proxy for perspectives, belief systems, networks, and affiliations. Wiersema and Bantel<sup>18</sup> argued the people age their flexibility decreases and rigidity and resistance to change increases. Youthful managers are commonly associated with attempting the risky, novel, and unprecedented,<sup>19</sup> linked to firm growth and more receptive to change, and willing to take more risks than older managers.<sup>20</sup> Firms managed by younger top

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<sup>14</sup> A.M. Zimmerman, *The Influence of...*

<sup>15</sup> W.H. Boeker, *Organizational Origins: Entrepreneurial And Environmental Imprinting At The Time Of Founding*. in: *Ecological Models of Organizations*, ed. G.R. Carroll, Ballinger Publishing Company, Cambridge, 1988, pp. 33–51.

<sup>16</sup> A.M. Zimmerman, *The Influence of...*

<sup>17</sup> O. Richard, R.M. Shelor, *Linking Top Management Team Age Heterogeneity To Firm Performance: Juxtaposing Two Mid-Range Theories*, "International Journal of Human Resource Management", No. 13(6), 2002, pp. 958–974.

<sup>18</sup> M.F. Wiersema, K.A. Bantel, *Top Management...*

<sup>19</sup> A.M. Zimmerman, *The Influence of...* W.H. Boeker, *Organizational Origins: Entrepreneurial And Environmental Imprinting At The Time Of Founding*. in *Ecological Models of Organizations*, ed. G.R. Carroll, Ballinger Publishing Company, Cambridge, 1988, pp. 33–51. M.F. Wiersema, K.A. Bantel, *Top Management...*

<sup>20</sup> *Ibidem*.

managers were less likely to experience firm crisis than firms managed by older top managers.<sup>21</sup>

H4: Heterogeneity in the age is positively related to firm performance.

### **Sample Design and Measurement of Variables**

Sample that used in this study was derived from ISE Services Index. There are 34 firms which are publicly listed in the ISE operate in different sectors these are; electricity, transportation, sports, tourism, wholesaling and retailing and telecommunications. The reason why the service industry has chosen for research is that service industry is emerging in Turkish context. The data about CEO duality and heterogeneity belongs to period of time (2005–2007) and obtained from annual reports and web site of 26 of the firms operated in service sector of ISE because of unavailability of the data. Board of directors and financial performance sections of annual reports were content analyzed.

### **Dependent Variables**

Two dependent variables were employed to measure firm performance; First variable is ROA, An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage.

Second dependent variable is Tobin Q ratio. is a ratio comparing the value of the stocks of a company listed in the financial market with the value of a company's equity book value. The ratio was developed by James Tobin.<sup>22</sup> It is calculated as;

Tobin Q = (Total Liabilities – Preference Capital + Market Value) / Total Assets.

If the Q ratio is more than one, the investment is expected to be more profitable; on the other hand in less profitable investments' Tobin Q values are expected to be less than one.

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<sup>21</sup> Zimmerman, *The Influence of...*

<sup>22</sup> J. Tobin, *A General Equilibrium Approach To Monetary Theory*, "Journal of Money, Credit and Banking", No. 1, 1969, pp. 15–29.

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## Independent Variables

**CEO Duality:** It is measurement by checking CEO and chair person of firms are the same person for each year (2005, 006 and 2007). CEO duality was a binary variable, If CEO also serves as chair person it was coded 1, if not Zero

**Functional Background:** Functional background heterogeneity was calculated using Blau's<sup>23</sup> heterogeneity index  $(1-\sum i^2)$ , where  $i$  is the proportion of the group in the  $i$ th category. A high score indicates variability in the functional backgrounds among team members, i.e., functional heterogeneity, and a low score represents homogeneity. The functional categories used to calculate the index were those functional categories frequently used in the study of heterogeneity—finance, human resources, general management, marketing/public relations, operations, engineering/R&D,

**Educational Heterogeneity:** Educational heterogeneity was measured in terms of background using Blau's<sup>24</sup> heterogeneity index described before. Educational background categories i.e., engineering, architecture, business administration, economics, law, finance and accounting.

**Age Heterogeneity:** Age heterogeneity was calculated as the coefficient of variation of the top managers' age. A high score indicates age heterogeneity and a low score indicates age homogeneity.

Number of control variables was also employed, these control variables are, size of the board, firm's age. Size of the board was calculated as total number of board member and Firm age calculated as when the firm was established

## Empirical Findings

Table 1 reports the descriptive statistics of the variables used in the study. It is understood that in the ISE Services Index, our CEO duality categorization shows in 73 percent of firms chairman wears both CEO and chairman hat despite Capital Market Council of Turkey suggests to the firms which are publicly listed in the ISE. And findings indicate that average ROA percentage of the firms is % 8,30 and Tobin Q ratio is 1,50. When we check firms age and

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<sup>23</sup> P. Blau, *Inequality and Heterogeneity: A Primitive Theory of Social Structure*, New York: The Free Press 1977.

<sup>24</sup> *Ibidem*.

board size; we can see that average firm age is 27 and boards are consist of 7 people. In terms of heterogeneity we can say that boards are seem to be heterogeneous.

Table 1. Descriptive Statistics of Variables

	Observation	Mean	Standart Deviation
Return on Assets (ROA) (%)	78	8.30	16.845
Tobin Q Ratio	78	1.50	1.391
CEO Duality	78	0.730	0.4464
Size of the Board	78	6.88	1.904
Firms Age	26	27.84	20.222
Age Heterogeneity (Variation in the Age of the Board)	78	96.24	58.36
Educational Heterogeneity ( $1-\sum i^2$ )	78	0.579	0.1558
Functional Heterogeneity ( $1-\sum i^2$ )	78	0.480	0.1367

For testing Hypothesis 1 (null hypothesis) about CEO duality's effect on ROA and Tobin Q ratio, Least Absolute Value (LAV) regression was employed. Two models were built on for ROA and one for Tobin Q ratio. LAV is regression is also known as median regression model. Median value of dependent variable is estimating by getting sum of absolute deviations around the unconditional median for finding regression coefficients to minimize function of regression (Rousseeuw and Leroy 2003). The estimates of LAV regression model as dependent variables ROA and Tobin Q ratio and CEO duality as independent variable shown in the table 2.

Table 2. Impact of CEO Duality on Firm's ROA and Tobin Q Ratio According LAV Regression Estimates

Dependent Variables (Firm's Performance Indicators)	ROA	TOBIN Q RATIO
CEO Duality	0.824	0.0178

The LAV regression estimates shows that CEO duality has no impact on firms performance in terms of ROA and Tobin Q ratio. That result shows that Hypothesis 1 is supported. We cannot reject our null hypothesis.

To test relationship between board heterogeneity and firm performance Hierarchical regression analysis was employed. In the first step, control variables (firm's age and board size) add to model as independent variables, ROA and Tobin Q ratio as dependent variables. And in the second step, age, educational and functional background heterogeneity added to model as independent variables, ROA and Tobin Q ratio was added as dependent

variables. Results of Hierarchical regression analysis for ROA are presented in the table 3.

Table 3. Results of Hierarchical Regression

Dependent Variables (Firm's Performance Indicators)	ROA MODEL 1	ROA MODEL 2	TOBIN Q RATIO MODEL 1	TOBIN Q RATIO MODEL 2
Size of the Board	0.026		0.047	
Firms Age	-0.032		0.021	
Age Heterogeneity		0.087		-0.063
Educational Heterogeneity		0.076		0.438*
Functional Heterogeneity		0.364*		0.126**
R <sup>2</sup>	0.21	0.61	0.34	0.54
F		19.620*		18.899**

N = 78, Dependent Variables: ROA and Tobin Q Ratio, \*p < 0,10, \*\* p < 0,05

Results hierarchical regression analysis show that, in the ISE services sector, functional heterogeneity positively related to the ROA of firms  $p < 0,10$  and Tobin Q ratio of the firm  $p < 0,05$  so that Hypothesis 2 supported both in terms of ROA and Tobin Q ratio.

When impact of educational is examined it is understood that educational heterogeneity is positively related with Tobin Q ratio of the firms in the ISE services index. Thus we can say that results give partial support to the Hypothesis 3. And when there no positive relation with age heterogeneity both in terms of ROA and Tobin q ratio. So that Hypothesis 4 is not supported.

## Discussion and Suggestions for Future Research

Management boards are one of the main predictor of the firm performance. According to the corporate governance principle ownership and management of firms should be separated. Also this study's theoretical roots of this study depends in agency theory and Hambricks and Mason's<sup>25</sup> upper echelons perspectives. Two main questions was tried to answered in this study, These are Does CEO duality and board heterogeneity affect the firm performance? To

<sup>25</sup> D. Hambrick, P. Mason *Upper Echelons....*

answer these questions, annual reports and corporate governance principles reports of the firms operated in ISE services index was analyzed. And then, LAV and Hierarchical regression was employed.

Findings indicate that in ISE service index, in 73 percent of the firms CEO is also Works as a chair person. That finding is similar with the work of<sup>26</sup> Rechner and Dalton 78,7 percent, Elsayed 79 percent and Donaldson and Davis. But when the web site of Capital Markets Board of Turkey is checked it is understood this council strongly recommends to publicly listed firms to separate CEO and the duality. According to the corporate governance also CEO and chair man should be separated person. But our findings show that CEO duality has no impact on performance of ISE service index firms. But also for the future all the firms in the ISE (237 firms) can be included to the sample and then the same procedure can be hold and effects of CEO duality can be explored according to the different sectors.

Board heterogeneity is also accepted predictors of firm performance according to our hypothesis about heterogeneity and performance relation. But the findings showed that only functional heterogeneity is positively related both in terms of ROA and Tobin Q ratio and the educational heterogeneity is positively related in the ROA of the firms. On the other hand Age heterogeneity is not related with firm's performance both in terms of ROA and Tobin Q ratio. Also we can suggest that for the future research, all of the 237 in ISE heterogeneity of board can examined and relation with the firm's performance can be explored.

There are some attempts to analyze board structure and firms performance in the Turkish Context. For example Kula<sup>27</sup> analyzed 386 mostly small and non-listed stock ownership companies in Turkey and he found that the separation of chairman and general manager positions has significant positive impact of firm performance. And Kaymak and Bektaş<sup>28</sup> investigated the association of board independence, CEO duality, board size, and board tenure with bank performance in Turkey. These relationships are examined for all 27 Turkish banks operating in the market between the years 2001–2004. Their

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<sup>26</sup> K. Elsayed, *Does CEO Duality Really Affect Corporate Performance*, "Corporate Governance", No. 15(6), 2007, pp. 1201–1215.

<sup>27</sup> V. Kula, *The Impact....* pp. 265–276.

<sup>28</sup> T. Kaymak, E. Bektaş, *East Meets West? Board Characteristics In An Emerging Market: Evidence From Turkish Banks*, No. 16 (6), 2008, pp. 550–561.

findings suggested that the presence of insiders has a positive impact on return on assets, while duality and board tenure are negatively associated with performance. As it is understood that there is no study that covers all of the firms in the ISE. Our recommendation for the future research about board structure–firm performance relationship in Turkish context is to reach full sample of the firms in the ISE.

Also there have to be some explanations about the study. As mentioned in the introduction there 34 firms in ISE services sector. But data was gathered only from 26 of the firms. Unavailability of the information about firm's board, information about board members or annual report in their website was the reason. That is also another paradox that we have faced publicly listed firms not to having information about board member of their annual reports.

**WPLYW STRUKTURY RAD NADZORCZYCH ORAZ KONTAKTÓW  
Z DYREKTOREM GENERALNYM NA WYDAJNOŚĆ FIRM NA  
PRZYKŁADZIE PRZEDSIĘBIORSTW USŁUGOWYCH  
NOTOWANYCH NA GIEŁDZIE W ISTAMBULE (ISTANBUL STOCK  
EXCHANGE (ISE))**

**Streszczenie**

Rady nadzorcze pełnią kluczową rolę w funkcjonowaniu firm. W artykule dokonano oceny wpływu rad nadzorczych oraz dwoistej roli CEO (dyrektora generalnego) pełniącego czasem również rolę prezesa zarządu na wyniki finansowe spółek z ISE mierzone za pomocą ROA i indeksu Tobina w latach 2005 – 2007. Z badań wynika, że w przypadku 78% firm, funkcje dyrektora generalnego i prezesa zarządu są rozdzielone. Średnia wielkość rady nadzorczej wynosi 6,88. Z przedstawionych w artykule badań wynika, że pełnienie przez dyrektora generalnego również roli prezesa zarządu nie ma wpływu na wyniki finansowe firm.



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**ETHICAL AREA OF SOCIAL RESPONSIBILITY IN A SMALL  
ENTERPRISE KEY ASPECTS**

**Introduction**

The concept of social responsibility is ingrained in human nature, in decisions and choices made, as well as an individual's place in an enterprise. The type and results of such choices, apart from numerous factors of organizational, financial, instrumental and other nature, depend on both the declared and perceived system of values by enterprise owners, its managers and employees. Problems of ethical nature in managing an enterprise constitute one of key factors influencing its further development and existence. The problems of social responsibility are analyzed in relation to their different areas, dimensions and levels. The perception of ethical area, with reference to social responsibility, partly confirms the thesis that accepting the assumptions of social responsibility concept by an enterprise means creating a certain moral obligation carried out by following the system of values and standards of conduct. Additionally, the majority of studies regarding social responsibility are focused on large enterprises functioning verification and refer to small ones only to a minor extend, despite quite an extensive group of the latter and their specific set of characteristic properties.

The objective of the hereby article is to identify key aspects regarding ethical area of social responsibility in a small enterprise. The study discusses the

relationship between ethics and social responsibility, basic models of social responsibility and their relations with ethical values, specific properties of ethical area with respect to social responsibility in a small enterprise, as well as ways for ethics institutionalization in a small enterprise. The discussion is of literature-empirical nature.<sup>1</sup>

### **The relation between ethics and social responsibility of an enterprise**

Ethics represents a branch of philosophy and deals with such moral issues as, eg.: moral norms, patterns, behaviour, values, evaluations. There are two major goals of ethics: firstly, it is supposed to evaluate human behaviour referring to moral standards, as well as provide an answer to a question: how to act in line with moral norms in particular situations.<sup>2</sup> Additionally, ethics focuses on finding answers regarding ways leading towards recognizing and accomplishing the good, the beauty and the truth. Depending on the assumptions accepted by those who created them, the output in the domain of ethics distinguishes many theories and ethical systems.<sup>3</sup> Ethical issues are present in many aspects of human life. Therefore the sudden need for ethical and responsible behaviour in obtaining contemporary business results, since at the beginning of the new millennium (again) we do experience the reality of lost values and crises occurring in the sphere of: trust, mutual relations, loyalty and honesty. As the result the importance of performing transparent activities and stable, consistent principles, carried out by sincere and honest people does increase, regardless of the dimension of such activities range. There is nothing

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<sup>1</sup> The studies conducted in Polish small enterprises representing different sectors constitute the basis for the presented discussion regarding social responsibility of a small enterprise. The goal of research is to assess the level of awareness among owners – managers of small companies regarding the importance of social responsibility and the analysis of determinants, manifestations and ways for social responsibility management in a small enterprise. Empirical studies have been conducted by means of a questionnaire, personal interview, observation, an organization documentation analysis and comparative analysis based on case studies. The research process consisting of a few stages is still in progress (research project in the period of 2010–2012 No. N N115 550138 entitled: *Social responsibility management in a small enterprise. Identification – evaluation – improvement directions*).

<sup>2</sup> W.M. Grudzewski, K.I. Hejduk, A. Sankowska, M. Wańtuchowicz, *Sustainability w biznesie, czyli przedsiębiorstwo przyszłości. Zmiany paradygmatów i koncepcji zarządzania*, Wydawnictwo Poltext, Warszawa 2010, p. 228.

<sup>3</sup> Owing to a limited scope of the study the author does not undertake ethical considerations at the background of philosophy or theology, even though such aspects require an extensive discussion.

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more misleading than the attitude that business has nothing in common with ethics. The need, emphasised by economic reality, namely by businessmen, managerial staff, clients and manifesting itself in reprehensible social and moral phenomena referring to the asymmetry of obtaining information and resources in global scale, discrimination of workers, threats to consumers' life and health, dynamics of dishonestly conducted businesses based on violence, exploitation, abusing human dignity etc., resulted and still results in the creation of a scientific discipline defined as business ethics, which has elaborated both methodology and tools as basics for practical application. Business ethics is understood as an integral part of business running strategy practised by an enterprise.<sup>4</sup>

One of major components constituting an ingrained part of ethical theories is the problem of responsibility for the deeds performed and unperformed.<sup>5</sup> Therefore, the discussion on moral issues, or more extensively, ethical principles may not take place without incorporating the aspects of responsibility in it, since the concept of responsibility is included in ethical categories. In ethical systems, such as utilitarianism, Christian personalization, or Kant's ethics, the subject of choices and moral evaluation is an individual making choices and performing certain deeds. Therefore, a direct reason-result relation does occur between a person and his/her actions. It is assumed that an individual is capable of making choices and undertaking responsibility for them,<sup>6</sup> while moral perfection constitutes both a task and a challenge for a human being. Defining such moral responsibility of an individual means the ability to assess one's own actions, their results and being prepared to suffer their consequences. Therefore such assessment of a given deed has to be based on a certain system of values or standards to refer to in order to decide about the potential consequences of activities. The sense of individual responsibility does influence group responsibility and also the responsibility of an overall organization.

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<sup>4</sup> An interesting, cognitive research challenge is to define relations between business ethics and an enterprise social responsibility, which will be further discussed in the following studies by the author.

<sup>5</sup> *Firma = etyka; pracownicy, dostawcy, społeczeństwo*, Forum Odpowiedzialnego Biznesu, Zeszyt 1, Warszawa 2009, p. 5.

<sup>6</sup> L. Kołakowski, *Mini wykłady o maxi sprawach, jak o władzy, o sławie, o równości, o kłamstwie, o tolerancji, o podróżach, o cnotcie, o odpowiedzialności zbiorowej, o kole fortuny, o wielkiej zdradzie i inne*, Wydawnictwo Znak, Kraków 2000, p. 22.

Personal, individual responsibility becomes the stimulus for activities undertaken by larger communities.

Additionally, ethics and morality ought to be institutionally secured. It refers to such order arrangement which not only facilitates, but also makes proper conduct easier in all spheres of human activities. In order to protect the rare good, represented by morality, it is indispensable to work out institutional and organizational means which would liberate a human being from performing an over excessive moral effort.<sup>7</sup>

An enterprise is a social entity and does function in a certain social space. In view of changing and unpredictable environment, enterprises perceive their intellectual potential and also aim at a social dialogue, as well as sustainable development. Besides they are absolutely obliged to increase their responsibility for activities performed. An enterprise should provide its members – owners, managers, employees – with proper conditions for presenting ethical and responsible attitudes. At the background of theoretical discussion and practical realization of assumptions related to complex, ethical behaviours, the concept of social responsibility in an enterprise, which has already got a large group of supporters, gains in significance. Social responsibility is a broad, complex and interdisciplinary category which unambiguous and transparent definition brings about certain problems. Following a detailed analysis of the definition<sup>8</sup> it may be assumed that social responsibility means economic, legal, ethical or philanthropic obligation of an enterprise regarding internal and external social groups and also becomes the object of targeted, rational and institutionalized performance, which may become the source of competitive advantage. Types of social responsibility refer mainly to dimensions and social addressees of commitments.<sup>9</sup> Additionally, social responsibility may become an object of management, while targeted and rational functioning related to social responsibility is understood as the sequence of defined activities such as the

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<sup>7</sup> M. Rybak, *Etyka menedżera – społeczna odpowiedzialność przedsiębiorstwa*, Wydawnictwo Naukowe PWN, Warszawa 2004, p. 123.

<sup>8</sup> It refers to definitions in the studies by such authors as: A. Carnegie; M. Friedman; A.B. Carroll; Y.Ch. Kanga, D.J. Wood; J. Stoner, R.E. Freeman, D.R. Gilbert; M.E. Porter, M.R. Kramer; L. Zbiegień-Maciąg; B. Rok; H.G. Fitch; R.W. Griffin; K. Davis, R. Blomstrom; World Business Council for Sustainable Development; European Commission “The Green Book”, etc.

<sup>9</sup> Social responsibility may occur eg.: in internal and external dimension (regarding the division of groups of interests), as well as economic, legal, ethical and philanthropic dimension (regarding areas/levels of responsibility).

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identification of social responsibility subjects, as well as its planning, organizing, creating and controlling. Professional literature offers models of social responsibility based, on the one hand, on responsibility gradation and its relation to an enterprise profitability (i.e. after profit obligation model and before profit obligation model), by means of models defining the scope of socially responsible activities (i.e. models of social duty, social input, social reacting, social management), but on the other hand models based mainly on strategic aspects (models of social responsibility strategies). From the point of view of an in-depth specification of relations between ethics and social responsibility, the initially offered models were those by A.B. Carroll and Y.Ch. Kanga, D.J. Wood.

### **The dispute over ethical area of social responsibility**

Theoretical output regarding social responsibility includes two basic models called: after profit obligation and before profit obligation. The first one, based in its hierarchical construction on Maslow's pyramid of needs and elaborated by A.B. Carroll, covers four areas/levels of responsibility: economic and legal responsibility as the required ones, ethical – as expected and philanthropic – as the desired responsibility. The author accepts economic area as the background for social responsibility of an enterprise, since an enterprise has to be, most of all, profitable and bring about measurable advantages. In this case responsibility manifests itself in: profitability, maximal revenues, minimal costs, effective strategies, etc. The second area, defined by A.B. Carroll, was legal responsibility due to the fact that an enterprise aiming at obtaining profits has to function in line with legislation in force, which refers among others to: observing law in performing economic activities, environment protection, consumer protection, labour law, business obligations etc. The next area mentioned represents ethical responsibility which is focused on the necessity to function in an appropriate, equitable, fair and honest way, in the area free from any legal regulations, i.e. meeting ethical norms, avoiding inappropriate behaviour, disclosing dishonest practices etc. The final area of social responsibility covers philanthropic responsibility which is associated with spending, by an enterprise, some of its resources on social issues in order to provide constructive assistance, to improve living conditions or solve social problems, eg.: patronage and sponsoring of health oriented issues, science,

education, art, sport; programmes for the benefit of local community, charity actions, voluntary activities undertaken by workers, etc. In A.B. Carroll's approach an enterprise profitability constitutes the background for social responsibility which is of fundamental and primary significance. According to the model's author the other areas are of secondary importance and will not be accomplished if deprived of economic effectiveness. Such approach is the right one – however only in a certain scope – in case of implementing social responsibility within philanthropic area, since meeting the requirement of profitability facilitates charity even though, from ethical point of view, also small resources make the sharing with the needy ones possible. The most, however, difficult idea to agree with is to accept profitability by disregarding legal principles, and most of all ethical ones. The recognition of moral values priority over other values which should be assigned to them became the background for creating another model, in a way contradictory to the proposal by A.B. Carroll, and popularized by Y.C.H. Kanga and D.J. Wood, which is included in the before profit obligation category. According to the model any enterprise is obliged to follow moral and social standards at any stage of its activities and not just after having obtained a certain profit. Therefore, the profit gained without meeting the established standards is not morally justified. The model proves that ethical responsibility of individual persons for making choices, as the result of ethical behaviour, becomes the fundamental component of social responsibility. The model also illustrates that both owners and management staff of enterprises, having made certain choices in the process of undertaking economic decisions, may meet or break the law or ethical and social norms. In this particular matter attention is paid to the emphasized by institutional economy, potential and actual inclination of a man involved in economic processes towards opportunism, lying, deceitfulness, fraud, swindle or breaking promises. It turns out that a businessman's choice is not made exclusively between profit and risk, but results from his/her individual attributes, "ethical habits" and preferences. It is the individual preferences of enterprises which decide about developing the so called lucrative businesses obtaining profits as the result of violence, corruption, breaking family ties, freedom in morality. In the model by Kanga and Wood an enterprise is also obliged to consider the expectations of stakeholders and refer to their objectives as equally important. If such assumption is met an enterprise gains the freedom of choice regarding profits generation strategy. It is only until legal and ethical

conditions are met that an enterprise may multiply profits and carry out philanthropic activities. Philanthropy in the before profit obligation model refers to two components: one of them is represented by moral and social obligations towards company stakeholders and the other refers to totally voluntary involvement in solving problems at macro level.<sup>10</sup> At the background of basic models numerous comments are made by theorists and practitioners in management who, on the one hand, refer to an enterprise as the subject of laws and obligations focusing only and specifically on obtaining profit, while others observe economic activity as one of many components characteristic for human activities which in its system of values also provides certain moral principles followed in real life practice. The latter even assign the so called “social skills” to an enterprise functioning.

### **The specific nature of social responsibility ethical area in a small enterprise**

Ethical area of responsibility refers mainly to the perception of effects as resulting from one’s own decisions and taking over all responsibility for them, as well as following the principles of respect for social benefit, within the framework of generally accepted standards. The adaptation of social responsibility by an enterprise results in accepting moral/ethical<sup>11</sup> obligation. Small enterprises which find it more and more difficult to compete based on traditional, material factors of competitiveness are, in a way, forced to redefine their activities by, on the one hand, making an in-depth “insight” into their structures and focusing mainly on the appreciation of their human potential, but on the other hand look outside and take advantage of the network of relations established with surrounding actors. It is only by means of transparent and ethical functioning that an enterprise is capable of obtaining profits in a long perspective. Ethical dimension of a small enterprise is visible in all spheres of its performance. Ethical activities in business are based on expectations that an enterprise will observe legislation in force, as well as moral standards based on

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<sup>10</sup> See: A.B. Caroll, *Business and Society: Ethics and Stakeholder Management*, College Division South – Western Publishing Co. Cincinnati, Ohio 1993, p. 35; M. Rybak, *op. cit.*, pp. 29–33; J. Adamczyk, *Spoleczna odpowiedzialność przedsiębiorstw, Teoria i praktyka*, PWE, Warszawa 2009, pp. 40–43.

<sup>11</sup> At this point it is worth mentioning that the sources for moral principles origin and their meaning represent the subject matter of philosophical science called ethics. However, one should not mistake ethics with morality.

voluntary obligation to do so. An enterprise functions within the framework of a certain set of principles which find their source both in individual cognitive codes and the level of ethical development represented by owners, management staff, employees, norms they commonly follow and observe, values, rules manifesting themselves in certain behaviours, habits, customs, inclinations etc., represented by individuals, groups or an overall organization, but also in the form of legal and commonly followed principles put forward by national and international institutions. The power and scope of ethical activities constitute the effect of many factors, out of which – in case of a small enterprise most frequently dominated by an owner him/herself – the sensitivity characteristic for an entrepreneur towards undertaking morally positive initiatives represents one of the basic determinants. Ethical activities of a small enterprise focus on the perception of decision results made by an entrepreneur and taking the responsibility for them. This also means actions resulting in an overall benefit for everybody involved, frequently even at the price of sacrificing the entrepreneur's own profits. In small enterprises ethical activities may be analyzed at the level of an owner – manager, particular employees, the accepted by an enterprise organizational solutions, relations with external partners, as well as tendencies and the dynamics of changes in social, political, legal and economic environment. Such spectrum of mutual interdependencies creates certain, so called, moral infrastructure. The perception and establishment of ethical activity manifestations means, most often, the institutionalization of ethics in the form of diversified codes of conduct, norms and standards. In case of a small enterprise putting on a “too tight corset”, taking the form of standardization, does not function well, therefore balance has to be preserved between an effective identification programme and preventing any sort of abuse or wrongdoing regarding legal rules and ethical norms observation and based on trust, open communication or cooperation which altogether imply repetitive and spreading types of ethical behaviour inspired by good examples.

The results of accepting ethical standards of conduct may manifest themselves in eg.: trust of internal and external stakeholders, increased involvement of employees, extended awareness of employees common responsibility, establishing a community for problems solving, minimizing conflicts, increased loyalty of clients, higher credibility perceived by local environment, as well as the improvement of public image. The research results performed by the author confirm that ethical area of small enterprises

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functioning, in the opinion of small companies owners, is regarded as important, however, not the most important one in everyday functioning. Ethical dimension of activities may be evaluated better from the perspective of subjective perception by owners rather than actual manifestation of moral conduct. It turns out that few small enterprises have elaborated their ethical code. Entrepreneurs, on more occasions, declare ethical functioning based on the occurring needs, depending on situational context, quality of legal regulations and patterns, as well as social acceptance. As it has already been mentioned, the functioning of a small enterprise is dominated by its owner and therefore the level and scope of socially acceptable behaviour in an enterprise depends mainly on the level of awareness, knowledge, experience, and personality of a responsible entrepreneur, etc. It is an individual, declared and observed set of values followed by a small enterprise owner which decides about the choice and scope of social responsibility guidelines realization.

### **The institutionalization of ethics in a small enterprise**

The institutionalization of ethics in a small enterprise means the practice of introducing consistent moral values, norms, obligations in the form of standards, procedures and tools. In case of a small enterprise one has to pay attention to a specific catalogue of attributes which distinguish this group of enterprises. Owners of small companies most frequently prefer their own manner and philosophy of running an enterprise, therefore all normative issues related to “ready-made prescriptions” in most cases encounter a certain aversion in becoming accepted by a group of businessmen. Additionally, the mentioned before over-formalization does not enhance flexibility and dynamics which represent immanent attributes of small enterprises. The majority of ethical programmes proposals are prepared having large enterprises in mind, therefore it seems correct to adopt them to the needs of small companies. Therefore, it seems that an effective ethical programme for the prevention and detection of law breaking, as well as moral values spreading in a small enterprise may cover the following components:

- standards and procedures (in case of a small enterprise it is more founded to follow guidelines) regarding ethical behaviour in a company (including the reduction of law breaking), also with reference to different entities,

- trainings for employees and spreading practical indications related to ethical standards and procedures (or guidelines) of performed activities; employees need the specifically defined framework of their functioning, about which they have to be properly informed,
- monitoring and control of unethical behaviour by employees (including the specification of principles referring to disciplinary responsibility, as well as reacting to and preventing any misconduct),
- elements of strategic management process: mission, vision, strategy; in case of a small enterprise the focus is more on “strategic solutions”, since most frequently a strategy in the form of a document does not exist, while the manner of company running is inside its owner’s head rather than in the form of a hard copy document,
- effective communication; due to its small size and direct mutual relations, the flow of information in a small enterprise is usually quick and transparent, while the dominating form of staff contact is represented by oral communication,
- organizational culture as the indication of organizational standards and values; in a small enterprise, most often dominated by an owner, the manifestations of organizational culture in the form of basic assumptions, norms, values and artefacts refer to the set of personal characteristics, individual manners, experience, knowledge and the system of values observed by an entrepreneur; high ethical culture of an enterprise owner is most often reflected in his/her relations with employees, clients and other external partners,
- undertaking ethical decisions and ethical leadership; making effective and ethical decisions is a challenge for the management; the majority of managerial decisions is referred to ethical values due to ethical nature of effects they bring about; the dominating role of a small enterprise owner is the reason for charismatic leadership based on a good example and managing staff in an ethical way,
- ethical tools in the form of ethical codes, which represent sets of values and ethical norms followed by an enterprise, help in focusing on a proper direction offering the background for better founded and more focused performance in a turbulent environment; additionally codes define the scope of owners, managers and employees responsibility with regard to obligations undertaken by an enterprise, etc.

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The institutionalization of ethics in case of a small enterprise may turn out a difficult task owing to an “organic aversion” of entrepreneurs towards their performance normalization. Additionally, ethical programmes, as the programmes aimed at observing law may not enhance moral development of staff. On the contrary, too strong instruments used for such control may create the atmosphere of distrust and suspicion. However, the expected evolution of entrepreneurs approaches and opinions regarding the importance of ethical norms as fundamental for morally positive behaviour, as well as establishing proper balance between normalization and spontaneous realization of ethical ideas and intentions may result in numerous, measurable advantages and benefits for both a small enterprise and its stakeholders.

## **Conclusions**

Ethical behaviour represents the type of behaviour which is included within the scope of generally accepted social standards. An enterprise, by means of its owners, management staff and employees behaviour may be characterized by certain ethical background which, in turn, may influence the system of values followed by the society. It becomes more and more common to follow an attitude that an enterprise does create certain “ethical value”. Specific attributes, characteristic for a small enterprise, facilitate the disclosure of ethical attitudes and the establishment of ethical atmosphere, while the advantages resulting from choosing such manner of conducting business activities cannot be overestimated. Therefore, it seems fully founded to keep conducting research focused on examining entrepreneurs’ inclinations towards following ethical behaviours and on manifestations of such behaviours in performed economic activities, as well as in their relations with employees, or business partners. The hereby article does not, obviously, provide and discuss the full and complete set of aspects regarding ethical area of social responsibility with reference to a small enterprise. It is just a component of a more extensive part in the cycle of studies performed by the author exploring the problems discussed above.

## **ETYCZNY OBSZAR SPOŁECZNEJ ODPOWIEDZIALNOŚCI MAŁEGO PRZEDSIĘBIORSTWA – KLUCZOWE ASPEKTY**

### **Streszczenie**

Artykuł koncentruje się na identyfikacji kluczowych aspektów dotyczących etycznego obszaru społecznej odpowiedzialności małego przedsiębiorstwa. Na treść opracowywania składa się: przedstawienie związku etyki ze społeczną odpowiedzialnością, prezentacja podstawowych modeli społecznej odpowiedzialności i ich relacji z wartościami etycznymi, specyficznych cech etycznego obszaru społecznej odpowiedzialności małego przedsiębiorstwa, a także sposobów instytucjonalizacji etyki w małym przedsiębiorstwie. Rozważania mają charakter literaturowo-empiryczny.

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## REASONS FOR USING SERVICES OF OFFSHORING AT THE INTERNATIONAL SERVICES MARKET

### Introduction

Still in the first half of the 20th century service operating was mainly considered in the context of national economy.<sup>1</sup> It resulted from the fact of recognition the character of services as non-trade which by the requirement of direct contact between service – giving and service – taking can only part in the international exchange in the limited rate. However following processes of globalization and accompanying them the intensification of international economy links decided about growth the service meaning in the international exchange. Also it is no doubt the growth of the production of goods to which services fulfilled a complementary function such as transport, bank and insurance services. Other factor of growing influence of services in the international exchange was also the growth of societies wealthy and owing of more free time which caused the growth of interests e.g. tourist and education services. Another raising international exchange of services is modernizing of the third sector as the technical progress follows which resulted in the growth

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<sup>1</sup> *Współczesna ekonomia usług*, ed. S. Flejterski, A. Panasiuk, J. Perenc, G. Rosa, Wydawnictwo Naukowe PWN, Warszawa 2003, p. 113.

ability of trade services<sup>2</sup> and also appearing new kind of services. Some of them because of their peculiarity can suffer from the effects of globalization and need some changes to adopt to new conditions. Together with technological progress new markets and new rules of their organizing appeared. The developing of communication and liberalization of exchanging services are useful to create new forms of services among which *offshoring* of service takes important place. The aim of these consideration which are in this article is presenting service *offshoring* as a new tendency in the international services exchange. There will be established the causes and the range of actions called as services *offshoring*, directions of these actions and their scale. There also will be identified some restrictions in the international services exchange and also the effects of this process.

### **Characteristic qualities of the international service exchange**

In the developed countries the share of the service sector both in creating the GNP and in general employment.<sup>3</sup> The meaning also grows, particularly the value of the services in the international trade. In spite of it “the share of the services at the international turnover of current account is relatively low, which according A. Masłowski comes from uncompleted evidence of services transactions which can consist of:

- “mixed character of some products of which services are as integral partial component,
- barter character of some compensator settlement of accounts between companies,
- settlement of accounts technique “from hand to hand” dominating in some typically servicing areas”.<sup>4</sup>

In a result become out of statistics evidence, what promotes expanding grey area. Essential meaning can also have some difficulties with the registration of some services connected with natural persons flowing.

Defining the value of services dilemmas at the international exchange come from the interpretation the definition of “service” itself and also from

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<sup>2</sup> A. Masłowski, *Zdolność handlowa usług a techniki informacyjne i telekomunikacyjne*, “Handel Wewnętrzny” 2006, No. 2, pp. 7–11.

<sup>3</sup> European Commission, *Employment in Europe 2008*, Brussels 2008, p. 217 and next.

<sup>4</sup> *Ibidem*.

assigning to it some specific features service interpreted according K. Rogozinski can be described as “taking an order work servicing and advantages aiming in order to enrich some personal values or usage value volume which service – taker has”<sup>5</sup> because it has some features having significant meaning in the process of the international exchange. One of them is lack of material figure what makes difficult to catch to moment of exceeding the border of a given country. Other features of services which give a specific character to services trade, that is simultaneity of offer and consumption, inconsistency of services specific non – durable services or lack of the possibility of buying services as own property.<sup>6</sup> Typical features of the services influence their trade ability which shows particular restrictions. The determinants of trade ability of the services can be divided into three main groups:

1. Technical determinants e.g. telecommunication, data processing.
2. Economic determinants e.g. markets internationalization, strategies of companies, transport costs, transactions costs.
3. Political and cultural determinants e.g. liberation of exchange, trusting language”.<sup>7</sup>

Among mentioned factors technical determinants have particular meaning. Innovations in this range influence not only the turnover of many kinds of services but they are an intrinsic element of keeping and establishing trade contacts.

The trade ability of the services can be increased thanks to proper ways of service offer.

World Trade Organization<sup>8</sup> establishes four ways of services offering in the international turnover:

1. “Transborder services offer – takes place when services provider and services taker reside in another countries and a distance has no meaning for services offering.

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<sup>5</sup> K. Rogoziński, *Usługi rynkowe*, Wydawnictwo Akademii Ekonomicznej, Poznań 2000, p. 14.

<sup>6</sup> J. Mazur, *Zarządzanie marketingiem usług*, Difin, Warszawa 2001, p. 18.

<sup>7</sup> A. Hanten, K. Skouby, *Internationalization of Services. Implications of Information and Communication Technologies*, Lyngby, “Service Development, Internationalization and Competence Working Paper” 1999, No. 9, p. 3.

<sup>8</sup> A. Kuźnar, *Tendencje w rozwoju międzynarodowego handlu usługami*, in: *Egzemplifikacja międzynarodowych stosunków gospodarczych*, ed. P. Bożyk, WSHiP, Warszawa 2004, p. 2.

2. Services consumption abroad – takes place when consumer is other country than his own one, or service offer follows there even without consumer physical moving abroad.
3. Trade presence of the service firm at the area of the country in which service will be offered ( Direct Foreign Investments ).
4. Natural person moving in order of offer service”<sup>9</sup>.

Mentioned ways of services offer are the effects of internationalization of the third sector which gains for its meaning thanks to using information and communication technologies. The evolution of the international exchange of commercial services is presented in the table 1.

Table 1. Dynamics of import and export of commercial services at the international exchange in selected years (in %)

Itemize	Value million (USD)	Participation (in %)				
		2008	2000	2005	2006	2007
Export						
Commercial services altogether with:	3780	100.00	100.00	100.00	100.00	100.00
Transport services	890	23.5	23.2	22.7	22.8	23.6
Tourist services	950	32.0	27.6	26.7	25.6	25.2
Other commercial services	1935	44.6	49.6	50.6	51.6	51.2
Import						
Commercial services altogether with:	3490	100.00	100.00	100.00	100.00	100.00
Transport services	1045	28.7	29.0	29.0	29.0	29.9
Tourist services	850	29.6	26.9	25.9	25.1	24.4
Other commercial services	1595	41.7	44.1	45.1	45.9	45.7

Source: own work based on: [http://www.wto.org/english/res\\_e/statis\\_e/its2009\\_e/section3\\_e/iii01.xls](http://www.wto.org/english/res_e/statis_e/its2009_e/section3_e/iii01.xls), 18.10.2009.

The biggest participation at the international services exchange have the other commercial services which include telecommunication, computer and other business services. Their participation in 2008 was 51,2 % whereas in 2000 it was only 40 %. In 2005 in comparison with 2000 a clear drop tourist services participation both in import and in export of commercial services was entered what can be connected with terrorist threat covering all the world. This

<sup>9</sup> A. Masłowski, *Globalizacja rynku usług*, in: *Globalizacja usług. Outsourcing, Offshoring i Shared Services Centrem*, ed. A. Szymaniak, Wydawnictwa Akademickie i Profesjonalne, Warszawa 2008, p. 4.

tendency was being kept until the year 2008. However in this year in comparison with 2000 the participation of transport services raised in general international services exchange. In spite of economical crises the participation of commercial services sector in general trade exchange is stable and in 2008 it was 20 %.<sup>10</sup> In spite of it, unfavourable market conditions will probably delay the realization scenario of dynamic growth modern services participation at the international exchange. One of the way to have back a high growth of meaning services at the international exchange can be modern forms of services offer such as *offshoring*.

### **Interpretation and forms of services *offshoring***

*Offshoring* had its beginning in the eighties of 20<sup>th</sup> century thanks to American computer companies, which brought software production to India. That process became more dynamic in the nineties of 20<sup>th</sup> century thanks to good market condition, computer services and searching sources to cover demand.<sup>11</sup> From the beginning of the 21<sup>st</sup> century *offshoringe* has widened towards other services and main motive of its using similarly as in the case of outsourcing was reducing operating costs. it was connected with reduction costs of researches, development, marketing which with the respect of their specialization and scale effect are cower at outer supplier.

In 2004 UNCTAD proposed the definition according to which *offshoring* was “a process relying on producing services at the area of other country. It can be done by a firm according to captive *offshoring* or according to outsourcing from foreign contractor (*offshore outsourcing*)”.<sup>12</sup> This definition introduces two kinds of *offshoring* interpreted by E. Karmel and P. Tjia:<sup>13</sup>

- a) Captive *offshoring* covers actions led inside company consist in creating a unit or corporation dependent in terms of capital in other country. Capital dependence enables company to control

<sup>10</sup> [http://www.wto.org/english/res\\_e/statis\\_e/its2009\\_e/section3\\_e/iii01.xls](http://www.wto.org/english/res_e/statis_e/its2009_e/section3_e/iii01.xls), 17.09.2010.

<sup>11</sup> *Globalization and Offshoring of Software*, ed. W. Spray, F. Mayadas, M.Y. Vardi, Raport Association of Computing Machinery (ACM) Job Migration Task Force, New York 2009, p. 49.

<sup>12</sup> R. Berger, UNCTAD, *Word Investment Report 2004. The Shift Towards Services*, United Nations Conference on Trade and Development, New York and Geneva 2004, No.13, p. 147.

<sup>13</sup> E. Calem, P. Tjia, *Offshoring Information Technology*, Cambridge University Press, New York 2007, p. 10.

the process of services generating. It is useful in terms of the fact that it enables the protection of the secrets connected with running activities and it decrease the risk of drop value added to client which often combines with the processes independent from service – taker. This strategy needs large investment outlays at the start and it is burden with a big risk. The strategy is mostly instituted by companies of given country which were at market earlier and know the reality of market.

- b) *Offshore* outsourcing means undertaking consist In separating from indigenous company structure some parts of function and delegate them to economic subject in other country. This strategy is less expensive than captive *offshoring*. it lets to get knowledge from business experience of the partner in the range of the way of function on a given market. But from the other side it carries itself some threats such as: lost possibility of constant controlling and monitoring the quality of offered services. Such actions in view of non – material character of the services are more difficult than monitoring quality of material products. Long – term relation with a foreign partner comprises significant difficulties. Because it needs not only to work up contract but also to keep further actions aiming to build relations with a services – taker. Long – term contact preparing needs to work up the rules of cooperation with a foreign partner in terms of range, target, period of term lasting and ways of quality monitoring. On one hand *offshore outsourcing* protect a firm from loss and on the other one it carries a risk of reducing services qualities and image worsen.

International exchanging of services is organized in specific organization forms with division specialization. They are i.a.:

1. Services centres call are the centres offer those kinds of services in care of which flowing and processing information e.g. supplier advising in the range of business services – different forms of computer help advising or leading market research.
2. Shared Services Centres – centres engaged not only in client services but in wide activities in the area of administration such as accountancy and

personnel services altogether with supplier invoices, salary paying and law advising.<sup>14</sup>

3. IT centres – their roles depend on implementing in firm or new technologies servicing. This type of outsourcing can refer to outsourcing in the Internet referring to access to common computer net for many contractors, lease of ready supporting memory in servers, management systems, activities connected with creating and updating websites and data processing centres. Other form of IT outsourcing can be *outsourcing e-commerce* referring to professional services in the range of data bases and processing them (solution of type *end – to end*). As an example of creating of data bases is making an agreement between the hospital in Chicago and company working in Chennai (Madras), in the range of storing some data of patients cards recorded by doctors in Chicago. After arriving acoustic files young employers who had done a special course connected with transferring medical data sit in front of computer screens and rewrite recorded information from patients' cards. Thanks to time difference (an hour and a half) the doctors get computer data before they will start work.<sup>15</sup>
4. Region head offices, which activities in the frame of outsourcing and offshoring relay on services export.

Using of the mentioned form of mentioned form of offshoring can bring rational benefits not only for companies but also for cities and countries which will be chosen as the location of economic action.

### **The directions of services offshoring**

Phenomenon of *offshoring*, even if it is in a phase of development, is an essential symbol of global turn in producer activity leading to new international work division in the sphere of services production. The biggest offshoring beneficiates in 2004 were: Ireland, Canada, Israel and India. On four mentioned country fell more than 70% value of global market services brought abroad.<sup>16</sup>

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<sup>14</sup> A. Masłowski, *Nowe formy usług opartych na wiedzy*, "Handel Wewnętrzny" 2005, No.3, p. 21.

<sup>15</sup> J. Sachs, *Koniec z nędzą. Zadanie dla naszego pokolenia*, Wydawnictwo Naukowe PWN, Warszawa 2006, pp. 30–31.

<sup>16</sup> R. Berger, UNCTAD, 2004, *Service Offshoring Takes off in Europe – In Search of Improved Competitiveness*, UNCTAD Press Release, No.13. pp. 1–2.

However most of investments covered the centres of call services and local residences of companies were located in developed countries not in developing countries.<sup>17</sup> According researches made by Ernest & Young in 2007 it turned out that among the most attractive countries for offshoring activity location were in the following order China, the United states, India and Germany (Poland was on the seventh place).<sup>18</sup> And next already in 2009 on the first place was India and next were China, Malaysia and Thailand.<sup>19</sup>

Global economical crises cause however essential changes in attractiveness seed of countries in terms of leading *offshoring* activity. Countries of Middle – East Europe lost their position comparing with the year 2007. This happened because of growth costs of leading activity( altogether with the growth of wages. Whereas the position of the countries with low costs of employment improved significantly and at the same time better and better quality of work force from South – East Asia and Middle East. The part of the countries such as Egypt, Jordan and Vietnam appeared in the seed for the first time among ten the most attractive locations.<sup>20</sup>

“Transferring work places from the high – developed countries where the costs of production are low is possible thanks to improving quality and reducing costs of transport and communication. Also it is essential that the Internet was spread and new standards in telephony and also creating by many countries better and better conditions for foreign investors to lead activities.<sup>21</sup> Demand new locations meets increasing number of the countries which try to get foreign investors.” It is visible aiming to rise attractiveness by countries, states and regions in order to attract international companies which look for convenient low cost locations providing at the same time high quality of work.

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<sup>17</sup> *Ibidem*.

<sup>18</sup> *Wanted – A Renewable Europe*: Ernst & Young European Attractiveness Survey 2007, p. 5.

<sup>19</sup> [www.atkernaey.com](http://www.atkernaey.com), 17.09.2010.

<sup>20</sup> *Ibidem*.

<sup>21</sup> R. Gabryszak, M. Foremna-Pilarska, *Perspektywy offshoringu usług*, “Przegląd Organizacji” 2008, No. 2, p. 17.

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## Reasons for using services of *offshoring* and its potential effects

*Offshoring* was introduced at the beginning of the eighties of 20<sup>th</sup> century by American computer companies which transferred their production to India. This process became dynamic in the nineties of 20<sup>th</sup> century thanks to good market conditions on computer services market and searching sources of meeting the demand for them.<sup>22</sup> At the beginning of the 21<sup>st</sup> century *offshoring* widened on other services and the main motive of its use was decreasing operating cost. That was connected with reduction of researches costs, developing, marketing which in view of specialization and scale benefits are lower at outer supplier. Seeing *offshoring* only as a tool of decreasing costs seems not to fully use its potential possibilities. Proper conception *offshoring* introducing integrated with general strategy of company action can bring additional advantages such as:

- a) reorganization of productive and organizational forces: company thanks to *offshoring* can devote a big part of own forces and funds on basic activity which brings it the biggest interests;<sup>23</sup>
- b) possibility of services offer by high qualified, knowing foreign languages (e.g. in case of *offshoring* India is a good example):
  - increasing competing possibility of small and medium companies with big companies thanks to employing the experts in narrow areas of knowledge,
  - possibility of using experience of other countries in which they are specialized e.g. genetics, Information Technology or experiences other companies specialized in a given area,
  - better knowing and covering clients needs thanks to further to him location and ensure service 24 hours per day (some locations ensure continuous service),
  - innovations (*offshoring* processes a carrier of services innovations),
  - offshore outsourcing causes transfer of a part of services production and work places at same time,
  - offshoring increase access to world economic sources,
  - captive offshoring gives employers possibility of professional development; working in different teams, at diverse markets, they widen their knowledge,

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<sup>22</sup> W. Spray, F. Mayadas, M.Y. Vardi, *op. cit.*, p. 49.

<sup>23</sup> R. Gabryszak, M. Foremna-Pilarska, *op. cit.*, p. 18.

- offshoring can be one of the tools disciplining employers in a company (they come to a conclusion that they are not able to compete with their counterparts in China or India who having higher work efficiency are able to work for much lower wage).<sup>24</sup>

Numerous advantages of *offshoring* do not cause however that its developing perspective are unlimited. According to United Nation Information Centre at services offshoring one needs to take under consideration the following questions:

- a) ‘In case of many services closeness of services takers, coming in interactions with them, trusting and stable position are more important than potential profits which flow from *offshoring*.
- b) Still exist some technological limits. Not all activities connected with services offer can be digitized and can “expedited” outside the borders of a country.
- c) Law regulations and law demands are potential restrictions which can increase transaction cost. in some countries law demands that some types of services such as banking and insurances were offered by local subject.
- d) Next disturbance is lack of international system of accepting professional qualification and homogeneous rules concerning privacy protection.
- e) Trans-national corporation relate in with services *offshoring* and of them relate to phenomena with distant.
- f) Offshoring causes that some work positions become useless. For sacked employers that may mean change the place of living or change of performing job.<sup>25</sup>

In spite of threats coming from offshoring, in contemporary economy more and more companies decide to discharge some services units and transfer them abroad, fulfilling the condition of benefits and accepted strategies of competitiveness improving.

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<sup>24</sup> Ph. J. Haich, *Offshoring 2005. Research Preliminary Findings and Conclusion*, Ventoro, New York, p. 10.

<sup>25</sup> <http://www.unic.un.org.pl>, 17.09.2010.

## Conclusions

Dislocation services offer is a part of the process shaping international division of labour in the world economy. A specific “escape” companies with lower cost of production is possible thanks to quality improving and decreasing transport costs, fast spreading of the Internet and new standards in telephony and also creating new countries better and better condition for activity of foreign investors. Services offered in the frame of *offshoring* can be gained both from independent foreign partners (*outsource offshoring*) and from dependant unit created for this aim by given organization (*captive offshoring*). Traditionally *offshoring* is identified with financial advantages. *Offshoring*, however is also the process which let to put up qualities of offered services and factor that unable company development and creating values thanks to using global sources of intellectual capital and setting processes which particular parts are made in different geographical locations. Maximization benefits of offshoring will be possible thanks to creating favourable international conditions for services exchange., but essential role in this case can play World Trade Organization.

## PRZESŁANKI STOSOWANIA OFFSHORINGU USŁUG W MIĘDZYNARODOWYM HANDLU USŁUGAMI

### Streszczenie

Delokalizacja świadczenia usług jest częścią procesów kształtowania się międzynarodowego podziału pracy w gospodarce światowej. Przenoszenie firm z krajów rozwiniętych do krajów o niższych kosztach produkcji jest możliwe dzięki poprawie jakości i zmniejszaniu kosztów komunikacji, szybkiemu upowszechnianiu internetu i nowych standardów w telefonii, a także tworzeniu przez wiele krajów coraz lepszych warunków do działalności zagranicznych inwestorów. Tradycyjnie *offshoring* utożsamiany jest z korzyściami finansowymi. *Offshoring* jednak to także proces pozwalający na podniesienie jakości świadczonych usług oraz ich innowacyjności. Maksymalizowanie korzyści z *offshoringu* będzie możliwe dzięki stworzeniu sprzyjających

warunków międzynarodowych w wymianie usług, przy czym istotną rolę w tym zakresie może odegrać Światowa Organizacja Handlu.

# *Chapter IV*

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## *REGIONAL MANAGEMENT*



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## **PROMOTION AND ITS TOOLS IN TERRITORIAL MARKETING**

### **Introduction**

Promotion is one of the elements of the marketing-mix that is often turned to by local self-governments, particularly under the conditions of market economy, where competitiveness is one of the key determinants. In competitive surroundings, it is not enough to prepare a production offer. It is also necessary to communicate the fact of its existence, so that the prospective users can show their interest in the product and their willingness to purchase it.

Communication with the external and internal environment, which is one of the basic tasks of promotion, should constitute an element of a wider marketing activity conducted within the framework of the accepted marketing strategy. The formation and implementation of such a marketing activity is related to the development of the tools to influence the market, which are referred to as marketing-mix. Following the above terminology, the set of promotion tools (instruments) is referred to as promotion-mix.

The goal of this article is to present the promotion instruments which the local self-government units (LSGUs) may use in developing and implementing their marketing strategy.

## **A review of promotion instruments**

Promotion activities are executed by means of specific tools. The prospective range of instruments that a local self-government unit may use is the same as in the case of other goods, and just like in the case of other elements of the marketing-mix, it is used with varying intensity and with limitations that result from the specificity of such units.

The set of promotion tools is generally presented as five groups, though sometimes a 4-, 6-, or even 9-element sets can be encountered.<sup>1</sup> According to the classical theory of marketing, the fundamental promotion instruments are: advertising, public relations and publicity, sales promotion and personal selling. The group is often stretched to cover direct marketing, which, however, in the case of local self-governmental units and in the era of computer technology development, means nothing else but multimedia communication conducted via the Internet. Promotion-mix, that is the marketing composition of promotion instruments, is sometimes extended to cover sponsoring. An element that may be added to this group is packaging, which, being a component of the product, plays an informative function and attracts the attention of the prospective purchasers. However, in the case of self-government units, which offer mainly services, it does not have the same application as in the case of enterprises – products of the local self-governments are not wrapped in traditional packaging. Nevertheless, the landscape, the architecture or the natural environment may sometimes be regarded as the packaging of an offer of a self-governmental unit.

The choice of the combinations of the instruments is determined by the goal of the promotion, the estimated expenditures, that is the budget, the features and the character of the product that is to be promoted, the destination market where the campaign is to be launched, and the activities of the competition. The promotion targets different groups and refers to different activity areas. Most often it aims at increasing the attractiveness of the locality as the place of residence, place for spending free time, or place for running a business. On the other hand, even though the frequency with which particular instruments are used is decided individually by the authors of promotion campaign, the instrument designers usually follow the well-established and

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<sup>1</sup> A 9-element set is presented by P. Kotler, N. Lee, *Marketing in the public sector*, Wydawnictwa Akademickie i Profesjonalne, Warszawa 2008, pp. 154–167.

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market-tested set of measures, characteristic for a given product or a given branch of business.

## **Advertising**

The first instrument, the most popular one, that is advertising, is to inform the audience about a product, an idea, or given matter, and, in a non-personal manner, by means of direct transmission, e.g. by the media, to affect their decisions. The American Marketing Association defines advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

In the promotion of an offer of a local self-governmental unit (LSGU), the instrument is used to encourage specific audiences to use the advantages of the location, and in this way to achieve the desired benefits for the local community. Moreover, through advertisement, the local authorities want to target the local residents and raise the level of their identification with the place they reside and convince them to support the activities undertaken by the self-government in the local area. The most often assumed objectives of the advertising are:

- attracting entrepreneurs from outside the local area,
- increasing the level and the range of entrepreneurship among the local residents,
- encouraging tourists to visit the place, making them interested in local attractions,
- convincing the local residents to support the activities undertaken by the authorities and explaining to them the steps taken.

Knowing the goal of the undertaken activities, the entities engaged in developing the concept of an advertising campaign should specify the methods of its implementation and determine the amount of financial means that are to be allocated for the execution of the particular tasks. The final comparison of the obtained and the anticipated results completes the process of advertising campaign management. The described method of managing advertising activities can be presented in six steps: defining the target group of the advertising, defining the goals of the advertisement, assessing the budget, preparing the strategy, choosing the advertising vehicle, and evaluating the

results of the advertisement.<sup>2</sup> The steps constitute a framework for practically each advertising campaign, including that conducted by a local self-government unit.

### **Public relations and publicity**

Another promotion instrument is public relations and publicity. Even though those two terms differ from one another, they are usually mentioned and described together. Nevertheless, it should be stressed that, in the opinion of some authors, publicity is just a part of public relations. By definition, the transmission by such means is non-paid and the main access channel is provided by mass media. In general, they are to create positive relations between the offeror of a product and recipients of the product, which, in the discussed case, result in forming a positive opinion about a spatial unit.

The notion of public relations, which is not uniform and thus hard to define, may be interpreted as:<sup>3</sup>

- creating the company's goodwill,
- establishing good relations with the surroundings,
- creating and maintaining the positive image, opinion about the honesty and the good intentions,
- undertaking planned, unceasing efforts to create and maintain mutual understanding and trust between an organisation and the public,
- managing communication between an organisation and its target groups,
- communicating with the people who are important to a given person so as to attract their attention or establish cooperation with them that is significant from the point of view of this person's interests or the interests he/she represents.

The task of public relations, PR in short, is to develop and maintain relations with the surroundings, most importantly with the media, and to create favourable atmosphere around a given institution. PR aims at developing the awareness of the existence and improving the reliability of the place, and to inform about its products. PR should reflect the needs and the interests of an organisation while at the same time being precise and specific. That is why this

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<sup>2</sup> R. Kłeczek et al., *Marketing*, Ossolineum, Wrocław Warszawa–Kraków 1992, p. 243.

<sup>3</sup> Own research and Z. Knecht, *Public relations w administracji publicznej*, C.H. Beck, Warszawa 2006, pp. IX and 15; A. Davis, *Public relations*, PWE, Warszawa 2007, pp. 19–21.

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medium of promotion is considered more objective and more convincing than advertising.<sup>4</sup> The PR activities aim at reaching a point where the interests of the organisation and that of the surroundings strike a balance, which implies satisfactory functioning of a given institution and its surrounding in a reality that is optimal for the two.

While public relations means contacts with the surroundings and maintaining relations with the community and communicating with the environment, publicity is focused on inspiring positive renown. The local self-government units inspire and gain such renown indirectly, e.g. by making available the materials that are used for making reportages about the region, encouraging the making of interviews, organising press conferences, informing about upcoming events or decision to be taken by the authorities. The preference of such activities results from the possibility of obtaining satisfying results at a relatively low cost, and the fact that provided information is highly up-to-date. Nevertheless, it should be stressed that although publicity determines the image of a given institution, it is not totally controlled by that institution. In such a case, the role of the organisation is limited to exerting influence on the media, unions and associations by means of propagating certain opinions. The rest depends on the people who disseminate such opinions. The representatives of the media, editors, publicists, actors, celebrities, ecological unions, associations or cultural groupings constitute a very influential group, which can have a serious effect on improving or deteriorating the image of an LSGU.

The point of using both such instruments in the undertaken activities is to shape the image of an LSGU, both the internal as well as the external. The whole of the features of a local community, together with its advantages and benefits available in a given area is of such a value as is assigned to it by the desired groups of the recipients. Hence, it is worth undertaking the initiatives that extend over a period of many years, which has a positive effect on the perception of the local area and thus increase the attractiveness and the reliability of such a place. The authorities can contribute little to the shaping of the public opinion. The main authors of the publicity that represent the local area are the residents, who propagate either good or bad opinions about that area.

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<sup>4</sup> W. Langer, *Strategiczny marketing w rozwoju jednostki terytorialnej*, AE, Katowice 2006, p. 86.

Self-government authorities enjoy greater influence – having a significance influence on the relations between the offerors and the recipients of the territorial product – when conducting activities that shape public relations (PR). Such activities target the local residents, investors and tourists, and involve presentation, gaining support for the initiatives of the authorities and for the authorities themselves as well as for other related entities, encouraging cooperation or increasing the degree of identification with the location.

The essence of the above-mentioned activities, as has already been mentioned, consists in shaping the image. The proper *image* of spatial-administrative units is not created on its own. It is formed through combination of subjective images of the reality created through individual perception, the effect of mass media coverage, and the informal transmission of information.<sup>5</sup>

The following types of images can be distinguished:<sup>6</sup> positive, weak, negative, contradictory, mixed, overly attractive. The most desired one is the positive image. It does not require any changes or modifications, only further consolidation. The weak image does not accentuate the features of a region sufficiently clearly. If all the opinions present a location in an unfavourable light, its image is negative. This is true, for example in the case of Wołomin, and, until recently, Nowa Huta, where the cities themselves do enjoy numerous advantages. When an opinion on a given place is ambiguous, that is when the recipients have both positive as well as negative feelings towards it, we refer to a contradictory image. Whereas when there are different, conflicting opinions on a place, we encounter a mixed image. The last type refers to highly popular regions. Although the term "attractive" has positive connotations, such image is not desired due to the problems resulting from the excessive number of tourists and visitors, pollution to the environment, traffic overload. The symptoms of such a phenomenon may be observed in the area of Zakopane.

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<sup>5</sup> A. Szromnik, *Marketing terytorialny. Miasto i region na rynku*, Wolters Kluwer, Kraków 2007, p. 130, 134.

<sup>6</sup> P. Kotler et al., *Marketing Asia Places*, John Wiley & Sons, Singapore 2002, pp. 35–36; as cited in: M. Florek, *Podstawy marketingu terytorialnego*, Akademia Ekonomiczna, Poznań 2006, p. 102.

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## Sales promotion and personal selling

Another instrument is sales promotion, used more often in the case of consumption products than in case of locations. Sometimes referred to as additional promotion or direct support to sale, it aims at increasing the benefits or offering new benefits (perks) that are obtained together with a product. Among the examples of sales promotion, the following can be distinguished: bonuses for the purchases of a certain number of products or services, contests, or a possibility to try-out the product. They constitute additional incentives that encourage clients to use the services, as they enhance the attractiveness and competitiveness of the product, and in this way trigger desired behaviours from the prospective clients. Additional promotion is of short-term character and should not be used over a long period of time as with time passing by the offered perks lose their value, becoming just a simple element of a product or a service.<sup>7</sup> In the promotion activities of the spatial-administrative units, such a tool is aimed at tourists. Entrepreneurs do not yield to such short-term influences due to, for example, the costs and the time horizon of the decisions made by them. Hence, such promotion is focused on the visitors, who want to make use of the greatest numbers of attractions possible. Therefore, it is worth providing holidaymakers not only with the permanent attractions in the form of historical buildings or recreation centres, but also with different forms of entertainment – like participation in contests, participation in outdoor games, ability to watch artistic performances.

Personal selling, the last instrument in the promotion-mix package, is characterised by the personal contact between the seller and the prospective client. During a meeting, a sales representative or a seller – depending on where the conversation takes place – tries to persuade the client to purchase a product or approve of an idea. Personal selling is an art of how to approach each client in an individual way by using different means of convincing. The application of this instrument in the promotion of a territorial unit takes the form of personal contacts with the prospective recipients of the offer. It is used with regard to external recipients, i.e. investors and tourists, as well as the internal ones, i.e. residents. Direct meetings between the authorities and the entrepreneurs and company representatives, who seek such initiatives, favour discussions on

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<sup>7</sup> *Marketing. Przewodnik*, ed. L. Garbarski, Wyższa Szkoła Przed. i Zarządzania, Warszawa 2004, p. 252.

investment intentions. When a vision of how the company is to operate in the future is discussed and developed during a face-to-face conversation, the client gets an impression that their enterprise matters to the authorities and that it is something more than just an economic activity. In the case of personal selling activities that target the group of holidaymakers, the efforts are concentrated on more sophisticated offers, which are generally more expensive. Good presentation during a meeting, that is nice and kind welcome, the atmosphere of professionalism, high competences and good organisation, and the fact of reaching common conclusions at the end, can lead to very fruitful sales contracts. On the other hand, the meetings between the representatives of local authorities of promotion leaders with the local residents usually take the form of polemics on the conducted promotion activities, strategic intentions or perspectives for further development. Both parties express their opinions, and one party tries to convince the other to its own opinion in such matters, while the other party evaluates such an opinion and presents their own opinion on the presented initiatives.<sup>8</sup>

The authors of a promotion campaign should try to ensure that all its elements are interlinked in a way entirely identifiable by the client. Nowadays promotion takes more and more varied forms. However, if it is to be successful it needs to create a cohesive image in the subconscious minds of its addressees. This will result in inducing the desired behaviours with regard to the context of the offered benefits and will mean that one of the specific tasks of the development has been achieved.

### **Specificity of promotion via the Internet**

In the times when the significance of knowledge and up-to-date information is increasing, transmission of messages via web pages becomes more and more important. The range of prospective recipients of such messages placed on www sites is growing systematically. The group of the most popular tools that enable website browsing and using the global network, such as computers, was joined by a telephone. That is why the spatial-administrative units that want to matter in both the local and regional markets, and even in the bigger ones – the national and even the global one, should use the promotion

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<sup>8</sup> M. Czornik, *Promocja miasta*, Akademia Ekonomiczna, Katowice 2005, p. 95.

potential offered by their presence in the Internet. For the authorities and all the entities with an interest in good and efficient operation of a given area, this constitutes the method for wide exposition of information – mainly that of promotion character, while for each Internet user the possibility to obtain the information on the location he/she is interested in. Nowadays, browsing the Internet constitutes the most convenient way of obtaining information, hence, a lack of a website or a badly prepared one results in lack of interest among numerous prospective clients. No organisation, including a self-government, should disregard the usage of the Internet in their promotion activities, as the Internet can be used to create additional benefits for the client. Among the ten value groups<sup>9</sup> the most important ones from the point of view of an LSGU are: the possibility of widespread dissemination of information, the interactivity which makes it possible to adjust the content of the available information to the expectations and the reported needs, practically immediate updating of the information on the website, the saving of the costs by the service provider and by the buyer of territorial products and services, and the integration of people of similar opinion, interests or hobbies by means of creation of the so-called mini-communities.

Internet has direct influence on the development of the information society, for which the primary, and often the only source of information has become the global network. Among its users there are both private individuals as well as persons representing organisations that are of importance to the interests of a local self-government. Usually they are divided into three groups: residents, investors and tourists. The particular groups of internet users who use the website and the main reasons for entering self-government portals are presented in table 1.

If a website is not constructed in accordance with certain rules, it will not be fully functional as a vehicle of promotion. The first of those basic rules states that the graphics should reflect the symbols, colours and shapes used in other promotion materials outside the Internet.<sup>10</sup> The homepage and each web page should feature the logo or the coat of arms. The layout should have certain features characteristic for the image it intends to create. A website should not be

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<sup>9</sup> B. Dobiegała-Korona, T. Doligalski, B. Korona, *Konkurowanie o klienta e-marketingiem*, Diffin, Warszawa 2004, pp. 21–30.

<sup>10</sup> T. Maciejowski, *Narzędzia skutecznej promocji w Internecie*, Oficyna Ekonomiczna, Kraków 2003, p. 87.

made similar to any others – each website should be unique. It is important to place links to the websites of the superior and inferior levels of territorial division (e.g. municipality, county, or province (voivodeship) level) or organisations active in that particular territory, especially those involved in the promotion of the local area. Such connections show common goals, hence, make an intended undertaking more credible. Even though the layout of the graphics, that is the visual elements, pictures, the layout of the contents or the colours, should be an individual matter of the creators of the portal, the contents itself should be to a high extent similar to those featured by other websites. Such elements as: principal information on the territorial unit, its authorities, strategic documents, current advertisements, public sphere information, tourist information (maps, attractions addresses of tourist accommodation centres), important contact data, info for the investors, and archive, should be included in each website of such a type. Such data, addressed especially to prospective tourists or investors, should be made available in a few language versions. In the times of globalisation and internationalisation of economic activity, it is hard to overestimate the significance of English, German, Russian, Czech or other (depending on the target group of clients) language versions of the website in the process of promotion.

Table 1. The groups of internet users and the reasons for entering LSU websites

Group	Features of the group	Sub-group	Reason for entering the website
Standard users	Browsing the Internet is the first step in seeking information, they use other sources as well	Prospective investors	Obtaining information on the products, real property, benefits, entrepreneurship support policy
		Prospective tourists	Obtaining information on tourist attractions, places of historical interest, entertainment events
		Residents	Access to current information on the activities of the authorities, the organised entertainment events
Aware users	Browsing the Internet resources has replaced other types of information seeking: in the library, on the phone, personal visits	school youths	Obtaining information for didactical purposes
		City council clients	obtaining a form, filing an inquiry, dealing with administrative businesses
		Opinion makers	Expressing opinions on current matters
		interested in the development	Obtaining information on the past, current and future decisions and resolutions
Accidental users	Browsing the Internet in their free time or with a different purpose, entered the website by accident	Other prospective clients	Using the information and the potential offered by the website, provided they get interested by it

Source: own research based on: M. Czornik, *op. cit.*, pp. 114–115.

From the point of view of the stakeholders, the Internet provides fast and easy access to information. The contents and the quality of such information affect the popularity of the website. The effective use of this medium of promotion brings notable benefits. Owing to a well-prepared and well-managed information service, it is possible to save both money and time, which would otherwise have to be spent in the process of obtaining information. Moreover, an LSGU is already more favourably perceived when a given person can easily find the sought data on the web page. Nevertheless, it should be stated that a website is not the only example of the implementation of direct marketing methods by local self-government units. Electronic mail and the so-called e-bulletin (which in the business environment is referred to as newsletter) are also used, though to a lesser extent.

### **Instruments and means of promotion most often used by local self-government units**

The usage by LSGUs of promotion-mix instruments is a resultant of numerous factors, such as: effectiveness of each tool, the existing conditions, the assumed goals, and the expected costs. In view of the specificity of such units, the most often used promotion instruments are public relations and publicity and also advertising, though with some exceptions. The reasons behind the limited use of advertising are the barriers related to the unfavourable public attitude towards spending of financial means on such undertakings. Thus, the forms of advertising that are actually used are those which do not imply high costs. These are mainly stationery and brochure-type materials such folders, guides, catalogues. On the one hand, they help in identifying and distinguishing the unit, while on the other hand, they constitute a valuable source of information about tourist attractions, spatial development plans, free investment locations, profile of economic entities. Only later does external advertisement in the form of billboards, which are placed even outside the country borders, come. Such was a case with Wrocław – the city placed billboards in London encouraging Polish emigrants to come back and settle in that city, and in Berlin it placed billboards with a slogan “Enjoy Wrocław”, which encouraged young Berliners to spend their free time in this Polish city. The latter of the two examples proves the thesis about the unfavourable attitude towards costly advertising, as while this advertising was being conducted, it was emphasized that the cost of it was low as the capital of Germany had rented the advertising space free of charge.

The press advertisements and TV commercials, quite popular among big companies, are used relatively rare and mostly by large cities. For example, it was used by Gdańk, which in a TV commercial promoted not only its assets but also the name of the city that provided the highest standard of living – according to the ranking of the ten biggest cities in Poland with regard to the standards of living there, published in 2007 by *Diagnoza Społeczna*.

An indispensable part of advertising are the advertising slogans. Among those worth mentioning are three examples from the northern part of Poland:

Gdańsk (Gdańsk – morze możliwości), Gdynia (Gdy inwestujesz... Gdynia), Gniew (opanuj Gniew).<sup>11</sup>

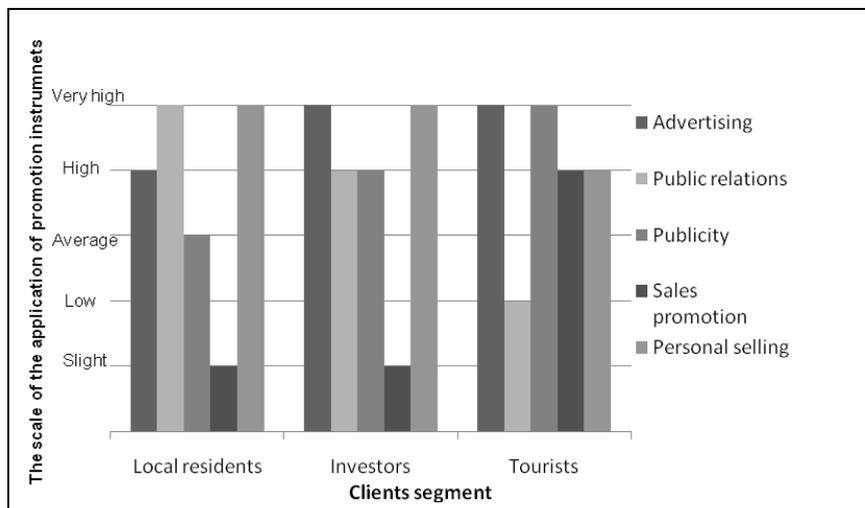


Fig. 1. Application of promotion instruments in promotion activities

Source: own research based on: M. Czornik, *op. cit.*, p. 96.

Hence advertising is the means of promotion that is used quite often, yet selectively. In the case of residents of a given spatial unit, more efficient seem to be direct meetings and speeches in local media, especially in the case when what is at stake is the support of the residents.

The use, and thus the significance, of the presented instruments of promotion is represented by figure 1. As can be seen, good effects are achieved in the case of advertising and personal selling, worse in the case of sale promotion. The effectiveness of the PR and publicity in winning clients depends on targeted segment. It needs to be remembered that the effectiveness of those instruments is also dependent on their adaptation to the existing conditions, that is who they address, what is their purpose, what budget has been allocated, what form they are to take, and, finally, how we will now whether the promotion process brings the desired effects, and so what its effectiveness is – this being the basis for review of the applied set of promotion-mix.

Promotion process applies those marketing communication media that are the most effective. They should be adapted to the requirements of the promotion

<sup>11</sup> *Gospodarka regionalna i lokalna*, ed. Z. Strzelecki, Wydawnictwo Naukowe PWN, Warszawa 2008, p. 291.

of a given offer, taking into account the specific features of the territorial product, the character of the destination market, as well as the set goals, which usually comprise economic growth, better use of the resources, emphasising the unique features that result in positive changes in the perception of the attractiveness of a given location. The type and the amount of media transmission are also determined by the amount of the budget allocated for that purpose. The costs may be the synthesis of the spending of the authorities and that of the local entrepreneurs, in the cases when the undertaken promotion goals are favourable for both parties. Taking an aggregated look at the means of promotion often used by local self-government units, it is possible to list the following:

- press conferences, broadcasts of the meetings and discussions of the representatives of the authorities, announcements for the media,
- guides (economic, investment, tourist), folders, posters, leaflets, brochures,
- means of identification: logo, LED display boards, ID badges, company cars, marking of the streets and squares, office supplies: file folders, business cards, pens, ring binders, calendars, letterhead,
- fête, performances, cultural, sport and occasional events,
- the Internet and websites,
- billboards, press advertisements and TV commercials – yet in a less popular form than in the market of industrial and consumer goods.

Usually the principal decision makers with regard to the choice of a specific set of promotion media in a given campaign are the authorities. However, they are often accompanied by other entities that take active part in the creation and implementation of the campaign. This is due to the consciousness of the entrepreneurs, who, acting within a specific territory, that is surrounded by other institutions, organisations and the local residents, must and want to identify with them. The better an organisation is perceived, the greater the effect it has on the image of the location in which it operates, and the other way round. Since the enterprises, especially those big ones, intend to operate for a longer period of time, coherent promotion policy allows both parties to achieve benefits – which are the outcome of efficient cooperation of numerous entities that use various promotion media while pursuing the set goals.<sup>12</sup>

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<sup>12</sup> M. Czornik, *op. cit.*, pp. 111–112.

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However, it needs to be remembered that promotion is just one of the instruments of marketing-mix, therefore, it should not be implemented independently of other activities. It is one of the elements of a marketing mix; only the proper combination of such elements can lead to fulfilling the goals of territorial marketing,<sup>13</sup> whose final effect should be higher quality of life of the residents and the faster development of the local area. In its territorial aspect, marketing accentuates the significance of the promotion of locations and the resulting benefits.

## **NARZĘDZIA PROMOCJI TERYTORIALNEJ**

### **Streszczenie**

Celem artykułu jest przedstawienie instrumentów promocji, które jednostki samorządu terytorialnego mogą wykorzystywać w kształtowaniu i przy realizacji strategii marketingowej. W artykule przeanalizowano zestaw pięciu podstawowych narzędzi promocji, do których zalicza się reklamę, public relations i publicity, promocję sprzedaży oraz sprzedaż osobistą. Wymienioną grupę rozszerzono o marketing bezpośredni, który przedstawiono z punktu widzenia komunikacji internetowej.

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<sup>13</sup> *Marketing. Ujęcie systemowe*, ed. M. Daszkowska, Politechnika Gdańska, Gdańsk 2005, p. 235.



# *Chapter V*

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## *ENTERPRISE SERVICE VALUE MANAGEMENT*



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## STRATEGIES AND ATTITUDES OF WORKERS TO CREATING ENTERPRISE VALUE

### **Creating business value in the red ocean strategy**

The logic of value creation are two different paradigms combined with two different levels of risk. These are: the paradigm of managed growth and innovative paradigm of growth.<sup>1</sup> This part of the discussion we will refer to the first one. It focuses on reaching out to the market and achieving a significant position in it due to market criteria, financial, technical and organizational utility. Natural determinants of competition are the type of market, subject, scope and intensity of competition. The increase is driven to compete well known and established retail space and known rules of competitive games on the products and actual and potential for satisfaction. Subject to compete is closely linked to the borders of the market. According to Ch. Zook'ai J. Allen's<sup>2</sup> "without a clear business concept of borders is difficult to determine its competitive position, the relative importance of competitors of varying strength and relative importance of various strategic growth opportunities." Canvas sets the boundaries of competition is the main business of the company specified by

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<sup>1</sup> C.E. Lucier, A. Asin, *Toward a New Theory of Growth*, "Strategy & Business" 1996, No. 1.

<sup>2</sup> Ch. Zook, J. Allen, *Profit from the Core: Growth Strategy in an era of Turbulence*, Harvard Business School Press. Bain & Company Inc. 2001.

a set of products, customer segments and technologies, which allows you to create for her the greatest comparative advantage. Such a strategy is called a strategy of “Red Ocean”.<sup>3</sup> Compete with each company that can offer products with the same service at a lower price (the effect of leadership costing) and substitute products. Companies are trying to outdo their rivals and seize a larger part of the existing demand. Supply side competition includes various types of businesses: small, medium, or large, single or multi-business, national, foreign or international. The condition of such competition is devoting most resources to defend the company and develop its core business, new competitors to refute attacks on its borders and search for complementary products and services to deepen customer relationships. Building a strong competitive position in the field of activity (even if it is a small niche) is the key to sustained growth. The growth profitably is a source of value creation in business for all of its stakeholders. But as the market space becomes more crowded, prospects for profit and growth are increasingly limited. At the first symptoms this phenomenon must take decisions on secondary activities.<sup>4</sup> Strategy for expansion in the fringe areas, however, be effective only if it is build around the strongest core business. The decision on minor activities in the area and to extend the limits of the basic ideas of future reinvestment needs, capital needs, capital cost and duration and rate of return on those investments (fig. 1). Forcing such a decision by the behavior of leaders, competitors could significantly reduce even the existing level of profits (as illustrated in strategy C – fig. 5). Helpful tool may be a matrix of business viability (fig. 2) allows the evaluation of particular activities from the point of view, the potential to create value. You can plan activities in the areas located above the diagonal, which can provide a higher market share and changes in relationships swarm ROIC – WACC.<sup>5</sup> Should be with those activities, which are located above the matrix diagonal. We must also take into account the fact that the costs of withdrawal of the product may exceed the cost of its maintenance. Decisions on the scope for competition should include a broad strategic context.

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<sup>3</sup> W.Ch. Kim, R. Mauborgne, *Blue Ocean Strategy. How to Create Uncontested Market Space and Make the Competition Irrelevant*, Harvard Business School Press 2005.

<sup>4</sup> Ch. Zook *Beyond the Core: Expand Your Market. Without Abandoning Your Roots*, Harvard Business School Press. Bain & Company Inc. 2004.

<sup>5</sup> ROIC = Return on invested capital; WACC = Weighted average cost of capital.

Competing in the red ocean strategy, sooner or later means that in a given sector, the supply far exceeds demand. Products become standardized commodities and the strength of competition turns the red ocean in a sea of blood. To cross the ocean and the red distance rivals have truly understood the basics of the economic structure of an existing industry, skillfully select the direction of the strategy of low costs and/or differentiation of production and Ranking competitors because of the different criteria.

### **Creation values under “blue ocean”**

In this context, the management company operates differently than its rival in the environment while providing customers with higher value. In the turbulent business environment the business model is still “activated” by customers and this situation is a prerequisite (not only) the emergence of creative organization. Business model of such an organization uses the resources of the asymmetry is such that competitors do not have and are gaining in the short term for them is too difficult and too costly. Ahead of competitors, at least in one aspect of the strategy and the early entry into the market gives them an advantage

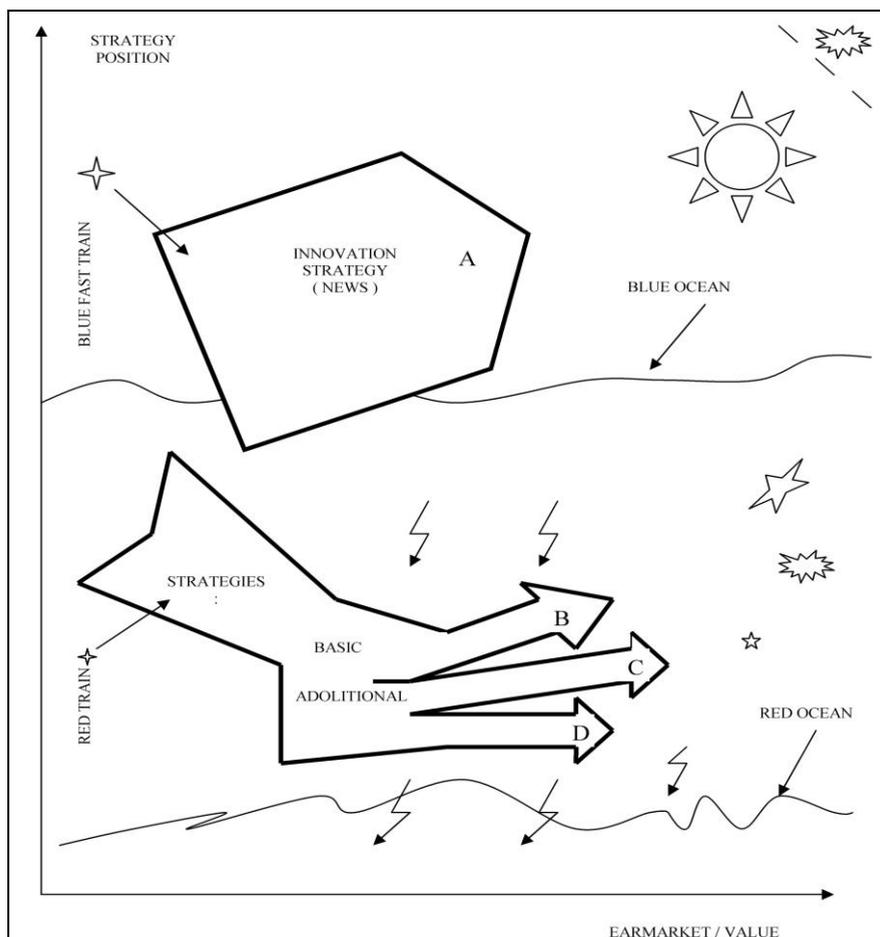


Fig. 1. Color determinants of business value creation strategy – variant optimistic

Source: own.

which results in the economic result and thus can increase the value of the company. Such a strategy is called “Blue Ocean”<sup>6</sup> and the company realizes it's refer to as-pioneer.

The benefit due to overtaking can:

- technological leadership,
- early access to scarce resources,
- previous investments in the development of productive assets,

<sup>6</sup> W.Ch. Kim, R. Mauborgne, *op. cit.*

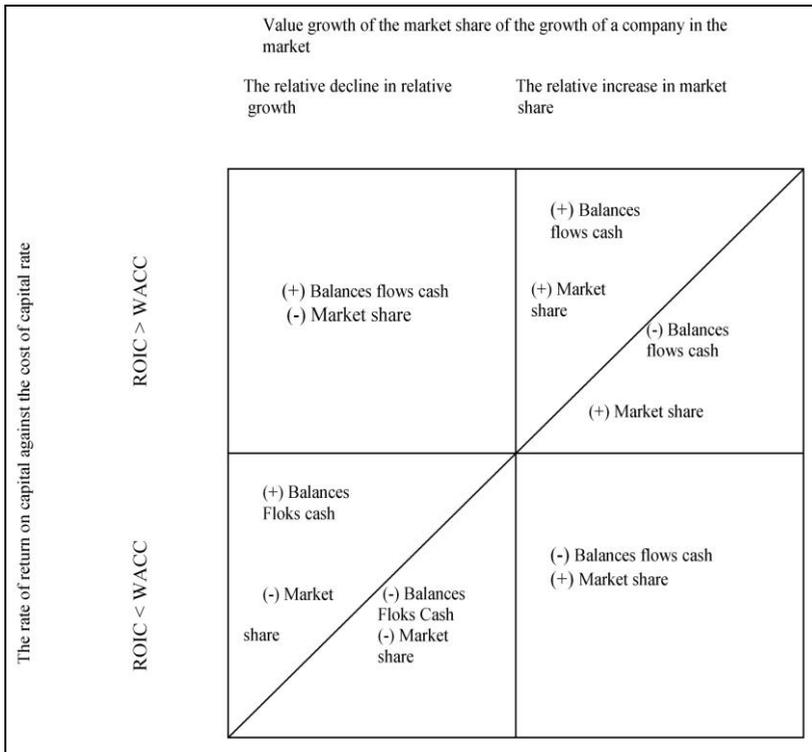


Fig. 2. The matrix of business profitability

Source: B. Nita, *Metody wyceny i kształtowania wartości przedsiębiorstwa*, PWE, Warszawa 2007, p. 41.

- lower cost for changing supplier,
- a privileged position a new product in the system of public perception,
- the seizure by the company – a pioneer of the most attractive market niches, and making strategic actions that will reduce the amount of space available for the competition.

These benefits are set so unused, unknown market space today. Strategic moves that are a collection of managerial actions and decisions relating to the occurrence of major business journals are a source of creating demand and opportunity for profitable growth. They create blue oceans. Differences between the red ocean strategy blue ocean strategy and shown in table 1.

Table 1. Comparison of the red ocean strategy blue ocean strategy

Red ocean strategy	Blue ocean strategy
Compete in existing market space	Creating a market space
Fighting Competition	Competition is no longer relevant
Use of existing demand	Create and capture new demand
Need to find a compromise between value and cost	Breaking coercive compromise between value and cost
Tidying up the entire system's operations in accordance with its strategic choice between the uniqueness and low cost	Tidying up the entire system's operations in accordance with its striving for uniqueness and low cost

Source: W.Ch. Kim, R. Mauborgne, *op.cit.*, p. 38.

Underlies the blue ocean strategy is value innovation. It is a combination into one of innovation, service, price and cost (fig. 3) requires the whole orientation business system to achieve the “jump” value for both owners and other stakeholders. Innovation value usually leads to maximize profits using three levers. These are: cost improvement and innovation, partnerships that lead to achieving the objective of the costs. It fails to achieve the objectives of cost should consult the third lever – innovation pricing – allowing the market to profitably offer a strategic price (fig. 4).

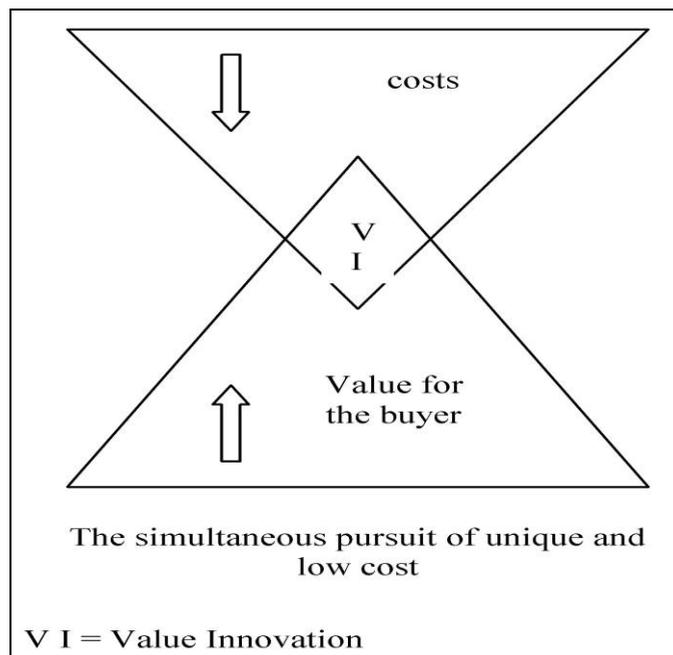


Fig. 3. Innovation value of the blue ocean strategy

Source W.Ch. Kim, R. Mauborgne, *op. cit.*, p. 36.

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In order to build a blue ocean managers should continuously create a vision beyond the borders of the market, find market space and thus render this competition to become irrelevant. Research by W.Ch. Kim and R. Mauborgne show that the creation of blue oceans is sometimes the work of firms of different sizes, different forms of ownership, operating in the attractive and unattractive industries and in different geographical environments.

### **Creation values in “red train” and “blue fast train.”**

The strategic changes made in the enterprise, regardless of their direction and degree of radicalism, they must find acceptance on the part of employees. You can easily demonstrate the feedback loop between the cell value chain, because the attitudes, behavior, relationships, knowledge and experience of employees is a strong determinant of formulating the strategy. If the proposed change is perceived by employees as a threat to the position occupied by them, or increasing the uncertainty of future positions, or fear for their future, then they are adopting the defensive posture (from passivity to aggression) and presented them with new ideas provoke resistance. This conservative, defensive-cycle thinking is called “Red Train”. It is just like a red ocean strategy, the symbolism of red as the color of fire and anger, suggesting resistance and destruction. “People in the red train is pessimistic attitude and not allow new ideas ... they are stressed out and feel restricted, blocked, and exploited.”<sup>7</sup>

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<sup>7</sup> *Riding the Blue Train: A Leadership Plan for Explosive Growth*, Wydawnictwo Replika, Zakrzewo 2008, p.115.

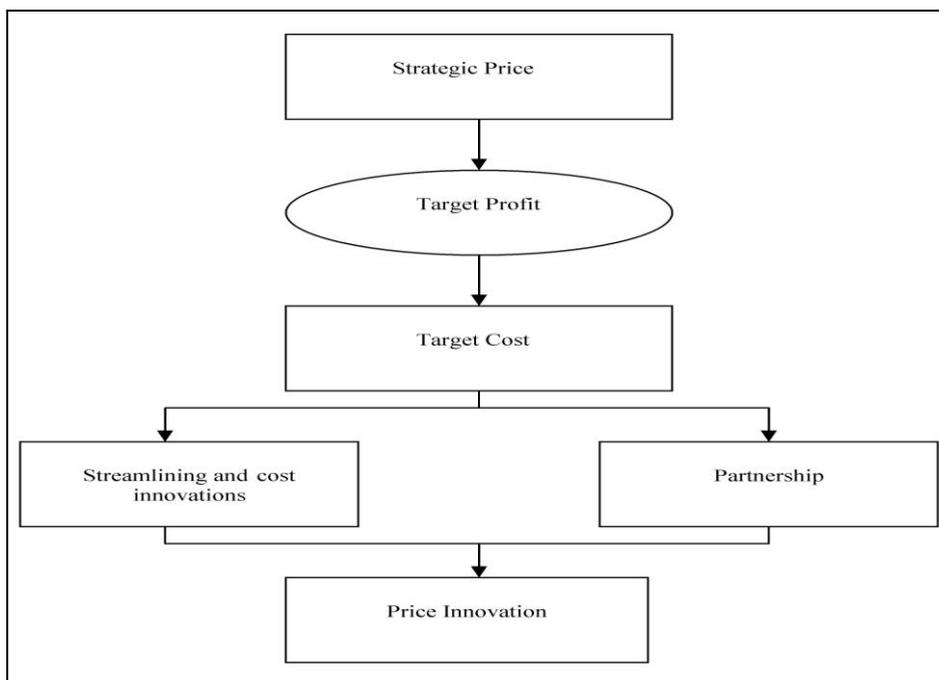


Fig. 4. Model to gain blue ocean strategy

Source : W.Ch. Kim, R. Mauborgne, *op.cit* , p.198.

Destructive attitudes are always caused by some event, which raises concerns about shame or guilt, and emotional withdrawal. The result is inefficiencies. The new value does not arise and it is even destroyed. The red train is going nowhere. B. Sayle, S. Kumar developed a process to enable completion of a seven red train travel. These are, shall we say, “stations on the go” red train:

- a) Do not reject, but accept the identified events, not to hold others responsible for the negative aspects, reject the sense of injustice.
- b) Break patterns consciously deciding to break out of the loop can not be interpreted as a possible threat.
- c) Change the way you interpret events by an effort that in every situation to see new possibilities.
- d) Do not stick, but to renounce the negative energy generated by others.
- e) The state of their own energy use by raising public awareness a desire to meet new challenges.

- f) Change the subject of attention. Do not focus on the problem but to find a solution.
- g) Take risks in order to create and use opportunities. Balanced, moderately risky operation has a better chance of achieving a positive effect.

To complete the journey to the red train to stop, think again, to make new interpretations and reactions to change. Attitudes red train passengers are in the implementation of the core areas of red ocean strategies in a “bloody little” competition (fig. 1 – strategy “D”). Increased competition forces the attitude of active and creative as in figure 1 shows the strategy of “C”.

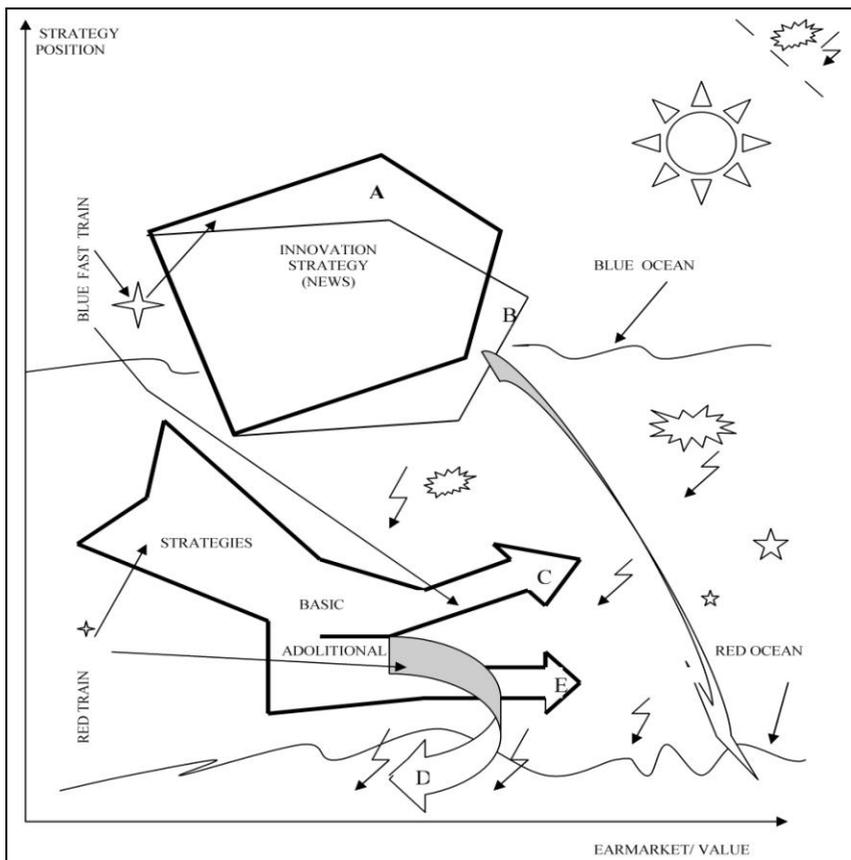
Creating value in a turbulent environment requires creative individuals (organizations). For our purposes, this is a creative organization, whose owners, managers and employees demonstrate their capacity for creative thinking, combining different ideas in an original and unique way, adopting new ideas, seeing things from a new perspective, put forward ideas, doing something new, as well as the unusual mating different thoughts and views. The building of such an organization is operating in its creative multifunctional teams have extensive knowledge, innovative thinking and passion for seeking unconventional solutions. The creative team travels “Blue Fast Train”. Although these work teams “star” of great talent, the value created is not the sum of possibilities. This phenomenon increases the potential synergies team. Managers are under pressure to create value must be attentive to the quality of experience contribute to team members and clients and not just the quality of products and processes of the company. Travel blue coffee can be done in a red ocean strategy, where creativity can make changes to the team as a result of drift-lifted by the wave, or when changes are made following the crisis (annihilated value). The best results can bring, however, blue fast train voyage in the strategy of modernity – the blue ocean.

Passengers on the blue machine may show the following behaviors:

- a) awakened consciousness, in which emotions prevent the entrance of the red train;
- b) acceptance of potential problems – which promotes the pursuit of an effective course of action in the circumstances;
- c) disposing of the old ways of interpreting events;
- d) risk-taking associated with the development and creativity;
- e) generation of energy, ideas, views and opportunities.

Energy blue coffee calls for both managers in the company throwing the ever-deeper water by entrusting them with more difficult and more complex tasks with increasing growth companies.

It seems that in the conditions of an unexpected collision of train accidents is to remove temporarily by changing the blue machine-to-rail competition strategy (the red train) which, depending on the type of injuries, may cause periodic advantage of conservative attitudes, or creative (fig. 5).



B = defeat blue ocean strategy,

D = defeat additional red ocean strategy,

Fig. 5. Strategic determinants of value creation – variant pessimistic

Source: own.

This necessitates the implementation of the strategy of survival. Such a situation viewed from the perspective of the profitability of the company makes, the reasons for the costs incurred, reducing the value of the company. In

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the words of Ch. Zook “profitable growth is the source of value creation in business. His perspective is the wind in the share prices of most companies. Rewards associated with such increases are a source of oxygen for employees at all levels. When the dying growth, the same forces of positive energy may begin to act in the opposite direction, stimulating the descending currents, perpetuating the vortex, which itself becomes a destructive momentum”.<sup>8</sup>

This behavior is presented in the figure illustrating the pessimistic variant of creating enterprise value (fig. 5).

## **STRATEGIE I POSTAWY PRACOWNIKÓW W KREOWANIU WARTOŚCI PRZEDSIĘBIORSTWA**

### **Streszczenie**

Celem opracowania jest identyfikacja sprawności strategicznych działań dotyczących tworzenia wartości przedsiębiorstwa. Przedmiotem analizy jest przedsiębiorstwo w ujęciu modelu ekonomiczno-finansowego. Jego celem strategicznym jest tworzenie wartości dodanej dla właścicieli i głównych jego interesariuszy. Przedstawiono tworzenie wartości w sposób właściwy dla strategii: Czerwonego Oceanu i Błękitnego Oceanu. Strategie te skojarzono z postawami pracowników i menedżerów: zachowawczą – nazywaną Czerwonym Pociągami i kreatywną, nowoczesną – nazywaną Błękitnym Ekspresem. Wskazano na interakcje występujące między „barwą strategii”, „kolorem postaw” a tempem i kierunkiem zmian wartości przedsiębiorstwa.

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<sup>8</sup> Ch. Zook, *op. cit.*, p. 17.



# *Chapter VI*

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## *INFORMATION MANAGEMENT*



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**COST EFFECTIVE COMMUNICATION WITH ENGINEERING  
SERVICE TEAMS WORKING ABROAD BASED ON CLOUD  
COMPUTING AND SIP (SESSION INITIATION PROTOCOL)**

**Introduction**

Members of engineering service teams and technical staff working abroad, in an international environment – which supervise, maintain or provide technical service for distributed manufacturing systems located in different locations (sometimes divided between two or more countries or distributed worldwide) need to have a cost effective, reliable and flexible voice communication system, compatible with existing telecommunication systems. Due to the ongoing need to communicate with one's own company, as well as with external cooperating resources (eg. technical support, spare parts delivery, documentation services, maintenance support) – their voice telecommunication system must be compatible with 'normal' (stationary and mobile) phone systems, like:

- PSTN – Public Switched Telephone Network,
- ISDN – Integrated Services Digital Network,
- SS7 – Signaling System 7,
- 3G (3rd Generation) mobile networks,
- UMTS – Universal Mobile Telecommunication System.

which are still in common use by the external cooperating companies listed above, suppliers and other support resources. The use of aforementioned technologies is still quite expensive due to the high rates for international calls and additionally for roaming costs while abroad.

On the other hand, modern manufacturing systems are usually quite well networked and most of them allow the possibility to connect IP-enabled devices to the local network with the ability to make WAN connections. This permits the use of open VOIP protocols; such as:

- H.323 Protocol,
- MGCP – Media Gateway Control Protocol,
- SCTP – Stream Control Transmission Protocol,
- SIP – Session Initiation Protocol,
- IAX – Inter Asterix Exchange Protocol,

for cost effective voice communication with engineering service teams while abroad.

This paper presents experiences of the practical use of Cloud Computing: SIP protocol, SIP-Service Provider and SIP-enabled devices for low cost, high quality international voice communication, compatible with standard telephone systems. The solutions presented here have been tested on a sample international route between two locations: Hamburg, Germany and Szczecin, Poland.

The main advantage of this SIP solution is the low cost, which allows flexible communication management, reliable voice communication and the decreased communication costs improve a company's monthly expenses.

## **Session Initiation Protocol**

Session Initiation Protocol (SIP)<sup>1</sup> is a simple, text based control/signaling protocol defined by Internet Engineering Task Force<sup>2</sup> in RFC 2543 and RFC 3261. SIP uses requests and responses to establish and to control communication (multimedia sessions) between SIP-users using SIP-Servers and SIP User Agents. SIP protocol runs on top of standard TCP, UDP or SCTP

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<sup>1</sup> J. Cumming, *SIP Market Overview – An analysis od SIP technology and the state of the SIP Market*, Dataconnection, <http://www.dataconnection.com>, 19.7.2009.

<sup>2</sup> IETF Internet Engineering Task Force; RFC 2543 (1999) and RCF 3261 (2002); SIP: Session Initiation Protocol.

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transport protocols, and uses the regular services provided by other Internet application-layer protocols (DNS, LDAP, RTP and others).

Session Initiation Protocol (SIP) supports the following facets:<sup>3</sup>

- SIP user location (determining location of the end-system - to be used for SIP communication),
- SIP user capabilities (determining the media and media parameters to be used for SIP communication),
- SIP user availability (determining the willingness of the called party to engage in communications),
- SIP call set-up: “ringing” and establishing call parameters (at both: called and calling party),
- SIP call handling (including transfer and termination of calls).

SIP Registrars/SIP Service providers usually provide a complete service package, which realizes aforementioned typical SIP functions, but can also provide add-on functionality, such as:

- local phone numbers for phone communication,
- free-of-cost SIP-connections to other SIP-users within the same provider (in fact: free phone connections to phone numbers within same SIP-network),
- possibility to make calls to all “normal” landline/ mobile phone numbers: domestic and international – at competitive rates,
- possibility to receive phone calls from “normal” landline/ mobile phone numbers.

To utilize outlined SIP facets for communication between engineering service teams, the following components must be set up to work together:

- own SIP-server (like: Asterix<sup>4</sup>) – or alternate, based on Cloud Computing concept: SIP-Registrar/ SIP-Service Provider,
- SIP enabled devices (hardware terminals or software terminal emulators),
- good quality access to global network through local networks at locations, where engineering service teams are working/ provide their service.

There are a number of SIP-Service providers available in each country; however the final selection of a local SIP registrar is an important element of the presented implementation, due to:

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<sup>3</sup> CISCO, Overview of SIP, <http://www.cisco.com>, 19.7.2009.

<sup>4</sup> ASTERIX – The Open Source Telephony Projects, <http://www.asterisk.org>, 19.7.2009.

- technical aspects (the route from end-users to physical location of SIP-Server should be as short as possible),
- economic aspects: prices for outgoing external calls (domestic and international) should be as low as possible.

There are also a large number of SIP devices available on the market. Presently, SIP users can choose between numbers of:

- hardware solutions: SIP phones, SIP adapters (to connect “normal” phones), SIP Gateways, SIP-Routers,
- software solutions (Soft Phones) like: X-Lite,<sup>5</sup> Kphone,<sup>6</sup> Linphone,<sup>7</sup> SJPhone<sup>8</sup> and many other solutions.

Preferred devices are recommended by the local SIP service providers, which are already tested and approved for work with a particular SIP Server and SIP Provider.

### **Evaluation of key factors for SIP communication**

The most important factors for communication based on SIP protocol are: quality of the local and global network connections, the hardware and software used by SIP users and the quality of service offered by local SIP Providers.

The following aspects and technical parameters of local and global TCP/IP networks are most important for communication using SIP:

- LAN quality – especially throughputs in the local network: maximum download and maximum upload speed allowed in local network. Most ISP (Internet Service Providers) offer ADSL (Asymmetric Digital Subscriber Line) with upload speeds much lower than download speeds. SIP communication is bi-directional and average symmetric, therefore lower speed limits should be considered (in such ADSL lines: lower limit = upload speed limit) when planning to establish the SIP connections through these ADSL lines,

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<sup>5</sup> ConterPath Solutions, X-lite Softphone Software <http://www.counterpath.com>, 19.7.2009..

<sup>6</sup> KPhone – SIP User Agent for Linux, <http://sourceforge.net/projects/kphone>, 19.7.2009.

<sup>7</sup> LinPhone – Open Source SIP video-phone for Linux & Windows – <http://www.linphone.org>, 19.7.2009.

<sup>8</sup> SJ Labs SJPhone for Windows, Linux, MAC and PDA: <http://sjlabs.com/sjp.html>, 19.7.2009.

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- WAN quality: especially global data flow speed (on route between selected SIP service provider and SIP users). Some SIP service providers offer links to external Internet services to measure download speed to SIP users. Most of these Internet Services offer software measurement of upload/ download speed between SIP-user and pre-defined checkpoints. Those check-points are usually test-servers, not located in the selected SIP provider network, and therefore the measurements give only average results,
  - SIP-hardware and software – especially quality of built-in codecs used for voice code and decode,
  - functionality and quality of service offered by SIP-Registrar/ SIP-Service provider site (SIP-Server).

The LAN and WAN quality and network performance can be acquired by SIP users through the measurement of the following technical parameters:

- download speed at SIP user location,
- upload speed at SIP user location,
- RTT (Round Trip Time) – the packet latency time (minimum, maximum and average latency) while uploading/ downloading,
- Jitter (variability of the packet latency) on route between SIP user and SIP Service Provider,
- TCP packets lost during upload/download operations.

### **Sample implementation of SIP communication and test tools**

To establish voice communication based on the SIP-Protocol for the sample international route, between two major locations in Poland and Germany:

- engineering team's head office was located in Szczecin, and most cooperating partners were located all around Poland,
- engineering team moved from location to location in Europe, while the presented test was temporary located in Hamburg.

The following components have been used and tested:

- SIP enabled devices,
- hardware solution: LINKSYS SPA2102<sup>9</sup> – phone adapter with router,
- soft phone: X-lite,<sup>10</sup>

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<sup>9</sup> CISCO, Linksys Phone Adapter with Router, [www.cisco.com](http://www.cisco.com), 19.7.2009.

- SIP Registrar/ SIP Service Provided: IPFON<sup>11</sup> with SIP-server located in Poland,
- regular ICP/IP access to internet in both locations via local networks.

To measure and evaluate broadband speed and network performance at SIP user locations the following tests were performed using internet services:

- OOKLA's speedtest<sup>12</sup> – for general upload/ download speed measurements at both SIP user locations,
- OOKLA's pingtest<sup>13</sup> – for general latency time and jitter measurements at both SIP user locations,
- Numion<sup>14</sup> internet connection speed testing site – for distributed surfspeed test,
- Visualpulse for measurement of packet latency time, jitter and packets lost to selected SIP- Service Provider.

Packet latency time, jitter and packets lost on route between SIP users and SIP Service Provider are the most important for communications based on SIP technology:

- TCP latency time, jitter and packets lost on route from Hamburg to the SIP-Server in Poland were monitored using Visualpulse – sample results: see figure 1,
- TCP latency time, jitter and packet lost on route from Szczecin to the SIP-Server in Poland were monitored using Visualpulse – sample results see figure 2,

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<sup>10</sup> CounterPath Solutions, X-lite Softphone Software, [www.counterpath.com](http://www.counterpath.com), 19.7.2009.

<sup>11</sup> IPFON - SIP Service Provider, [www.ipfon.pl](http://www.ipfon.pl), 19.7.2009.

<sup>12</sup> OOKLA Speed Test Internet Service, [www.speedtest.net](http://www.speedtest.net), 19.7.2009.

<sup>13</sup> OOKLA Ping Test Internet Service, [www.pingtest.net](http://www.pingtest.net), 19.7.2009.

<sup>14</sup> Kessels J. Numion Your Speed v3.7, [www.numion.com](http://www.numion.com), 19.7.2009.

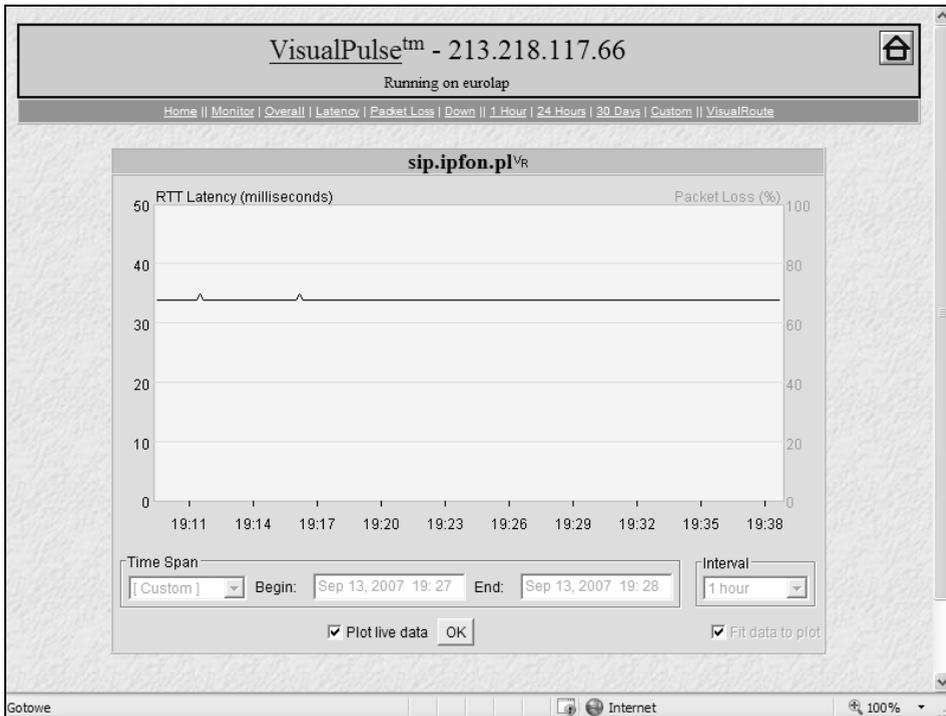


Fig. 1. Latency time on route from Hamburg to SIP-server in Poland (Visualpulse<sup>15</sup>)

Outlined results show good quality of network connections on route from both locations to SIP-Server, therefore the predicted quality of voice communication was good. It was also experimentally confirmed after that, via real voice connections.

### Benefits and capabilities of using SIP solutions

The main advantages of using SIP based solutions presented in this article are as follows:

1. No need to pay roaming fees – while travelling abroad, there are no roaming fees for incoming voice calls for called party (called party is in this case the engineering service teams member, being ‘on duty’ abroad) – all calls are ‘virtually’ local calls – from/to local, domestic numbers.

<sup>15</sup> Visualware; Visualpulse: latency time test tool, <http://www.visualpulse.com>.

2. No need to pay for international calls – calling party can call engineering service teams, which are abroad and moving from location to location, to their SIP-terminals still using the same local (domestic) phone numbers; therefore there is no need to make international calls for calling party. Eliminating the need to make international calls also means no extra cost for international calls for the calling party.
3. Free of charge calls within one's own SIP network – besides a small monthly fee to the SIP-provider (which can be used to pay for phone calls or fax calls outside of SIP-network), connections within one's own SIP network – between SIP users logged into same sip network – are usually free of charge.
4. Compatibility with other, already existing phone systems – phone calls outside of the SIP-network, to any regular phone number worldwide are possible and price plans offered by the SIP Service Providers for using SIP-to-PTSN gateways are reasonable and usually much lower than those offered by regular or mobile telecommunication companies.
5. Easy adaptation to local networks - SIP terminals are easily or self-reconfigurable: after initial set-up, they can be easily moved to any other location without the need to reconfigure (only basic TCP/IP parameters need reconfiguration, and these may be realized automatically, using built-in DHCP (Dynamic Host Configuration Protocol)).
6. Flexible and scalable – SIP systems are scalable and – depending on number of users and their individual communication needs – can be easily reconfigured or resized.

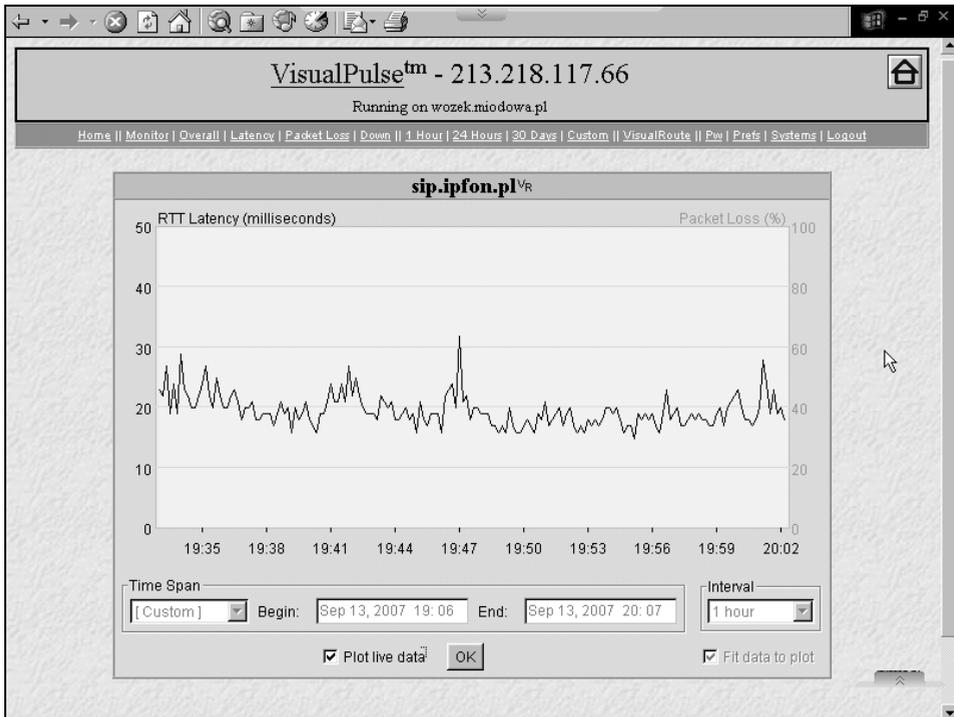


Fig. 2. Latency time on route from Szczecin to SIP-server in Poland

## Conclusions

Acquired results show that voice communication between users located in Poland and Germany may be achieved inexpensively using SIP-protocol and SIP-enabled devices. Average observed latency time did not exceed 34 milliseconds with small latency fluctuations and testing did not disturb the voice connections. The quality of voice communication was good. The implementation of Cloud Computing and SIP technology permitted fluent voice communication with engineering service teams working abroad and dramatically reduced voice communication costs.

## **EFEKTYWNA KOMUNIKACJA Z INŻYNIERSKIMI ZESPOŁAMI SERWISOWYMI PRACUJĄCYMI ZA GRANICĄ OPARTA NA CLOUD COMPUTING I PROTOKOLE SIP (*SESSION INITIATION PROTOCOL*)**

### **Streszczenie**

Inżynierskie zespoły serwisowe zwykle nadzorują, obsługują lub świadczą techniczne usługi serwisowe w systemach produkcyjnych rozproszonych w odległych lokalizacjach, często w różnych krajach. Specyfika pracy takich zespołów wymaga posiadania efektywnego kosztowo, niezawodnego i elastycznego systemu komunikacji, jednocześnie kompatybilnego z istniejącymi systemami telefonicznymi.

W artykule przedstawiono doświadczenia związane z praktycznym zastosowaniem przetwarzania w chmurze internetowej (*Cloud Computing*) i protokołu SIP (*Session Initiation Protocol*) do prowadzenia i zarządzania komunikacją głosową z inżynierskimi zespołami serwisowymi, metody szczególnie efektywnej kosztowo w przypadku jej stosowania w otoczeniu międzynarodowym. Zaprezentowane w artykule rozwiązania wykorzystujące protokół SIP: serwisy SIP, terminale SIP oraz sieci lokalne i globalne, przetestowane zostały między dwoma przykładowymi lokalizacjami, w relacji Polska (Szczecin) – Niemcy (Hamburg).

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## **INTRODUCTION OF INTERNET INTO POLISH POST SERVICES**

### **Introduction**

Nowadays there are many changes visible on the Polish postal market. Many of them are close related with increasing competition. This is influenced in particular by the:

- progressive narrowing of the monopoly area,
- full opening of postal markets in some countries whose governments have recognized the social and economic dependence on such a solution.

The monopoly limitation is also affected by an increasing substitute competition, which are in particular:

- postal services not included in the monopoly area, including especially courier services,
- services offered by new media such as SMS, emails and instant messaging, which weakens the market position of former monopolists, including PP and forces them to search for new ways to rationalize the cost of activity and to seek new sources of revenue.

### Current status of the Polish postal market

A characteristic feature of the modern postal market in Poland is the increasing number of operating entities. This is a result of the growing number of private operators functioning alongside PP. Information about the number of private operators on the Polish postal market in the years 2006–2008 are shown in the table 1.

Table 1 Private operators on the Polish postal market in 2006–2010

Operators Year	Registered	Functioning
2006	157	91
2007	164	100
2008	182	106

Source: Office of Electronic Communications (UKE).

Second characteristic feature of Polish postal market is the growing share of private operators in the total number of served packages. Table 2 presents it.

Table 2 The share of private operators regarding the number of shipments served on the Polish postal market in 2006–2008

Year	Total shipments (in bln of units)	Shipments by private operators (in bln of units)	Private operators share (in %)
2006	5,1	2,1	41,2%
2007	5,2	2,4	46,1%
2008	5,4	3,0	55,6%

Source: UKE and own calculations.

The third characteristic feature of the Polish postal market is worsening of the financial situation of the public operator of that market, namely PP. Basic economic results of this operator in the years 2006–2008 are shown in the table 3.

Table 3 PP economic results in 2006–2008 (in bln zł)

Year	Revenues	Gross result
2006	6,4	0,19
2007	6,6	0,13
2008	6,9	-0,14

Source: Poczta Polska after "Rzeczpospolita" from 30–31.01.2010.

PP has to take into account further difficulties in running its business, relating to the planned:

- 
- exclusion of advertising prints from the universal services (from 2013),<sup>1</sup>
  - choosing of a universal service provider for 5 years through a contest (from 2016).<sup>2</sup>

The planned changes are very important for PP because universal shipments are playing a fundamental role in its activity.<sup>3</sup>

The existing situation and expected changes on the Polish postal market are forcing PP to reorient its strategy. Taking into account the experiences of some foreign post companies, such as the German, French and Austrian, it seems reasonable for PP to emphasize the:

- development of financial services, mostly banking and insurance services,
- implementation and development of the Internet role in the activities of PP.

### **Actual use of Internet by Polish Post**

The current use of the Internet (I) in the activity of PP is hardly satisfactory. This applies to the:

- provided by PP financial services, including the sales of Post Bank (Bank Pocztowy) products by PP,
- implementation by the PP of new types of services.

Developing the role of the Internet in the provision of banking services by the PP requires most of all the strengthening of its role in the Post Bank. The strength of this bank is the possession, through the use of PP offices, multiple points, including those located in small towns. But today the strength of individual banks depends also on supporting their activities with the Internet.

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<sup>1</sup> See: “Rzeczpospolita” from 24.11.2009.

<sup>2</sup> See: “Rzeczpospolita” from 30–31.01.2010.

<sup>3</sup> For example, in 2008 PP served 2,4 bln of postal services, including 1,9 bln of universal services (“Rzeczpospolita” from 30–31.01.2010).

Table 4 Evaluation of Polish banks on the basis of four criteria according to the experts of Expander Company

Rank	Name of bank	Branches	Transactional system	Hotline	Website	Points summary*
1	Lukas Bank	29	24	29	21	259
2	Alior Bank	27	28	19	27	257
3	ING Bank Śląski	24	20	20	29	230
4	MultiBank	18	30	14	26	224
5	mBank	7	30	24	29	217
6	PKO Bank Polski	23	23	23	16	216
7	Toyota Bank	22	6	26	26	188
8	Bank Millennium	18	27	14	11	185
9	Volkswagen Bank direct	22	11	30	13	185
10	Euro Bank	30	8	28	7	184
11	BZ WBK	8	27	8	30	181
12	Bank Pocztowy	16	11	22	26	177
13	Nordea Bank Polska	28	20	4	11	174
14	Bank Ochrony Środowiska	26	16	7	16	172
15	Citi Handlowy	10	27	12	18	171
16	Raiffeisen Bank	19	20	25	2	171
17	Pekao	20	21	18	4	167
18	Bank BPH	13	23	3	23	160
19	Kredyt Bank	15	16	12	21	159
20	Deutsche Bank PBC	25	11	10	7	142
21	Getin Bank	15	8	17	16	135
22	PNB Paribas Fortis	13	16	6	18	135
23	Bank BGŻ	10	16	5	22	132
24	Invest-Bank	7	20	15	3	117
25	Polbank EFG	13	1	22	11	108
26	Allianz Bank Polska	3	6	27	13	107
27	Bank Polskiej Spółdzielczości	7	6	9	19	95
28	DnB NORD	2	3	16	11	69
29	Gospodarczy Bank Wielkopolski	4	16	2	1	66
30	Mazowiecki Bank Regionalny	1	3	1	7	28

\* In the total scoring the following components weights were used: branches and transactional system – both at 30%, hotline and website – both at 20%.

Source: “Dziennik Gazeta Prawna” (attachment: Bank Najbliższy Klientowi) from 8.12.2009, p. D2.

Last year (2009) a survey that was conducted by Expander – Independent Financial Advisor, this company evaluated in 30 banks the:

- functionality of transactional banking systems (including the Internet service),
- quality of hotline service,
- functionality of websites.

In the above mentioned survey Post Bank gained 12th place overall, with the lowest scores received for the transactional system. This information are presented in table 4.

The data presented in table 4 indicate that the weakest segment of Post Bank is the Internet service. This requires a rapid improve of its usefulness.

In the area of financial services carried out independently by Post Bank, the company has introduced a prompt service to send money using the electronic channel.

Among the use of other types of services, a special attention deserve the following services:

- opening of the internet shop for philatelists, where one can buy stamps, post cards and stamp albums,<sup>4</sup>
- creating the possibility to order and design stamps with its own and individual character over the Internet,
- opening by PP a profile on a free, social network website BLIP (<http://blip.pl>), where users can find information about the company and some comments from the company spokesman blog. Since 12.01.2010 an Internet Customer Service Office of PP is functioning on this social network website (<http://infopocztapolska.blip.pl>).

By offering such services, PP is building the image of a modern and progressive company. In that way, the chances of attracting Internet users who appreciate the functionality of this tool are growing. Also the opportunities for a stronger interest for PP services from the side of online shops is growing.

### **Ways of improving the current status regarding the use of Internet within the PP**

Observation of the communication markets shows the increasing substitution of traditional postal services by the new media, especially by the Internet services such as e-mail and instant messaging. One can also assume that with the spread of advanced electronic signatures, the importance of email in business and administration will grow even more.

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<sup>4</sup> Cmp. “Dziennik Gazeta Prawna” from 24.11.09.

Anticipating this trend, postal operators should strive for the broadest possible use of Internet advantage in their activities. It seems that the main directions of their activities in this area should be:

- improving the transparency of their own website and simplification regarding the search of information by customers,
- expanding their range of services available to customers via the Internet.

According to the second postulate, PP should introduce as soon as possible an electronic tracking system via Internet (by the end of May 2010 such a system did not function). The lack of such a system, in contrast to virtually all courier companies, makes it difficult for PP to attract customers for its services, including important customers like companies from the e-commerce sector.

The finalization of the hybrid post<sup>5</sup> project realized by the PP would be also important. It is an urgent matter, since another company, namely Fibra-Hallo.pl is preparing to launch hybrid mail services. Additionally, one have to mention, that Fibra-Hallo.pl is a strategic partner of the largest private postal operator in Poland – InPost.<sup>6</sup>

PP should also consider, following the footsteps of the Czech Post, to introduce the service of handling authorized e-mailboxes Date Box.<sup>7</sup>

It is important that the PP will use the Internet as wide as possible in its activities. This requires the application of an appropriate strategy to enable Internet and e-commerce business. Basic strategies of Internet and e-commerce engagement presents figure 1.

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<sup>5</sup> Hybrid post involves sending letters via Internet from the sender to the central facility where they are formatted, sorted and sent to the regional printing center that lies nearest to the location of the recipient. There, after printing, the letters are enveloped, addressed and subsequently delivered in traditional form to the final recipients.

<sup>6</sup> Fibra-Hallo.pl company calculates, that it will serve 20 mln of hybrid services within a year (see: *Tradycyjnej poczcie wyrasta kolejna konkurencja*, “Rzeczpospolita” from 9.11.2009).

<sup>7</sup> In Czech Republic every state office must have an authorized e-mail box, that is used for correspondence with other offices and companies. Czech Post is the only operator of such boxes and it charges fees for their conduction (source: M. Klimek form Deloitte, presented after: *Poczta Polska* from 18.01.2010).

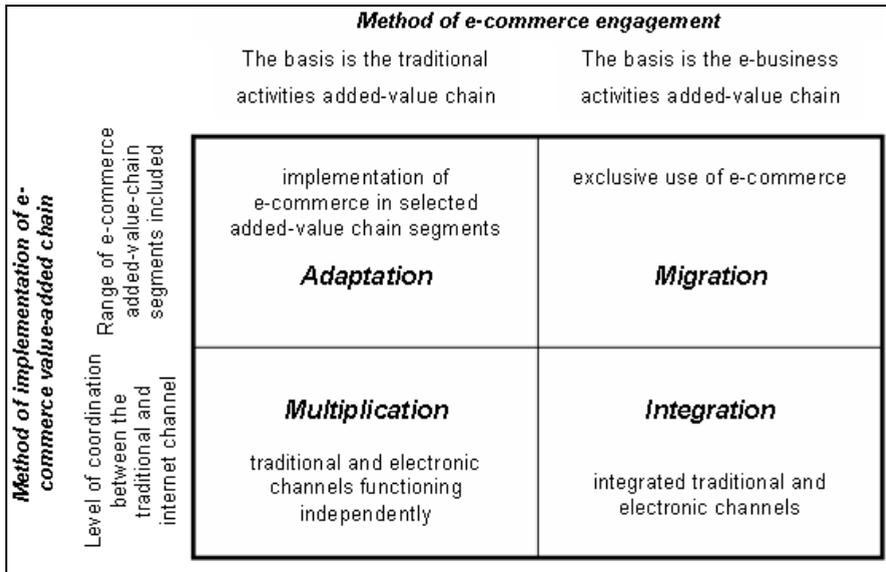


Fig. 1 Basic strategies of e-commerce engagement

Source: B. Birkhofer, *E-Commerce als innovativer Absatzkanal. Ein entscheidungsorientiertes Modell*, Rosch-Buch, Schesslitz 2001, p. 118.

From the perspective of the current situation on the Polish postal market, the most appropriate strategy for PP seems to be the multiplication strategy, which widely uses the existing competencies and business models. In the later stage one could consider using the strategy of integration, which requires deeper changes in the company's potential and its business activities.

## Conclusions

Growing competition on the postal market and the stagnation regarding the demand for traditional postal services, forces the postal operators to change their strategies. What is needed, is most of all a broader use of the Internet, which plays a more and more significant role in information transmission.

Polish Post has been using the Internet and based on it e-commerce to a unsatisfactory degree. Making significant changes in this regard requires the use of an appropriate strategy, which nowadays seems to be the multiplication strategy.

## **WPROWADZANIE INTERNETU W DZIAŁALNOŚĆ USŁUGOWĄ POCZTY POLSKIEJ**

### **Streszczenie**

Celem artykułu jest przedstawienie kluczowej roli Internetu w zakresie poprawy pozycji rynkowej Poczty Polskiej. Zgodnie z tym założeniem, zilustrowano ogólną sytuację na polskim rynku usług pocztowych. Następnie opisano dotychczasowe wykorzystanie rozwiązań internetowych przez Poczta Polską. Na koniec podjęto próbę wskazania pożądanych kierunków oraz sposobów wzmocnienia roli Internetu w działalności Poczty Polskiej.

# *Chapter VII*

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## *QUALITY MANAGEMENT*



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### **CUSTOMERS EXPECTATIONS AND THE QUALITY OF EXPERIENCED INSURANCE SERVICE – RESEARCH REPORT**

Insurance service is provided to customers who are seeking insurance protection. The protection may relate to life as well as property. We insure oneself, our family, our tangible and intangible goods. When choosing a product we pay attention to various factors. One such factor is quality. The quality of service depends on many elements. The quality of insurance services is defined as the ability to meet the insurance needs of the client in a manner surpassing their expectations.<sup>1</sup> So provided insurance must meet customer expectations or exceed them.

Due to the fact that the service is at the same time produced (supplied) and consumed (received) is distinguished by two fundamental features, namely, what is delivered and how it is delivered. Therefore, Ch. Grönroos presents the two components of service quality: technical quality and functional quality.<sup>2</sup> Technical quality of the input is understood as a process service that is palpable,

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<sup>1</sup> J. Witkowska, *Marketing usług ubezpieczeniowych*, in: *Ubezpieczenia gospodarcze i społeczne*, ed. E. Kucka, Uniwersytet Warmińsko-Mazurski, Olsztyn 2009, p. 101.

<sup>2</sup> Comp. K. Rogoziński, *Nowy marketing usług*, Wydawnictwo Akademii Ekonomicznej w Poznaniu, Poznań 2000, pp. 211–212; A. Jonas, *Jakość usług*, in: A. Czubała, A. Jonas, T. Smoleń, J.W. Wiktor, *Marketing usług*, Oficyna Ekonomiczna Wolters Kluwer 2006, pp. 118–120; W. Urban, *Definicja jakości usług – różnice oraz przyczyny*, “Problemy Jakości”, 2007, No. 3, p. 5.

a technical character. Ch. Grönroos defines it as “what?” the outcome resulting from contact with the customer with the organization providing the service.

Referring to the functional quality the same author asks, “how?” the customer receives a technical result. Expression of service organizations comprises functional quality. It is not possible to assess in an objective manner, for this reason that every customer makes a subjective evaluation.

Insurance services supplied should be at the highest level. At that time the company has to deal with satisfied customer.

Activities supporting the provision of services:<sup>3</sup>

- construction of an appropriate quality culture in the enterprise,
- the involvement of managers,
- proper management staff and internal marketing,
- applied technologies, automation of services,
- development of customer expectations and managing of these expectations,
- construction of appropriate procedures for the adoption of the complaint and repair services,
- ongoing research service quality.

The study was conducted among individual customers in warmińsko-mazurskie province. The survey was performed in 2009 on a group of respondents selected in a non-random manner. 120 questionnaires were distributed. 86 questionnaires returned, 16 of which were not completely filled. Finally, the study included 70 customers. Survey to determine differences between the expectation and the perception of insurance service provided for liability insurance (OC) of motor vehicles was conducted using the SERVQUAL method. Customers were asked 22 questions which were related to five dimensions of service quality: tangibles (the materiality of the service), reliability (dependability), responsiveness (the response to customer expectations), assurance (competence and confidence) and empathy (empathy).

Customers of insurance companies have expressed their opinion about the quality of insurance services. They also systematically organized quality factors by giving weight to individual dimensions of quality. Customer reviews have been presented at two levels: one as an expected service, the second as an experienced service. So it was possible to calculate gaps that arose between the quality experienced and the quality expected.

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<sup>3</sup> A. Jonas, *Jakość usług, op. cit.*, pp. 132–133.

Using the weights assigned by each respondent to the areas of quality insurance services assesses the impact of the various dimensions of validity the level of quality of service policy. Successively calculated (tab. 1):

- the average value of the gap between experienced and expected quality for each dimension of quality insurance services,
- the average value of weights for each dimension of quality,
- the overall weighted measure of the quality.

Table 1. The level of quality insurance service

The dimensions of the quality	Gap	Weight	Weighed average
Tangibles	-1.27	0.11	-0.14
Reliability	-2.09	0.21	-0.44
Responsiveness	-2.17	0.34	-0.74
Assurance	-1.95	0.32	-0.62
Empathy	-1.60	0.12	-0.19
The total weighed quality measure			-0.43

Source: based on the research.

In the opinion of customers who have purchased third party insurance of motor vehicles were obtained, the weighted average level of quality insurance services at (-0.43). The largest gap between the service delivered and the expected appears in response to responsiveness dimension (-2.17), then in the reliability dimension (-2.09). However, with the least disappointed in the quality of insurance services to clients dealing is the tangibles dimension (-1.27). According to the respondents of the study, the greatest impact on the level of quality insurance services have the area of response to customer demand (-0.74) and the area of assurance (-0.62). It has been observed a big difference in the level of service quality in various dimensions. Customer dissatisfaction is associated with a part of the actual insurance service and product development, which is insurance, not the shell of material that they create around themselves insurance companies.

In order to determine the quality factors of insurance services, which customers are not fully satisfied used the weight, which were given by each respondent in the survey to that dimension of the service. Analysis of data collected included:

- calculating the gap between expected and delivered quality on the basis of formulated 22 questions,
- determine the average value of gaps for each factor,

- multiplying the average value of the gap by the average value given to weight.

In the first dimension of quality insurance services the respondents have had four questions to assess (tab. 2). The biggest gap in the material quality of service concerned the attractiveness of the appearance of an insurance agency (−1.44), followed by modern equipment (−1.34). Respondents experienced the smallest gap to the service experience for the appearance of received materials (−1.11). In assessing the importance of various factors, the most important for customer is the appearance of an insurance agency (−0.16), while the least important is the appearance of advertising materials (−0.12).

Table 2. The impact of individual factors of quality insurance service in tangibles dimension

The dimension of the quality	Tangibles			
	1	2	3	4
Question				
Gap	−1.34	−1.44	−1.20	−1.11
Weight	0.11	0.11	0.11	0.11
Weighed average	−0.15	−0.16	−0.13	−0.12

Legend:

- 1 – Office of the insurance company is modern equipped.
- 2 – Office of the insurance has an attractive appearance.
- 3 – Employees of insurance companies are well maintained and elegantly dressed.
- 4 – The insurance company promotional materials are transparent and understandable.

Source: based on the research.

The second dimension concerned the reliability of insurance services. In this case, the respondents evaluated the five questions. Demonstration of a sincere interest in the customer's problem solution for the worker is important for the perception of the reliability of an insurance company. This factor has reached the target of (−0.49) (tab. 3). Therefore, a large dissonance (−2.36) in the receipt of insurance services, in this case, is a matter that the insurer must be resolved quickly. However highly rated were: keeping promises, and made careful provision of insurance services. The smallest gap concerned the error free record keeping (−1.71).

Table 3. The impact of individual factors of quality insurance service in reliability dimension

The dimension of the quality	Reliability				
	1	2	3	4	5
Question					
Gap	-2.20	-2.36	-2.20	-1.98	-1.71
Weight	0.21	0.21	0.21	0.21	0.21
Weighed average	-0.46	-0.49	-0.46	-0.42	-0.36

Legend:

- 1 – The insurance company keeps promises made.
- 2 – An employee of an insurance company has a sincere interest in resolving the customer problems.
- 3 – The insurance company provides each service with great care.
- 4 – The insurance company while performing a service in which they committed to its implementation.
- 5 – The insurance company is committed to flawless record keeping.

Source: based on the research.

Then analysed of the third dimension: responsiveness. Customers expect a smooth and timely provision of services (tab. 4). This factor was evaluated at (-0.77). Insurance companies that want to be well regarded and evaluated by their customers should pay attention to the speed and timeliness of resolve cases. A particularly important issue in this case is the payment of compensation or benefits. According to the research participants to inform the customer of the date of execution of services is carried out by employees of insurance at a fairly good level. Therefore appears the gap is the smallest (-2.07).

Table 4. The impact of individual factors of quality insurance service in responsiveness dimension

The dimension of the quality	Responsiveness			
	1	2	3	4
Question				
Gap	-2.07	-2.25	-2.17	-2.19
Weight	0.34	0.34	0.34	0.34
Weighed average	-0.70	-0.77	-0.74	-0.74

Legend:

- 1 – Employees of an insurance company inform the client of the date of completion.
- 2 – Employees of an insurance company provide services efficiently and timely.
- 3 – Employees of the insurance company are willing to help and solve customer problems.
- 4 – Employees of the insurance company have time for the customers and immediately respond to their requests.

Source: based on the research.

Another dimension concerns assurance (tab. 5). Four questions allowed establishing the differences between the factors affecting the quality of service. The response to the professionalism and confidence of clients in relation to the insurance provides the greatest excitement by employees of the insurer trust. Unfortunately, this factor has been evaluated by the subjects at a low level (the

gap was  $-2.21$ ), followed by a sense of security ( $-2.09$ ), competence of staff ( $-1.82$ ) and kindness ( $-1.68$ ). Keep in mind that “confidence in the sphere of service is dependent on the quality of services”.<sup>4</sup>

Table 5. The impact of individual factors of quality insurance service in assurance dimension

The dimension of the quality	Assurance			
	1	2	3	4
Question				
Gap	$-2.21$	$-2.09$	$-1.68$	$-1.82$
Weight	$0.32$	$0.32$	$0.32$	$0.32$
Weighed average	$-0.71$	$-0.67$	$-0.54$	$-0.58$

Legend:

- 1 – The behaviour of employees of an insurance company inspires confidence.
- 2 – Relations with employees build a sense of security.
- 3 – Employees of the insurance company are always polite.
- 4 – Employees of the insurance company are competent by providing answers to questions.

Source: based on the research.

For customers contact with employees is important in dimension of empathy (tab. 6) who are personally involved in their affairs. Vulnerability in this case is at the level ( $-1.76$ ). Assess the validity of the factors in this area are not very diverse and can be determined in a narrow range (from  $-0.18$  to  $-0.21$ ). At the same levels were evaluated: individual treatment of each customer, the best execution of client interests, as well as the corresponding opening branches of insurance companies.

Table 6. Influence of individual factors of quality insurance service in empathy dimension

The dimension of the quality	Empathy				
	1	2	3	4	5
Question					
Gap	$-1.53$	$-1.49$	$-1.76$	$-1.53$	$-1.69$
Weight	$0.12$	$0.12$	$0.12$	$0.12$	$0.12$
Weighed average	$-0.18$	$-0.18$	$-0.21$	$-0.18$	$-0.20$

Legend:

- 1 – The insurance company treats each client individually.
- 2 – The insurance company operates in hours available to its customers.
- 3 – The insurance company are the employees who are personally involved in the affairs of their clients.
- 4 – The insurance company is aimed at realization of the best interests of their clients.
- 5 – Employees of insurance company understand the specific needs of its customers.

Source: based on the research.

<sup>4</sup> M. Bugdol, *Problem zaufania w usługach*, "Problemy Jakości" 2009, No. 12, p. 10.

## **Conclusions**

Many factors affect the insurance service and they are differently valued by customers. To assess this impact was used the weight appropriately given to each dimension of quality services by the respondents. It was observed that the greatest impact on the level of quality insurance services is in turn the following areas: responsiveness, assurance, reliability, empathy as well as tangibles.

The biggest differences in the level of service provided in the tangibles dimension related to the attractive appearance of the office facility. However, in time to show sincere interest in reliable solution to the customer by an employee of an insurance company. Insurance companies have problems with the smooth and timely provision of services, which is reflected in the largest gap in responsiveness dimension. In turn, confidences in the staff insurance companies have been assessed at a low level compared to expectations in the dimension of assurance. The big gap was also observed in the personal participation of employees of the insurer in the whole process of customer contact.

Summarize the results of the most important factors determining the quality of insurance services by the respondents includes:

- a) Effective and timely provision of services.
- b) Taking the time to the customer, quick response to his requests and the desire to help the worker.
- c) Proper conduct of employees, which inspires confidence.
- d) Provide customer information as to the date of service.
- e) Inducing a sense of security.
- f) Competence and courtesy of employees.
- g) Interest in solving the problems of employees of the client.
- h) Keeping promises made by the insurer.

Unfortunately, in these areas, according to respondents there are many shortcomings from insurance companies. It is important to insurers, conducted research among its customers, know the factors on which customers pay the greatest attention and that they feel are not provided at the appropriate level.

Quality of service provided by insurance companies in the opinion of customers who have third party insurance of motor vehicles are not satisfied their full and needs to be improved particularly in the dimensions: responsiveness and assurance. Please note that the quality is not only customer service. Important are also the organization of work, culture and organizational

structure and involvement of employees and leadership in creating a quality policy.

## **OCZEKIWANIA KLIENTÓW A JAKOŚĆ DOŚWIADCZONEJ USŁUGI UBEZPIECZENIOWEJ**

### **Streszczenie**

W artykule przedstawiono rozbieżności, jakie występują między usługą dostarczoną a usługą oczekiwaną w opinii klientów korzystających z ubezpieczenia OC posiadaczy pojazdów mechanicznych. Luki te określono wykorzystując metodę SERVQUAL. Następnie dzięki nadaniu wag poszczególnym wymiarom jakości usługi ubezpieczeniowej, zaprezentowano ważność poszczególnych czynników.

# *Chapter VIII*

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## *KNOWLEDGE MANAGEMENT*



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## EMOTIONAL INTELLIGENCE IN MODERN VIRTUAL ORGANIZATIONS

### Introduction

The first decade of the 21st century has been the time of turbulent changes and the economic crisis plaguing the world. Problems usually result in putting special emphasis on revising the heretofore used management methods as well as the requirements facing managerial staff. The evident manifestation of the changes was the emergence of virtual organizations perceived as a kind of challenge for the science of management. It necessitated both developing some new forms of business processes and including the changes in the concept of staff management. In virtual organizations some modified communication forms appeared in which, apart from some advantages, some hazards can also be seen. To fight those threats it is necessary to get acquainted with a specific category of emotional intelligence called “*virtual emotional intelligence*”. In search of successful management predictors the usefulness of the diverse intelligence concept has been shown in this study, particularly emotional intelligence (EQ) popularized by David Goleman<sup>1</sup> which encompasses

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<sup>1</sup> D. Goleman, *Emotional Intelligence*, Bantam Books 1995; *Working with Emotional Intelligence*, Bantam Books 1998; *Inteligencja emocjonalna*, Media Rodzina, Poznań 1997; *Inteligencja emocjonalna w praktyce*, Media Rodzina, Poznań 1999; *Social Intelligence: The New*

intrapersonal, interpersonal and praxeological competences. In this study an attempt of showing the utility of those skills for employees' emotional and cognitive process of adaptation to conditions specific for virtual distance work has been made.

### **Emotional intelligence as a professional success predictor**

At the beginning of the 20th century psychologists developed the first intelligence tests (from Latin: *intelligentia* – ability of comprehending, acuteness) and they also determined the coefficient (quotient) of intelligence IQ (*Intelligence Quotient*) most commonly called academic intelligence. A perfect tool for measuring human potential seemed to have been found by science. It appeared, however, that college graduates with high IQs were moderately successful in their careers and their IQs were not in any way reflected in their sense of happiness and life satisfaction.<sup>2</sup> In search of some elements which would be more precise predictors (independent variables) of professional success than the intelligence quotient (IQ) alone, the competences resulting from emotional intelligence (EQ) including personal, interpersonal and praxeological competences have been given particular attention (fig. 1).<sup>3</sup>

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*Science of Social Relationships*, Bantam Books 2006; *Ecological Intelligence: How Knowing the Hidden Impacts of What We Buy Can Change Everything*, Broadway Business 2009.

<sup>2</sup> D. Goleman, *Inteligencja emocjonalna w praktyce*, Media Rodzina, Poznań 1999, p. 36–37.

<sup>3</sup> More: G. Broniewska, *Inteligencja emocjonalna (EQ) i intelektualna (IQ) w zarządzaniu*, "Problemy jakości" 2005, No.4, pp. 25–27; G. Broniewska, *Inteligencja emocjonalna w pracy hotelarza*, "Turystyka i Hotelarstwo" 2008, Wydawnictwo WSTH – Łódź, No.13, pp. 31–43.

<p>COMPETENCES PSYCHOLOGICAL, PERSONAL = INTRAINTELLIGENCE = relations with oneself</p> <p>[ability to identify one's own emotions (self-awareness) and to manage them (self-control), sincerity, unaffectedness, honesty towards other people, ability to properly distancing yourself]</p>	E Q	<p>SOCIAL COMPETENCES = INTERINTELLIGENCE = relations with others</p> <p>[friendliness, ease of making contact, empathy, communication, submissiveness, ability to listen, persuasion skill, conflict management skill etc.].</p>
<p>PRAXEOLOGICAL COMPETENCES = efficient performance competences [attitude to tasks, challenges and activity, motivation, gift of creating visions and engaging people in realizing them, flexibility and risk taking, efficiency in change management, stress management, time management, political competencies i.e. cooperation with others, making alliances and developing company base].</p>		

Fig. 1. Emotional intelligence components – psychological, social and praxeological competencies

Source: author's own study.

The skills included in emotional intelligence are therefore synergic in relation to mental skills; the best performers possess both. It is worth noting that the more complicated the work is, the greater the importance of emotional intelligence needed to carry it out, owing to the fact, at least, that its shortage may disturb making use of the person's professional knowledge or intellect. As it is shown in figure 2, rational intelligence determines to a significant degree human possibilities of acquiring and using technical competences. It is therefore a liminal competence enabling professional development. Emotional intelligence (EQ), however, is situated at the highest level. From this relation a conclusion may be drawn that the higher the level of a person's emotional intelligence and the competences connected with it, the bigger their chances for being professionally successful. Moreover, having a high level of emotional intelligence appears to become even more important with higher positions held.<sup>4</sup>

<sup>4</sup> S. Konrad, C. Hendl, *Inteligencja emocjonalna*, Videograf II, Katowice 2005, pp. 54–55.

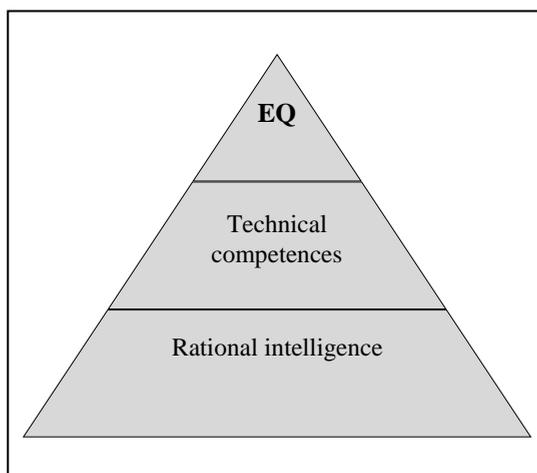


Fig. 2. Position of rational intelligence, emotional intelligence(EQ) and technical competences in human development

Source: Author's own study based on: D. Goleman, *Inteligencja emocjonalna w praktyce*, Media Rodzina, Poznań 1999; M. Krokowski, P. Rydzewski, *Zarządzanie emocjami: inteligencja emocjonalna: vademecum użytkownika*, Wyd. Imperia, Łódź 2002.

Analyzing the components of emotional intelligence (fig.1), it is worth to add that nowadays, taking into account a dynamic development of interpersonal communication processes using information and communication technologies, another category of emotional intelligence is added, namely “*virtual emotional intelligence*”. In this way, among a range of issues connected with management , some specific problems that may be involved in the virtual form of human cooperation are mentioned.

### **Virtual organization – what does that mean?**

In management sciences virtuality came into existence when a “virtual product”, mainly in the form of knowledge and information, emerged which (according to K. Perechuda<sup>5</sup>) satisfies primarily the needs situated at the upper levels of Abraham Maslov's needs hierarchy i.e. the need of recognition and self-fulfillment.

<sup>5</sup> K. Perechuda, *Organizacja wirtualna*, Wydawnictwo Zakładu Narodowego im. Ossolińskich, Wrocław 1997.

The reason why virtual organizations emerged were both some significant technological changes (integration of IT and telecommunication solutions leading to higher efficiency; scaling and mobility of teleinformation systems) as well as some market changes (markets, products and resources globalization) and also the predominant role of customers which is supported by increasing competition resulting in dissemination of virtual products.<sup>6</sup> The definitions of the phenomenon in question vary in, among others, the range (area) considered, distinguishing between virtual organizations in a narrow and a wider sense.<sup>7</sup> In the narrow approach there is usually a central office and some separate units while the connections between them are virtual. In the wide sense, an organization does not have its physical dimension but it exists formally uniting various entities only for the period necessary to perform a given task. After it is accomplished the connections are dissolved and the virtual organization disappears from the market. Thus the fact that an organization may be part of many other virtual ones as well as be an independent body operating e.g. in accordance with the commercial law is an vital feature of a virtual organization.<sup>8</sup> The most important of its characteristics is the aim to form a body prepared for constant changes.<sup>9</sup> The other essential features are:<sup>10</sup>

1. Temporary character – an organization is normally established for the period needed to perform a given task, then it may be decomposed. Even while working on the task the members of a virtual organization may participate in other networks.
2. Being customer oriented, which obviously is not only typical of virtual organizations. However, it becomes particularly relevant here since they are founded in response to a given customer's needs or to perform a given task.

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<sup>6</sup> K. Zimmiewicz, *Współczesne koncepcje i metody zarządzania*, Wyd. PWE, Warszawa 1999, p. 93.

<sup>7</sup> M. Brzozowski, *Organizacja wirtualna*, Wyd. PWE, Warszawa 2010; M. Najda-Janoszka, *Organizacja wirtualna*, Wyd. Difin, Warszawa 2010.

<sup>8</sup> P. Witkowski, *Informatyczne Systemy Zarządzania*, Wydział Organizacji i Zarządzania Politechniki Łódzkiej, 1998, [www.witkowski.bitserwis.pl](http://www.witkowski.bitserwis.pl), 19.7.2010.

<sup>9</sup> *Przerażony kameleon – eseje o przyszłości zarządzania*, ed. T. Płoszajski, Szkoła Główna Handlowa, Warszawa 2005.

<sup>10</sup> A. Jurga, *Struktury sieciowe przyczynkiem kreowania wirtualnej organizacji przedsiębiorstwa*, in: *Zarządzanie organizacjami gospodarczymi. Koncepcje i metody*, ed. J. Lewandowski, Vol. 1, Wydawnictwo Politechniki Łódzkiej, Łódź 2005, pp. 52–60.

What becomes essential as well is the fact that also the customer participates in the process of performing the task.

3. Geographic dispersion which, owing to extensive use of information technologies, does not disturb the cooperation. There is an easy access to specialist knowledge and information because a virtual company functions practically 24 hours a day.
4. Network organizational structure in which the key role is played by a unit coordinating the activities (which usually initiates the project). The structure becomes dynamic; the term “heterarchy” (decision-taking points in a few locations) is used as opposed to hierarchy.
5. Using key competences of its members, thus their emotional intelligence as well.

The definitions that can be found in the specialist literature usually represent a broader perspective, which may be due to the fact that virtual organizations are both a novelty and a challenge. In empirical studies, however, numerous examples of the first (narrower) type of organizations can be found.<sup>11</sup> Currently the concept of a virtual organization cannot be used in every case but there is no such necessity. The development of virtual connections, however, advances so quickly that one can assume that within a dozen years some elements of virtual organizations will be found in all spheres of human activities. The philosophy of virtual organizations operation is entering widely both the practice and the management science (tab. 1) which means that the impact of virtual organization concept is in fact greater than the small number of fully virtual organizations might suggest.

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<sup>11</sup> Deeper analysis of empirical studies in the following countries: Poland, USA and Sweden to be found in: A. Sankowska, *Organizacja wirtualna*, Wyd. Akademickie i Profesjonalne, Warszawa 2009.

Table 1. Examples of virtualization in contemporary organizations

Examples of partial virtualization (adaptation of virtual solutions to traditional organizations)	Examples of virtual organizations
<p>Massive use of information and telecommunication technologies facilitating the management of processes of cooperation with suppliers and customers.</p> <p>E-learning method in the process of education (distant learning) and pedagogical cooperation (e.g. electronic register).</p> <p>On-line choosing and booking hotels or tourist services.</p> <p>Developing territorial scope of supply and demand markets to the global scale.</p> <p>Outsourcing – eliminating some spheres of activity and employing professional service firms which use specialized technological solutions.</p> <p>Electronizing contacts with candidates for different types of schools, especially high schools.</p> <p>Limited number of permanent employees in private high schools aided by diversified staff who have civil law job contracts, selected according to current teaching needs.</p>	<p><u>Positive examples:</u></p> <p>On-line companies: on-line shops, on-line banks and on-line stock-markets.</p> <p>Training and educational companies as well as consulting firms which prepare their offer after having determined a concrete range of customers' needs and select both the personnel and cooperating institutions depending on current subjects.</p> <p>Consortiums utilizing the E.U. funds for concrete projects.</p> <p>Multinational networks and agreements for cooperation in given fields, e.g. ICN-the International Competition Network.</p> <p><u>Negative examples:</u></p> <p>Using moral and legal criteria we can find some examples of virtual organizations that are harmful with respect to social interest:</p> <ul style="list-style-type: none"> <li>- criminal groups</li> <li>- mafia organizations</li> <li>- terrorist organizations</li> </ul>

Source: author's own study.

### Changes in the management method – virtual management

The changes of organizational forms cause an essential reduction in the vertical, functional organizational structure and development of both horizontal structures, which support process management, and network structures. This solution results from the high concentration of network organization features that do not occur with a similar intensity in other forms of mutual cooperation of economic entities, namely: common goals, partners' independence and self-sufficiency, voluntary character of participation, division of functions and responsibilities among partners, integration of various fields of the partners' cooperation as well as both easy and immediate access to information and high efficiency of its utilization.<sup>12</sup> All this influences the way of executing the management functions: planning, organizing, motivating and controlling as well

<sup>12</sup> A. Jurga, *op. cit.*

as tasks facing managers. In virtual organizations the methods of the co-called over-organizational management are usually used. This type of management is similar to negotiating with trade unions or some political pressure groups rather than classical decision-taking processes. This way of operation requires the proper quality of the decisions taken, which is influenced by the decision-makers' level of knowledge and skills.<sup>13</sup> Therefore the key element of virtual organization functioning is the quality and potential of people performing given tasks.

In a virtual organization the significance of both job contracts and forming career paths changes too. Full time jobs become one of the employment options and refer to increasingly fewer employees. The remaining staff are either self-employed or become temporary personnel which also means that they may leave the company at any time without feeling guilty about the lack of loyalty. The lack of both permanent employment and a guarantee of regular income leads to modifications of career paths. There is also a shortage of vertical promotion opportunities, even in one company, because flat structures do not ensure adequate promotion levels. However, horizontal promotions are possible through increasing the extent of employees' professional and individual control over their own career paths with professional and intellectual self-development as the tasks performed in virtual organizations are of variable character. Therefore the selection of partners is based on their key competences which are useful while both performing a given task and providing a client with a suitable product. It is ensuring the quality at every level of the created value chain which becomes a priority. It is made possible owing to employing the most competent individuals, also at the operational stage. Thus what is particularly valuable for virtual organizations is the possibility of temporarily hiring some outside experts. Not only does it increase the organization's flexibility in adapting to market needs even more but it also creates the conditions in which expertise used in the process of reaching a solution of the problem can be freely extended as well. The computerized processes of shipping goods, satellite systems, radio systems of stock level management and the Internet all clearly determine the necessity of the executive staff possessing above-standard skills of working in the environment of automated systems.<sup>14</sup>

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<sup>13</sup> D. Kisperska-Moroń, *Świat wirtualnych organizacji*, Zeszyty Naukowe WSzOP, No.1(4) 2008, pp. 1–9, [www.studia.wszop.edu.pl/obrazki/cms/5284.zalaczniki.pdf](http://www.studia.wszop.edu.pl/obrazki/cms/5284.zalaczniki.pdf), 19.7.2010.

<sup>14</sup> *Ibidem*.

## Emotional intelligence in virtual organizations

In the literature on *virtual management* the problem of virtual emotional intelligence is treated as one of minor importance. However, it plays an essential role in the process of interpersonal communication with the use of modern technologies and the author of the virtual emotional intelligence concept Ruggero Rossi de Mio claims that owing to it “*virtual teams are not only aware of emotions but able to control them as well both within an organization and outside it. This regulation takes place through virtual channels and in the virtual space*”.<sup>15</sup>

Some attempts to analyze the sources of difficulties encountered in virtual projects management, which considerably affect people’s behavior in organizations, have been made by the American researchers of organizational behavior M. Workman, W. Kahnweiler and W. Bommer<sup>16</sup> who distinguished three relevant factors (discussed in points 1–3). Some difficulties also appear when motivation and control functions are realized (point 4).<sup>17</sup> Therefore it is worth characterizing the most important obstacles in using emotional competences as well as indicating the ways of leveling them.

1. *Problem: permanent uncertainty and shortage of information.* Virtual communication is always endangered with a significant loss of information as compared with direct communication and due to overlooking some non-verbal messages a number of difficulties, connected with the interpretation of some subtle emotions included in the messages, arise. People of high emotional and cognitive tolerance of uncertainty seem to be more predisposed to working in this environment. Employing them will not be possible unless we find and use a proper psychological tool to recognize these personality traits in the candidates for work.

Focusing on the necessity of using a precise and comprehensible language and avoiding vagueness which may be a source of conflicts, may be a positive

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<sup>15</sup> R. Rossi de Mio, *On Defining Virtual Emotional Intelligence*, European Conference on Information Systems, Gdańsk 2002, pp. 1124–1133.

<sup>16</sup> M. Workman, W. Kahnweiler, W. Bommer, *The Effects of Cognitive Style and Media Richness on Commitment to Telework and Virtual Teams*, “Journal of Vocation Behaviour” 2003, No. 63; A. Opolska, A. Karbowski, M. Cichocki, *Wirtualna inteligencja emocjonalna*, e-mentor.edu.pl, 19.7.2010, Czasopismo Internetowe SGH, Warszawa 2009, No.2 (30).

<sup>17</sup> J. Żukowska-Budka, *Odmienne ujęcie funkcji motywacji oraz kontroli w organizacji wirtualnej*, in: Management Forum 2020. Nowoczesne koncepcje i metody zarządzania strategicznego, Katedra Teorii Zarządzania SGH, Warszawa 2006.

consequence of reducing body language in written communication. The information is precise, which has been necessitated by the lack of direct contact, and it becomes a more factual message and as objective as the sources of information verified currently allow it to be. Introducing a standardized information code may also be helpful here. It means both determining the language used for conducting works (usually it is English) and defining the rules of using a technical language suitable for the given industry. Applying visual and graphic means of expressions (pictograms, drawings, tables and charts) is also recommended.

2. *Problem: lack of direct communication and informal interactions.* Virtual work is not conducive to forming informal interactions among the project participants; it even leads to a subjective sense of isolation and alienation among the members of the project team. Since in a virtual organization the work is performed individually, without personal contact with the other team players, one can assume increasing difficulties with motivation and control.

Individuals with well-developed skills of “intra-controllability” i.e. self-regulation, self-control and self-motivation may have higher job satisfaction. Therefore some motivation mechanisms including supporting systems and those preventing alienation are necessary. The network players have to have a possibility of contacting an outside advisor acting as an independent coordinator. Furthermore, psychologists indicate that individuals who work in the virtual mode usually have a greater job satisfaction, they also cope with crisis situations and communicating far better than their counterparts in traditionally operating companies.<sup>18</sup> The psychologists thus conclude that the problem of alienation (isolation), which is frequently emphasized, is partly leveled. It is not the same with people of various personality and character traits and may be difficult for those who are open, sociable and extrovert, for whom personal contacts are of great importance. What may prove useful here is introducing a practice of occasional integration meetings in relatively small groups. Videoconferencing and a constant exchange of ideas and experience will be stimuli to individual communication.

3. *Problem: decrease in both dynamics and intensity of group processes as well as marginalization of social modeling.* While watching the behavior of

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<sup>18</sup> K. Skarżyńska, K. Henne, *Szczęście on Line*, ”Charaktery – portal psychologiczny”, sierpień 2005, [www.charaktery.eu](http://www.charaktery.eu), 19.7.2010.

others people familiarize themselves with the social environment, they learn the norms and values accepted in a given community in order to eventually acquire some vital communication competences (as indicated by J. Kowalczevska et al.<sup>19</sup>). As a result of social modeling, group cohesion is formed which is considered one of the variables determining the success of a team project.<sup>20</sup> However, in a virtual project watching one another and their performance is hindered since the organization members constitute a relatively loose community and the frequency of their interactions is limited significantly. Its consequence is a slower process of building mutual confidence which is a key element in the process of information exchange.

Confidence is the basis of a virtual organization's efficient functioning and its lack is a hazard to achieving the planned objectives.<sup>21</sup> Therefore people of cooperative orientation i.e. cooperation-oriented are particularly predisposed to this kind of work because they can make the process of exchanging expertise more dynamic. Introducing a formal framework (requirements) of periodic information exchange (also sharing the expertise) among the members of a virtual team should act as support.

4. *Problem: realizing a motivation and control function.* The individual character of work generates a question whether the level of self-motivation and self-control will be adequate without some outside support.

Virtual work has some advantages too because it imposes some determination at work, independence as well as high awareness of the essence of the task.<sup>22</sup> The necessity of imparting one another information that is precise, factual and unaffected by subjectivism (which was discussed in point 1) may be a factor motivating the team and it will be reinforced by their participation in decision taking. It is also emphasized by professor K. Perechuda who believes that members of a virtual organization have self-motivation, self-management,

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<sup>19</sup> *Teoria społecznego uczenia się*, ed. J. Kowalczevska, J. Radzicki, M. Kołta, Wydawnictwo Naukowe PWN, Warszawa 2007.

<sup>20</sup> R. Rossi de Mio, *op. cit.*

<sup>21</sup> W. Grudzewski, I. Hejduk, A. Sankowska, *Zarządzanie zaufaniem w organizacjach wirtualnych*, Difin, Warszawa 2007.

<sup>22</sup> R. Perkowski, W. Szymanowski, *Cykl życia i efektywność przedsiębiorstw wirtualnych na podstawie badań*, in: *Informacja w społeczeństwie XXI wieku. Monografie i Opracowania*, Oficyna Wydawnicza SGH, Warszawa 2009.

self-organization, self-control, self-navigating.<sup>23</sup> It seems as well that financial profits are not a fundamental motivating factor (although the participants employed here earn more than an average national salary owing to their qualifications) but an opportunity of self-fulfillment, distant interpersonal relations and effective aspiring for the set objective.<sup>24</sup>

What enables employees to realize tasks without an excessive control system is in turn transparently defining mutual expectations, clarifying the roles played and also mutual help in difficult situations. Thus it is confidence, which is a strong motivating factor in itself, that undermines the proper control system. Nevertheless, the confidence which has been defined as the basis of efficient performance has to result from mutual respect, loyalty and maturity of the partners.

## Conclusions

Management realized in post-industrial economy conditions requires some courage in order to sever the past by, among others, implementing network cooperation connections in virtual organizations. The development of this sphere advances fast therefore one can assume that within several years the elements of virtual organizations will be found in most fields of human activity. Therefore companies and their managers ought to familiarize themselves with the solutions which facilitate coordination in virtual organizations, constantly bearing in mind, however, the subjective and not objective approach to man as well as creating the environment conducive to self-fulfillment and development of competences, both professional and emotional. To this end what is usually indicated is the importance of “*virtual emotional intelligence*”, i.e. ability of cognitive and emotional adaptation to the conditions of human cooperation in a network or virtual organization. In this way within a range of issues connected with management some specific problems that may follow a virtual form of human cooperation are emphasized. What enables using this form of intelligence to develop organizations and their members is above all mutual

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<sup>23</sup> K. Perechuda, *Dyfuzja wiedzy w przedsiębiorstwach sieciowych*, Wyd. Akademii Ekonomicznej we Wrocławiu 2005; *Zarządzanie przedsiębiorstwem przyszłości. Koncepcje, modele, metody*, ed. K. Perechuda, Placet, Warszawa 2000.

<sup>24</sup> J. Żukowska-Budka, *op. cit.*

confidence<sup>25</sup> and apart from this, cognitive and emotional tolerance of uncertainty as well as “intra-controllability” and corporate orientation.<sup>26</sup> While analyzing the EQ components shown in figure 1 one can submit a proposition that in a virtual organization people with a high degree of personal and praxeological competences are more likely to find their place. On the other hand, using and developing their social competences may be somewhat hindered. It means that, considering the need of properly coordinating the activities and achieving the synergy effect, some special care and support would be necessary.

It has been shown in the article that virtual organization members, although endangered with the negative effects of their independent, physically isolated work, do find some positive aspects of this solution. What must be taken into account, however, is that the relations between the advantages and disadvantages of this type of work are experienced subjectively to a great extent, depending on personality features of the people performing the work.

## INTELIGENCJA EMOCJONALNA WE WSPÓŁCZESNYCH ORGANIZACJACH WIRTUALNYCH

### Streszczenie

Pojawienie się usług sieciowych spowodowało konieczność rewizji dotychczasowych form zarządzania oraz wyłonienie koncepcji zwanej *virtual management*. W organizacjach wirtualnych pojawiły się zmodyfikowane formy komunikacji, w których – poza zaletami – zauważyć można również niebezpieczeństwa. Przeciwwstawienie się tym zagrożeniom powoduje konieczność przyjrzenia się specyficznemu obszarowi inteligencji emocjonalnej zwanemu „wirtualną inteligencją emocjonalną”. Na tle charakterystyki pojęcia inteligencja emocjonalna (EQ) i wchodzących w jej skład kompetencji intrapersonalnych, interpersonalnych oraz prakseologicznych, w referacie dokonana została próba wskazania

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<sup>25</sup> W. Grudzewski, I. Hejduk, A. Sankowska, *op. cit.*

<sup>26</sup> M. Workman, W. Kahnweiler, W. Bommer, *op. cit.*

przydatności tych umiejętności dla emocjonalnej i poznawczej adaptacji ludzi do warunków pracy w trybie on-line.

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**MANAGEMENT OF CHANGES IN ENTERPRISES AS A FORM OF  
ADAPTATION TO E-ECONOMY**

**Introduction**

Information systems have operated in the business for a long time. So far, however, their purpose has been to improve existing practices. Only inclusion of them in an integrated, global network – which is the Internet – creates a new quality. Any organization, large or small, has the capacity to operate on an international scale. The wealth of information in the network provides businesses and customers with plenty of opportunities. Information and knowledge can spread rapidly over large distances. Progress and economic growth has always been a product of human intellect and technological innovation. Access to information and knowledge what that information means is essential for development, including economic development. New business environment is created where information and knowledge through ICT become the basic criterion which determines the success or failure of firms, regions and whole economies. Information and knowledge create added value, increase productivity and efficiency of management.<sup>1</sup> The role of information and technical resources that support the use of information is now so large that it

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<sup>1</sup> See B. Gregor, M. Stawiszyński, *E-Commerce*, Wyd. BRANTA, Bydgoszcz–Łódź 2002, p. 24.

becomes a common term – the civilization of information. Changes that occur in the modern world force the need for a continuous, constant observation and analysis of the processes that occur around and taking instant reactions of economic entities in order to maintain their market position.

### The role of electronic communication technology

It should be emphasized that the tasks of information technology in relation to previous years were significantly expanded, as presented in the table below.

Table 1 Main tasks of information technology

1980s	1990s	2000 and later
Development of transaction systems (TS) and management information systems (MIS) transaction management automation of routine tasks	further development of TS and MIS systems data administration user-friendly processing training system multimodule systems corporate architecture systems of supporting decisions (SSD) expert systems (ES) MRP and MRP II planning systems	external relations management (CRM, SCM) knowledge management change management surroundings surveillance network administration electronic and Internet trade business integration advanced systems of supporting decisions and business analytics value network management, development of network and global structures risk management

Source: *Strategies and Models of Electronic Economy*, ed. C. Olszak, E. Ziemia, Wydawnictwo Naukowe PWN, Warszawa 2007, p. 32.

Currently developing information technologies make it possible to:<sup>2</sup>

- create new ways to design organizations and new organizational structures, especially network ones,
- create new relationships between the company and customers and suppliers who communicate with one another through computer networks,
- develop electronic commerce, which reduces costs and delivery times and facilitates contacts with clients,
- improve efficiency in production and services,
- make changes in competing and structure of industry,

<sup>2</sup> *Strategies and Models of Electronic Economy*, ed. C. Olszak, E. Ziemia, Wydawnictwo Naukowe PWN, Warszawa 2007, p. 32.

- provide mechanisms to coordinate work and to create knowledge for an intelligent organization,
- contribute to the development of productive knowledge workers,
- communicate freely by managers via computer networks,
- come into being and function in global economy.

Some driving forces result in the reactions of companies that operate in the electronic economy, as presented in table 2.

Table 2 Desirable reactions of a company in the electronic economy

Driving force	Company's reaction
Global opportunities	Searching for global sources of profits
Radical change	Flexibility/parallel processes
Competitiveness	Speed of reaction
Complexity	Teamwork
Individual access to information and technology	Decentralized decision-making process and individual responsibility
Constant changes	Continuous learning
Unlimited informal professional contacts	Partnership/collegial orientation

Source: J. Nirenberg, *Introduction of the Internet Way of Thinking in an Enterprise*, in: *Biznes. Zarządzanie firmą*, część 1 (Business. Company Management, part 1), Wydawnictwo Naukowe PWN, Warszawa 2007, p.143.

Driving forces of e-economy that were presented operate on many levels. Three of them can be regarded as the most important:<sup>3</sup>

- the first is a comprehensive, global, convenient and instant information exchange,
- the second is creation of partner relationships with suppliers and customers, creation of opportunities to anticipate new threats from competitors and the development of new products and services designed for the newly emerging markets,
- the third is transformation of relationships and creation of a new reality, which has significant effects on the reduction of trade transactions' costs. Competitive advantage should be seen primarily in the ability to be innovative and to improve its level constantly, thereby obtaining an appropriate efficiency.

New technology makes it necessary to change the concept of value chain with the development of network communication. Modern information systems

<sup>3</sup> J. Nirenberg, *Introduction of the Internet Way of Thinking in an Enterprise*, in: *Biznes. Zarządzanie firmą*, część 1 (Business. Company Management, part 1), Wydawnictwo Naukowe PWN, Warszawa 2007, p. 143.

combine all the participants in the process of economic exchange: customers, suppliers, business partners and even competitors. The physical transfer of information is replaced by digital transmission.<sup>4</sup> The result of replacing a physical process of sending data with the digital data transmission is not only cost reduction, acceleration and improvement of communication, or access to information in real time. The biggest advantage of this innovation is to create grounds to change the nature of business and interpersonal communication and to establish new relationships between people and organizations. Then the value chain changes in value net, and the available technology allows companies to introduce new organizational structures.

### **The use of electronic communication technology in enterprises**

The report “Use of Information and Communication Technologies in businesses, households and by individuals in 2008” includes the results of surveys carried out in enterprises and households in 2008.

The research on enterprises shows that:<sup>5</sup>

- 95% of businesses use computers, and 93% have access to the Internet,
- 59% of firms have broadband access,
- 36% of employees regularly (at least once a week) use computers and 28% use the Internet,
- 17% of businesses use free software – open source,
- 19% of companies have CRM systems,
- 12% of enterprises are equipped with ERP systems,
- 68% of people contact with the public administration via the Internet.

A relatively small percentage of businesses that contact public administration via the Internet results from an inadequate offer of public administration’s services available through the Internet. Rate of availability to e-administration services, in case of Poland was at a very low level in 2007. According to this rate among European nations, Poland came in second to last

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<sup>4</sup> See A. Wallis, *The Role of Information Technologies in the Development of Organizational Changes, Forms and Methods of Business Management*, in: *Information in the Twenty-First Century Society*, ed. A. Łacińska, Olsztyn 2003, p. 454.

<sup>5</sup> See GUS, *Use of Information-Telecommunication Technologies in Enterprises, Households and by Individuals in 2008*, <http://www.stat.gov.pl>, 19.7.2010.

in the availability of on-line services in Europe in 2007. After Poland, as in many rankings, there was only Bulgaria.

In the near future it is expected that companies' interest in modern technologies that support management of an enterprise will grow. Companies will need tools that, on the one hand, will help managers in the operational management – and here is the role of ERP systems, and on the other hand will give management broad synthetic knowledge on the situation of the entire enterprise – and here is the role of Business Intelligence solutions.

The diversity is evident in the case of the rate of preparation to conduct e-business – it is 26.46 for the EU and for Poland – 17.39.<sup>6</sup> The situation of using advanced e-business services is shown in figure 1.

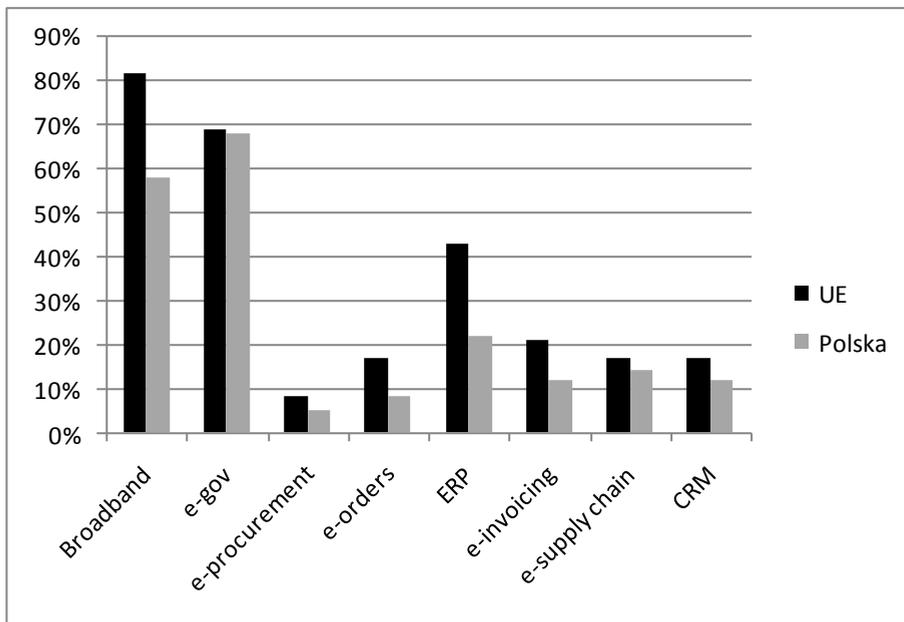


Fig. 1. Percentage of enterprises that use advanced e-business services

Source: The Eurostat research of 2008, [epp.eurostat.ec.europa.eu](http://epp.eurostat.ec.europa.eu).

E-business for small and medium-sized enterprises creates both opportunities and challenges. Among the opportunities there are:

- access to international markets,
- easier cooperation through the use of ICT,
- affordability of ICT solutions,

<sup>6</sup> Eurostat 2008 and e-Business W@tch 2007.

- possibility of assistance from large firms.

However, among the challenges there are: weak (or no) ability to use ICT and e-business tools, lack of compatibility between different ICT systems and the increasing expectations of customers.<sup>7</sup>

The main entities of the electronic market are: business, administration and consumers. In Poland, more than 60% of companies from the sector analyzed lead e-business – this is mostly e-commerce and e-services.<sup>8</sup>

In the development of e-business the Internet is of considerable importance. The Internet in the SME sector is quite popular. Use of the Internet by companies with computers is the following: 92.9% have the Internet access, while 7.1% – do not.<sup>9</sup>

According to the CSO report, only 65% of the companies have their own website. It is a small percentage, considering that the vast majority of companies (93%) have the Internet access. Many entrepreneurs just give the contact details of their companies in the industry directories.

Internet applications used in SMEs are presented in figure 2, while the objectives of the Internet use by employees are diverse: 41.4% consider the Internet as necessary for work, 34.3% use the Internet to seek job-related information, 16% – to contact customer, 10.4% – for private purposes, 8.8% – to communicate with other employees, 7.7% – for other purposes, and 2.8% – to take advantage of online dictionaries.<sup>10</sup>

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<sup>7</sup> *The European e-Business Report 2008, 6<sup>th</sup> Synthesis Report of the Sectoral e-Business Watch*, Executive Summary, European Commission, p. 6.

<sup>8</sup> *E-learning improvement to support e-business in the SME sector*, [www.e-mentor.edu.pl](http://www.e-mentor.edu.pl), 19.7.2010.

<sup>9</sup> *Telecommunication market in Poland 2009 – corporate customers*, report of consumer research conducted by PBS DGA sp. z o.o., UKE, Sopot 2009, p. 33.

<sup>10</sup> *Ibidem*, p. 57.

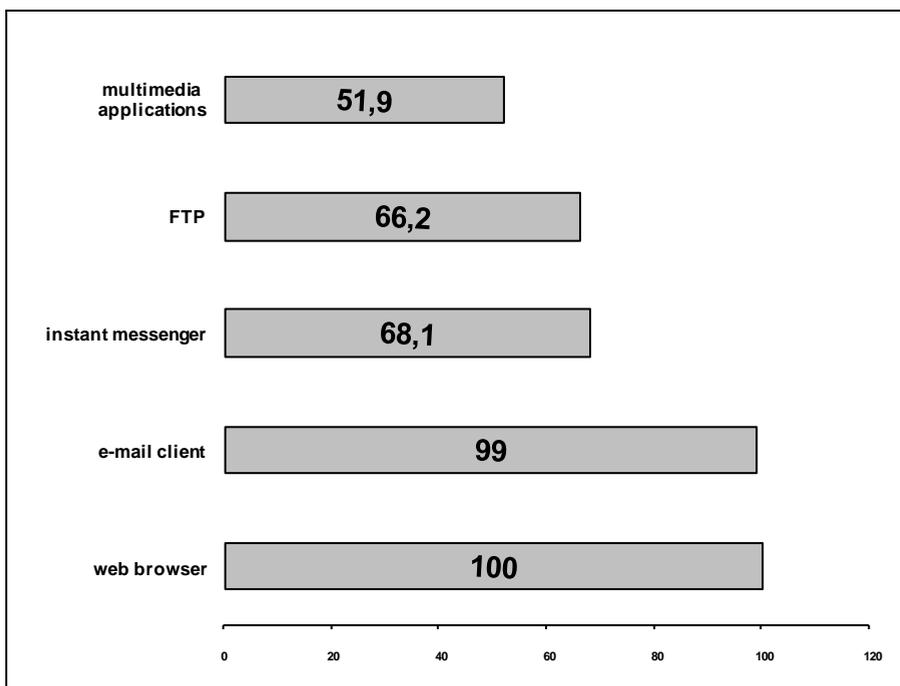


Fig. 2. Applications used in a company

Source: <http://www.egospodarka.pl/34888,Sektor-MSP-w-Polsce-a-lacza-internetowe,1,39,1.html>.

## Conclusions

Changes that occur in the modern world force those who conduct their business activity to do continuous, constant observation and analysis of the processes around and to take instant decisions in order to maintain the market position. Phenomena such as liberalization, globalization and rapidly changing needs and expectations of customers are the reason for such a situation where the ability to effectively collect, process and use information is an essential requirement to maintain a competitive position in the market. Information becomes the basis for the smooth functioning of businesses, administration at all levels and lives of individual people. Information – processed to a form that is as convenient for the user as possible, delivered at the place where it is needed and at the time when it is needed.

Actually neither the scope nor the pace of information transmission is a barrier now, due to the techniques and technologies applied, but above all the ability to use these opportunities in a reasonable way.

Common, constant availability in space “without geography” demands dynamism and diversity in the activities of economic entities. Therefore, in the modern economy we are dealing with a continuous, multiple variability. Markets are variable – both from a macroeconomic perspective, because conditions of economic management and competition in these markets are often changing, and from the perspective of the company, as modern enterprises insistently want to enter new markets. Customers, suppliers and business partners of companies are variable because it is easier to find information about potential new customers, suppliers and business partners and to contact them by electronic channels. Production technologies and services provision is variable due to natural attempts to obtain competitive advantage through innovation and implementation of outcomes of research and development activity. A very large part of this variability is the result of continuous improvement and development of computer systems’ software used in the production and service provision. Work methods are variable, in which a large share is owned by the fact that employees need to acquire skills to get familiar with the new software used in the workplace. Organization of work is changed, particularly at positions where the work result is some information or communication.<sup>11</sup>

Nowadays it is hard to imagine a well-run company without modern technologies. The economic downturn remind companies again that to win in a competitive market it is essential to change internally.

The breakthrough of civilization that we are witnessing is associated with the emergence of the New Economy, knowledge-based economy, which is becoming a strategic resource at all levels of management. Currently, it is not material capital, but intellectual one that is crucial in the development of an organization and is a key factor of its success.

Actually neither the scope nor the pace of information transmission is a barrier now, due to the techniques and technologies applied, but above all the ability to use these opportunities in a reasonable way.

A condition to develop management in enterprises is sufficiently developed information infrastructure. However, it is necessary to bear high expenditure on investment in training and skills development, research and development in the broad sense of this notion.

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<sup>11</sup> W. Cellary, *Three Challenges of Electronic Knowledge-Based Economy: Business, Administrative, Social*, in: *GOW - a Challenge for Poland*, ed. J. Kotowicz-Jawor, PTE, Warszawa 2009, p. 28.

**ZARZĄDZANIE ZMIANAMI W PRZEDSIĘBIORSTWACH FORMĄ  
ADAPTACJI DO E-GOSPODARKI**

**Streszczenie**

Obecnie przedsiębiorstwa funkcjonują w gospodarce, w której informacja jest bardzo istotna. Przedsiębiorstwa muszą dostosować się do otaczającej je rzeczywistości i wprowadzić zmiany, które dostosują firmy do istnienia w e-gospodarce.



# *Chapter IX*

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## *TOURISM MANAGEMENT*



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**CHOSEN PROBLEMS OF TOURIST INFORMATION SYSTEM  
MANAGEMENT ON THE EXAMPLE OF WEST-POMERANIAN  
VOIVODESHIP'S MUNICIPALITIES**

**Introduction**

Tourist information is a significant element of tourist service. Its main role is influencing a number of incoming tourist. Particular role of this kind of tourist service occurs in two dimensions:

- a) on the one hand it combines many elements of tourist offer at the destination making it easier for tourists to gain knowledge about the structure of tourist product: virtues and tourist attractions, tourist infrastructure, services offered by the entities of direct and indirect tourism economy;
- b) on the other hand it combines activities of commercial entities (tourist entrepreneurs) as well as non-profit ones (self-government units and tourist organizations).

The aim of the article is presentation of issues related to tourist information system management in chosen west-pomeranian municipalities considering results of primary research of tourist information operation in those municipalities.

## **Tourist information**

The concept of tourist information is defined in the literature in two ways. In a wide approach it means a system of organized data serving tourists and tourism organizers, net of tourist information centers and points and methodology of storage, process, verification and access to data related to the organization and realization of tourist excursion, most of all information on virtues and tourism infrastructure.<sup>1</sup> In a narrow approach tourist information is transmission of message and a set of activities aiming at efficient movement of tourists in time and space, facilitating optimal utilization of tourist virtues and infrastructure available for tourists.<sup>2</sup>

Tourist information can be served in the one of the following forms:

- traditional (physical) – by means of points and service system, by employees of tourist information centers and points, travel agencies, guides, residents,
- modern (electronic) – by means of electronic media, especially the Internet (including special internet portals, websites of territorial self-government units) and global distribution systems (GDS)<sup>3</sup> and television, radio, mobile telephony etc.,
- supplementary – especially editorial, namely press, catalogues, guides, folders, maps, specialized literature, encyclopedias.

## **Tourist information as an element of tourist potential structure**

Tourism potential consists of all elements of geographical environment and human's behavior that might be used for doing tourism or dealing with tourism. According to mentioned definition, tourism potential covers all structural and functional resources determining tourism development on the particular area. Structural resources are: tourism virtues, tourism infrastructure and transport availability therefore the elements that create tourist attractiveness. Functional resources are: economic, technologic, ecologic,

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<sup>1</sup> *Turystyka*, ed. W. Kurek, Wydawnictwo Naukowe PWN, Warszawa 2007, p. 181.

<sup>2</sup> *Obsługa ruchu turystycznego*, ed. B. Meyer, Wydawnictwo Naukowe PWN, Warszawa 2008, p. 97.

<sup>3</sup> R. Ziółkowski, *Zarządzanie informacją regionie turystycznym*, Wydawnictwo Politechniki Białostockiej, Białystok 2007, pp. 41-42.

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political, psychological, socio-demographic, cultural elements<sup>4</sup>. From the management point of view, tourism potential are natural, cultural, personnel, capital, localization, financial, organizational and information resources that form the possibility of creation of region's tourist offer (region's, municipality's, city's) and are directed at the size and structure of tourist movement. That way they create the incomes from the incoming tourism. So defined tourism potential possesses its internal structure which comprises the following elements:

- a) basic tourism resources:
  - tourism virtues (natural, cultural),
  - tourism infrastructure (accommodation, gastronomy, accompanying infrastructure),
  - transport accessibility;
- b) supply resources:
  - personnel in tourism,
  - capital (including investments),
  - localization,
  - finance,
  - tourism organization,
  - information,
  - offer (provided services),
  - marketing support (eg. image creation);
- c) demand resources:
  - size and structure of tourist movement,
  - level of expenditures on tourism.

Tourist information plays a double role in the structure of tourism potential:

- a) on the one hand it is an element of supply – market resource co-creating a set of supply elements;
- b) on the other hand it links all elements of potential's structure; without effective tourist information (traditional and electronic) there is no possibility of tourism potential management, in basic resources (e.g. in the aspect of virtues popularizing) as well as

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<sup>4</sup> J. Kaczmarek, A. Stasiak, B. Włodarczyk, *Produkt turystyczny*, PWE, Warszawa 2005, pp. 51–52.

supply elements (e.g. information for potential investors), demand elements (directed at the incoming tourist).

### **Tourist information system management**

Efficiency of tourist information system management is determined by the co-operation between tourism economy entities: tourist companies, territorial self-government units, tourist organizations and associations, other entities (e.g. national parks, cultural, recreational, sport, entertainment, educational, academic entities).

Tourist information system in Poland is still being organized. It is assumed that the system is going to consist of four kinds of information places:

- voivodeship's tourist information centers,
- local tourist information centers,
- tourist information points (constant, seasonal, occasional) organized by territorial self-government units and information points organized and operating in the places of accommodation, travel agencies, tourist associations,
- multimedia tourist information points located at the tourist information centers and points or beyond their seats.<sup>5</sup>

Polish Tourist Organization created the Internet System of Tourist Information and Poland Promotion (ISIT). The system is available in a several language versions and it operates on two grounds: presentation and information. The system is based on the Poland-wide multi-level net of administrators. The lowest level is created by the local informers, on the level of municipality, municipalities association, district and districts association. Intermediate level consists of regional administrators,<sup>6</sup> that unite information on their area. Polish Tourist Information System coordinates information on the domestic level.<sup>7</sup>

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<sup>5</sup> P. Gryszel, *Propozycja systemu kategoryzacji i rekomendacji punktów informacji turystycznej*, Ekonomiczne Problemy Turystyki No. 7, Informacja turystyczna, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2006, pp. 121–129.

<sup>6</sup> J. Merski, *Informacja turystyczna*, Wyższa Szkoła Ekonomiczna w Warszawie, Warszawa 2002, pp. 86–87.

<sup>7</sup> W.W. Gaworecki, *Turystyka*, PWE, Warszawa 2007, p. 275.

Basic issue in tourist information system management is a way of its financing. In practice, there are the following ways of tourist information system financing:

- a) public:
  - central – on the national level from the central units' funds,
  - regional – financed by regional self-government, from own funds or subsidy,
  - municipal – on the lower levels from the funds of territorial self-government units;
- b) public-private (mixed) – on the regional and local level, financed mostly from the public funds with a partial co-financing by the main entities of tourism economy;
- c) private (commercial) – alternative and independent of existing public and public-private systems, operating mainly on a local level by independent economic entity.

Minding that tourist information system cross with the utilization of instruments of area's tourism promotion, some activities in public financing could be occasionally co-financed by private entities. System of cooperation between public and private entities and the way of tourist information financing is a basic issue in creation of tourist units' tourist potential.

### **Tourist information system management in West-Pomeranian Voivodeship's municipalities**

On the basis of research led in the years 2008–2010 it is possible to indicate chosen issues related to the tourist information system management in West-Pomeranian Voivodeship's municipalities. Estimation of tourist information system management was presented on the basis of research in all voivodeship's municipalities. Range of cooperation between territorial self-government and entities of direct tourism economy was described on the basis of information on the municipalities' official websites. Next, on the basis of constructed synthetic indicator of tourist attractiveness level (namely basic resources of tourism potential and measure of cooperation between local self-government and tourist entrepreneurs in the field of tourist information) there were chosen municipalities for deepen research. As it results from the conducted research, high level of tourist attractiveness is not correlated to the

activities related to the creation of tourist information system. Municipalities with lower level of tourist attractiveness often apply higher support for tourism development by means of the range of operation of tourist information. Municipalities with higher level of tourist attractiveness give lower support for tourism development, leaving part of the information activities to the commercial entities that create alternative forms of tourist information.

There should be mentioned the following issues characterizing system of tourist information management:

- identification of operation of tourist information points by the entities of tourism economy,
- generic structure of the points,
- applied technologies,
- human resources management instruments (the number and qualifications of personnel),
- distribution management system (localization and marking of tourist points),
- financing management system,
- communication system.

Significant element of conducted research was an evaluation of activities in the field of tourist information taken up by the economic entities operating directly in tourist service. That analysis indicates identification of tourist service providers with local tourist potential. Tourist information was available in 27 of 30 investigated municipalities. The question about existence of tourist information points was asked also to the tourist entrepreneurs. In mentioned 3 municipalities that didn't have tourist information, among 12 enterprises, in 4 cases questioned people stated that there existed a tourist information in the particular municipality. In the rest of municipalities the majority of entrepreneurs knew about the existence of tourist information (98 of 107), only 6 entrepreneurs didn't know about the information point and 3 entrepreneurs stated that this kind of point definitely didn't exist in their municipality. Information above indicates a low level of identification of local tourism economy's entities with tourist information system.

Tourist information in investigated municipalities most often had a form of tourist information center (48%) or tourist information point (45%). Only 7% had a different form – it was a point that operated beside another object or point

that operated commercially. In most cases, tourist information points are open through the whole year.

All tourist information points were equipped with computer and the Internet access. In 76% of places, the computer had the Internet permanent connections, in 9% computer had connection via the modem and radio connection was in 15% of places. In 89% of municipalities information points had their own e-mail box and in 52% they had their own website. Almost all of tourist information points were equipped with telephone and fax. All places had a small library available for tourists containing publications related to the region's tourist product.

An average number of employed in investigated places oscillated between 1.6 offseason to 2.19 during tourist season. Figure 1 presents the number of employees in the investigated information points. In all investigated points there were employed 70 employees during the season and only 47 offseason.

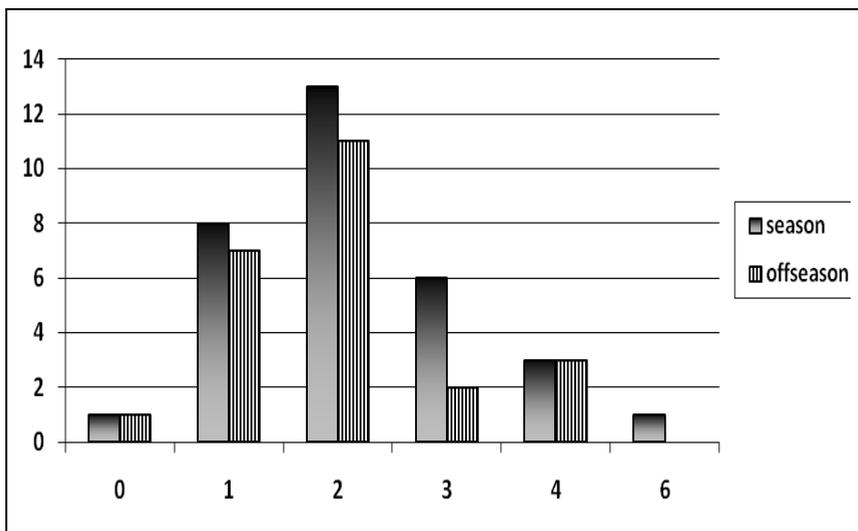


Fig. 1. Number of tourist information points employing particular number of personnel in season and offseason (n = 32)

Source: primary research.

Employees of tourist information points were often educated in the field of tourism. Only in 40% of investigated places, personnel's education wasn't related to the tourism (e.g. technician in the field of hospitality, technician in the field of tourist service, master of science in the field of tourism and recreation etc.). In 60% of places, the number of employees educated in the field of

tourism was 1 (in 9 tourist information points) or 2 (in 9 tourist information points). Only in one information point in Rewal 4 employees had specialized education.

One of the most important and the most easy to measure skills is a knowledge of foreign languages. The level of knowledge of foreign languages in the research was subjectively assessed by investigated representatives of territorial self-government and tourist entrepreneurs. Representatives of territorial self-government pointed the number of employees knowing (speaking) English, German and Russian language and the number of employees knowing mentioned languages on an advanced, intermediate and basic level.

Only in 3 of 32 questioned tourist information points there was no employee with the knowledge of English. In the rest of the places the number of English speaking employees was 58, where 25% of them knew the language on an advanced level, 50% on an intermediate level and 25% on a basic level. Representatives of territorial self-government declared the knowledge of German language by 45 employees, 15 on an advanced level, 18 on an intermediate level, 12 on a basic level. Knowledge of Russian language was declared for 14 employees and other languages only for 4 employees of tourist information points.

In the field of system of information distribution management there was estimated: place's marking, localization, opening hours and a quality of information materials. In all cases, the representatives of self-government gave higher marks in every aspect of tourist information points operation (fig. 2).

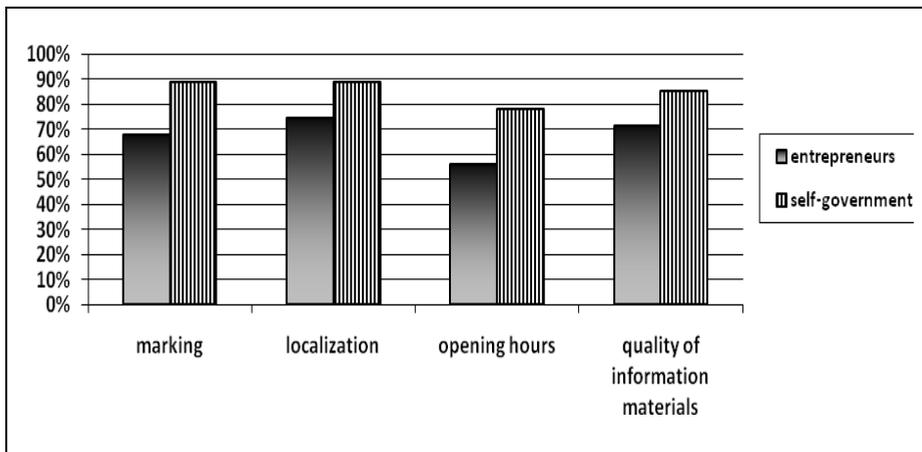


Fig. 2. Percentage of investigated entrepreneurs and territorial self-government representatives who positively estimated the particular elements of tourist information points operation

Source: primary research.

In the opinion of representatives of territorial self-governments almost all elements of tourist information points' operation, operates well or very well. Entrepreneurs, although generally have good opinion on the operation of the places, have some strictures about opening hours (only 56% gave a good or very good mark) and marking.

Tourist information points are mostly financed with public funds. In 70% of municipalities there was stated a full financing by public funds. In the rest of the cases (except of one place managed by non-governmental organization) participation of public funds in financing exceeded 50%.

The main mean of communication between organizations responsible for territorial marketing and potential tourists is the Internet.<sup>8</sup> Conducted research has shown that all municipalities of West-Pomeranian Voivodeship have their own websites, nevertheless only few municipalities have information useful for potential tourists (fig. 3).

<sup>8</sup> P. Kotler, J. Bowen, J. Makens, *Marketing for Hospitality and Tourism*, Prentice Hall, NJ 2006, p. 683.

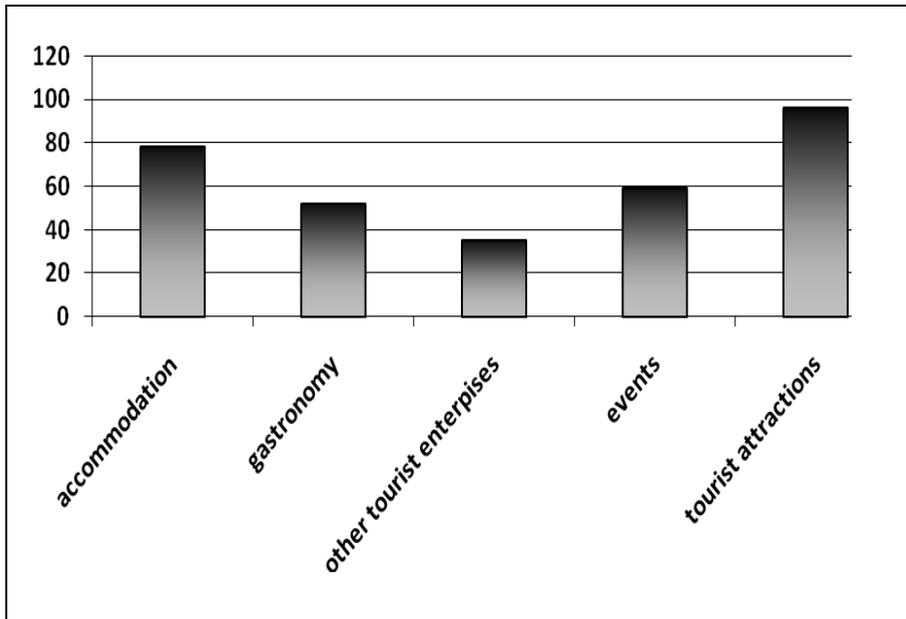


Fig. 3. Availability of information on tourist services events and tourist attractions on the websites of municipalities of West-Pomeranian Voivodeship (n = 114)

Source: primary research.

Questioned representatives of territorial self-government were aware that information related to the tourism in their municipalities was available also on the other websites. Research among tourist entrepreneurs indicated that the majority of them use the Internet in the promotion of their products. Approximately 80% entrepreneurs declared using the Internet in their economic activity. The most popular forms of using the Internet by investigated entrepreneurs were: creation of their own websites, using the websites of other companies (tourism intermediaries) and e-mailing (fig. 4).

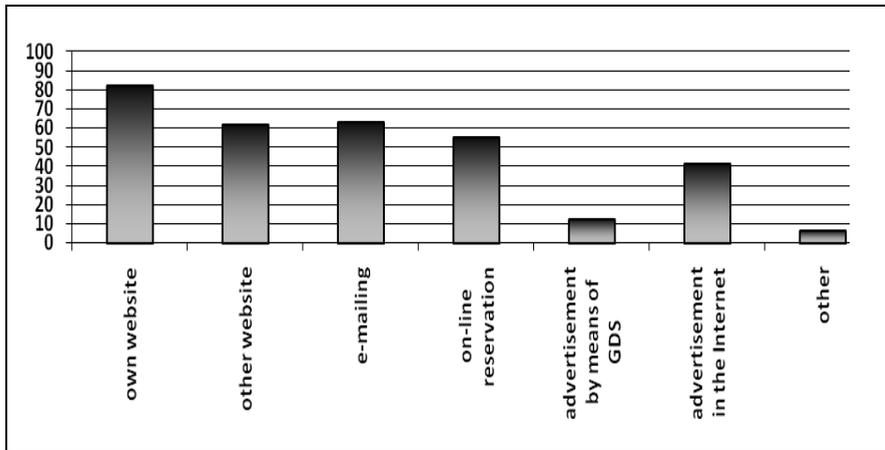


Fig. 4. Using of the Internet in the operation of tourist companies (n = 95)

Source: primary research.

For most enterprises, the Internet is mostly “one way” medium of communication, namely for passing message from the entrepreneur to the client. Feedback is passed only by means of e-mail. Low level of utilization of GDS (global distribution systems) and a low percentage of companies assigning funds for advertisement in the Internet should be explained by a small size of the most of investigated companies belonging mainly to the micro (68%) and small enterprises (26%).

## Conclusions

Issues considered above present chosen aspects of tourist information system management in municipalities and indicate the possibility of creation of tourism potential and tourist attractiveness of municipal areas. On the basis of conducted research it can be stated that tourist information system however directly influences the creation of tourist potential of region but this influence is not directly proportional to the level of development of municipality’s potential and thus is not significantly correlated with the level of other (especially basic ones) tourist resources.

One of the basic problems deciding on better utilization of management functions in the tourist information system is deepening a range of cooperation between interested entities (entrepreneurs and territorial self-government units). In this place, public-private undertakings should be indicated. Also significant is creation of institutional (local tourist organizations) and not fully institutional

(clusters) bases of cooperation. Important premise is also a problem of leadership which should be a domain of municipal unit or local tourist organization.

## **WYBRANE PROBLEMY ZARZĄDZANIA SYSTEMEM INFORMACJI TURYSTYCZNEJ NA PRZYKŁADZIE GMIN WOJEWÓDZTWA ZACHODNIOPOMORSKIEGO**

### **Streszczenie**

Informacja turystyczna jest istotnym elementem sfery obsługi ruchu turystycznego. Jej zadaniem jest przede wszystkim oddziaływanie na ruch przyjazdowy. Jednym z podstawowych problemów decydujących o pełniejszym wykorzystaniu funkcji zarządzania w systemie informacji turystycznej jest pogłębienie zakresu współpracy między zainteresowanymi podmiotami (przedsiębiorcami i jednostkami samorządu terytorialnego). Należy tu wskazać na przedsięwzięcia o charakterze partnerstwa publiczno-prywatnego. Istotnym jest także kreowanie instytucjonalnych (lokalne organizacje turystyczne) i nie w pełni instytucjonalnych (klastry) podstaw współpracy. Konieczną przesłanką zarządzania systemem informacji turystycznej na poziomie lokalnym jest problem przywództwa, które powinno być domeną jednostki samorządu gminnego lub lokalnej organizacji turystycznej.

Celem opracowania jest przybliżenie zagadnień zarządzania systemem informacji turystycznej w wybranych gminach województwa zachodniopomorskiego. Problem został przedstawiony uwzględniając wyniki badań pierwotnych funkcjonowania informacji turystycznej w tych gminach.

W artykule kolejno omówiono: teoretyczne podstawy informacji turystycznej wraz ze wskazaniem jej miejsca w strukturze potencjału turystycznego. Odniesiono się do zagadnień zarządzania systemem informacji turystycznej. Empiryczna część opracowania dotyczy gmin województwa zachodniopomorskiego. Wśród wybranych problemów charakteryzujących system zarządzania informacją turystyczną podjęto próbę oceny:

- funkcjonowania placówek informacji turystycznej,
- struktury rodzajowej placówek,
- wykorzystywanych technologii,

- instrumentów zarządzania kadrami w placówkach,
- systemu zarządzania dystrybucją,
- systemu zarządzania finansowaniem placówek,
- systemu komunikacji.



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**REBRANDING IN THE MARKET OF SPA AND TOURISM SERVICES  
ON THE EXAMPLE OF HEALTH AND WELLNESS CENTER  
"VERANO" IN KOŁOBRZEG**

**Introduction**

Initiated in the nineties of the twentieth century changes in functioning of spa business meant that spa facilities acting in a competitive market of tourist services, in order to further the survival and development, are forced to develop an appropriate marketing strategy, which will allow them to build and gain competitive advantage.

One important element of this strategy is to manage the brand. The brand is an indispensable tool for the successful acquisition of markets, to maintain the acquired products and compete internationally. An extremely important element of the brand, in case of service companies, is its name, which not only provides the basis for brand identity, but also affects the image of the company and its product.

Therefore, more and more companies operating in the market of health tourism decide to change the image, by changing the name, i.e. rebranding.

The main objective of the article is to present the process of renaming the spa operating in Kolobrzeg, since July 1966 under the name “Węgiel Brunatny” (“Brown Coal”) and since August 2009 as Health and Wellness Center “Verano”. The article is divided into four parts. The first part presents some theoretical issues concerning the brand name. The second part characterizes the company investigated, while the third part describes the actions of the resort taken in order to change the name. In the fourth part the article presents the results of the survey conducted in August 2010 among the resort’s guests, reflecting their assessment of the new name.

### **Brand name – selected theoretical issues**

The concept of brand has changed considerably over the last decades. In the 80s the brand was considered an element that distinguished a given product from its competition and an important source of income. In the 90s the concept of brand was extended in the direction of focusing on building strong and long-lasting relationships with customers.<sup>1</sup>

Brand image and experience of its use are the basis for its identification by the consumer, who treats it as a guarantee of consistent quality and uses it to simplify the process of making a purchase decision. The most desirable effect of customers’ relationships with a brand is a consumer brand loyalty.<sup>2</sup>

One of the decisions regarding the brand is selection of brand name and brand symbol. The brand name is the foundation of brand identity and the most durable of its component. This is the most often seen and heard ingredient of the brand, with a powerful impact on how the brand is perceived.<sup>3</sup> The brand name has to fulfill many tasks:

- is the axis of marketing communication,
- generates associations that are used to describe the brand,
- facilitates communication between market’s participants, distinguishing one company’s offer from rivals and causing certain associations.<sup>4</sup>

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<sup>1</sup> H. Szulce, K. Janiszewska, *Zarządzanie marką*, Wydawnictwo Akademii Ekonomicznej w Poznaniu, Poznań 2006, p. 13.

<sup>2</sup> *Ibidem*.

<sup>3</sup> J. Kall, *Silna marka. Istota i kreowanie*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2001, p. 148.

<sup>4</sup> *Ibidem*.

The rules for naming a brand can be applied not only in the case of introducing a new product (enterprise), or repositioning an existing one, but also in the case of introducing changes to existing names, which can be related to the so-called rebranding.

Rebranding is a process in which the existing product or service known under one brand begins to operate under another. Then it is replaced by a new name, logo, refreshed image and marketing strategy. A comprehensive approach to matters connected with rebranding, is not only graphic development of materials such as logos, business cards, etc. but also awareness of all the components that represent the company's image.<sup>5</sup>

The structure of the brand's (brand name's) verbal mark consists of two main components, namely the content and form of the name. Content of brand name is a naming message that is a persuasion and promotion message, which the company (brand-sender) wishes to convey to the addressee of the brand's products. Communication is encoded by means of the three aspects of language mark of the brand: recording, form and meaning.<sup>6</sup>

Language record of the brand consists of style, color and size of letters, letters contrast with the background as well as themes and graphic-art symbols used in the record of the brand. Linguistic form of the brand mark consists of spelling, wording and construction of word-formation, inflection form and possible phraseological collocations of constituent elements of its name. The third element in the form of the brand name is its importance, which is determined most of all by a lexical form, a stylistic value and a semantic value.<sup>7</sup>

It is emphasized that the following features of the brand name contribute to creating a strong brand:

- the name is short and simple, it is easy to read and pronounce, it is easy to remember and recognize, it is easy to write, pleasant to hear, it is written and pronounced in one way beyond any doubt, it is suitable to pronounce and write in many languages, it is modern, it is suitable to be used in advertising materials, it suggests the benefits to the purchaser relating to a given product, it brings to mind positive associations and does not bring negative ones, it is easy to apply in a number of media publicity.<sup>8</sup> It should be

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<sup>5</sup> Ł. Michalak, *Spokojnie to tylko rebranding*, Własny Biznes. Franchising, XI 2007.

<sup>6</sup> M.K. Witek-Hajduk, *Zarządzanie marką*, Difin, Warszawa 2001, pp. 224–225.

<sup>7</sup> *Ibidem*, p. 225.

<sup>8</sup> *Ibidem*, pp. 233–234.

emphasized that the change of name is not only a risky operation but also an extremely expensive venture. Rebranding is associated with the exchange of a company signs both inside and outside buildings, in the information materials. Therefore, the decision to do rebranding should be considered and justified. In rebranding, to be successful, the first impression of a new name, logo and other elements associated with the change of image is very important, if it is not a good impression, then it will be extremely difficult to make changes.

### **General characteristics of the resort examined**

“Węgiel Brunatny” resort began its operations on 1 July 1966. Originally, it operated as a seasonal holiday and summer camp resort. Since 1971 it received visitors throughout the whole year for the first time. In 1973 the business of summer camps was abandoned. At that time the name and profile of the resort was changed. Part of the summer camp buildings, after modernization, was earmarked for balneological treatments.

Since March 1991 the resort was acquired by Brown Coal Mine “Konin” as a standalone company, in their own settlement. On 9 December 1997 the center was transformed into a limited liability company. From that date, full name of the resort was, Holiday and Treatment Center “Węgiel Brunatny” Sp. z o.o. Along with the transformation of the center in a limited liability company began a new stage in its development. Progressive upgrading of the facilities was started. At the turn of 1997/1998 a thorough exchange of rehabilitation and treatment equipment took place, and all the routes were modernized. In May 2007 Training and Recreation Center “Gwarek” in Slesin was added to the company, which contributed to a wider tourism and leisure offer, addressed to the existing contractors from home and abroad as well as companies, institutions and individual customers.

In 2008, the next investments took place in “Węgiel Brunatny”. The resort’s car parks were renovated and a representative entrance to the resort was redesigned, and since 2007, according to the plan, revitalization of green spaces has been conducted, which improves the aesthetics and appearance of the center and makes guests’ stay more attractive.

On 13 August 2009, the District Court in Koszalin made changes to the data of the National Court Register, and from that day instead of Holiday and Treatment Center “Węgiel Brunatny” Sp. z o. o. operates Health and Wellness

Center “Verano” Sp. z o.o. This new name, in addition to the resort of Kolobrzeg, was also received by the second of the centers of the company, until recently known as the Training and Recreation Center “Gwarek” in Slesin. Both centers under a new name and logo are working together to jointly build a new corporate image.

### **Changing the resort’s name and operations that accompany it**

In forty-three years of functioning in the spa and tourism market, Holiday and Treatment Center “Węgiel Brunatny” has earned itself a recognized reputation – the brand. At that time over half a million people benefited from its services. Name of the center, connected with the owner’s industry and geared to a domestic guest, raised no objections and was accepted. Political and economic events initiated in 1989 led to various changes, including changes in customer structure. The center began to receive more visitors from abroad, both individual guests and organized groups. At that time the first critical voices in the assessment of the name appeared. For foreign guests, the name was too long, complicated, difficult to pronounce and totally incomprehensible. Guests could not understand what brown coal (węgiel brunatny) has to do with the spa treatment. Name could not be associated with the coastal character of Kolobrzeg, also in terms of marketing it was inappropriate.

But there have been questions, as “Węgiel Brunatny” has been successful in the market and has had a stable position, whether it is worth investing in change and refreshing the image? The decision to introduce the rebranding was inevitable because it was connected with the expectations of customers, who suggested to change the name. Equally important was to strengthen the brand identity through a new image, which emphasized the flexibility and modernity. Also, the desire to develop the company appealed for the name change.

A breakthrough approach to the name change came in 2000 at the tourism fair in Gothenburg, Sweden. At the panel meeting, Swedish journalists accused the center’s representatives of having the inappropriate name of the resort, which was difficult to sell to potential customers.

Authorizing the renaming process of “Węgiel Brunatny” Sp. z o. o. was initiated by a survey conducted in 2001. To one of the questions: “What do you think should be changed at the center”? answers appeared to change its name. Then for the first time the center manager attempted to change the logo and

name. This initiative has not received approval from the owner. Another study was conducted in 2005 and again in 2007. In 2005 the change in the name of the resort was voted by 43% of domestic guests and by 92% of foreign guests, while in 2007 changes were already waited for by 58% of visitors from Poland and 95% of people from abroad. Finally, the growing share of supporters convinced the mine's authorities to change the name.

In the process of name change, there have been efforts to appoint a new name for the centers in Kołobrzeg and in Slesin. In the first phase of changing the name and logo the resort's managers were engaged. During the meeting, many proposals were presented but none gained acceptance in the eyes of the assembly. Then it was decided to organize a competition in which the prize was a stay in "Węgiel Brunatny". The competition for the two centers was announced in July 2007 on the website of "Węgiel Brunatny" and "Gwarek" and on the official site of Kołobrzeg [www.kolobrzeg.pl](http://www.kolobrzeg.pl), as well as in local and regional media (mainly through interviews and articles). Over 100 proposals were submitted but none of them fulfilled the expectations of the center's management. Proposals often alluded to the mine, or the current name, while others were difficult to pronounce for foreign visitors whereas those that were pointed out were too popular or they had already existed in Kołobrzeg and its surroundings. The contest lasted until 15 September 2007. Due to the lack of concrete proposals that could meet the expectations it was decided to extend the period to 31 March 2008. Dozens more proposals were submitted and the committee set up specifically for this purpose considered Abraxane, Amber, Europe, Laguna, Paradiso, Sun & Sea, the Union, Zephyr, Zodiac and Verano to be the most interesting names.

Finally the name "Verano", which in Spanish means summer, was chosen. The reason for choosing a foreign name was the belief that foreign names can better differentiate the brand than native words. This name is to imply that the product "Verano" is snooty, international and global, and has certain mysterious characteristics, difficult to express using native words. This is not a meaningless idea if in society or in certain environments fascination of foreign things is revealed, and foreign products, as a rule, are perceived to be better than domestic ones.<sup>9</sup>

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<sup>9</sup> J. Altkorn, *Strategia marki*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, p. 105.

In addition to changing the name to “Verano” there was also a significant change in the name in its first part that was previously Holiday and Treatment Center. Among many proposals the committee approved “Health and Wellness Center”, which can be used by the center in Slesin as well.

The term “Health and Wellness Center” also refers to the already functioning at the center loyalty program “Health and relaxation”.

It should be noted that in Kolobrzeg there are a lot of companies, which are called centers, whether it is holiday, sanatorium or relaxation. “Center” in the first part exists only in the case of two companies that operate in Kolobrzeg, whereas Health and Wellness Center is unique in this area, which also spoke in favor of accepting this option.

It is worth noting that the actions taken by management to distinguish the company’s brand did not only consist of changing the name. The process was also accompanied by the assumptions adopted by management such as: attention to maximizing the quality of services, the introduction of strict procedures related to customer service, continuous upgrading of workers’ qualifications and creating strong and unique associations with the brand through appropriate marketing activities.

Among the promotion activities, particular attention was paid to advertising and public relations. In addition to information on the Internet there were articles about change of name in local and trade press. The new name and logo were also presented at the Poznań tourism fair “Tour Salon”, which took place in October 2009. Furthermore, the name “Verano” was advertised during various sporting events as a form of sponsorship.

Due to the high cost of rebranding, in the company described there was developed a schedule of activities related to the introduction of a new name, together with the cost estimate. Expected cost of activities related to the introduction of a new name could not exceed 200 thousand PLN. According to the schedule the most important items that were made were:

- elevations of the centers were adjusted to the desired image,
- illuminated name and logo was mounted on the main building and roads,
- roll-ups, banners, billboards on buildings were made, the internal identification and free-standing advertising was made,
- information about changing the name was put on the center’s website and on the website of Kolobrzeg,
- a new website for the centers was designed and introduced,

- advertisement was placed in newspapers and the Internet, special events were sponsored,
- new folders and catalogs of spa treatment of the center were made in Polish, German, English, Swedish and Russian language as well as residence cards and promotion materials (postcards, pens, notepads, balloons),
- new hotel brochures (folders) were made to the rooms, with a new look and new logo,
- websites' positioning was cared for (Google, Onet, Wirtualna Polska, Interia).

After introduction of a new name, the resort received positive opinions from the guests, and domestic and foreign partners. Therefore, on the basis of this response it can be assumed that the decision to change the company name was appropriate.

### **Assessment of changing the resort's name in the opinion of guests**

In late August and September 2010, at Health and Wellness Center "Verano" a survey was conducted to examine guests' opinions about the new name of the resort. The survey was also an attempt to assess the validity of the actions undertaken by the resort in the scope of rebranding. In view of the fact that among the guests of the resort there are foreigners, the survey was conducted not only in Polish, but also in German and English.

The survey involved 200 respondents. Characterizing the respondents, 55.5% were women, while 44.5% men. The largest group were people between the ages of 55 to 65 years (35.53%) and aged from 45 to 54 years (30.46%). A significant age range was also the one of over 65 years, respondents in this group constituted nearly 23%. People aged 35 to 45 years were less than 11%, and the younger only 0.51%. Taking into account the economic activity, 52.04% were pensioners, while 45.92% were employed. The remaining share accounted for learners and unemployed. Analyzing the country of origin, the largest share of respondents were Poles (46.23%), slightly lower German citizens (30.15%). A significant group were also the Swedes (23%), 0.5% declared another nationality.

From the standpoint of changes in the structure of the spa business guests, namely in connection with the growing share of patients who themselves fund their stay in spa, it was decided to ask the respondents about the means of

financing the stay. It turned out that 67.17% of the respondents were persons who themselves financed their stay, while in case of 32.83% of respondents the stay was cofinanced by Social Security, National Health Fund, ASIF (Agricultural Social Insurance Fund) and the Social Fund. This study has confirmed trends that are evident in the spa and tourism market.

The study was also designed to obtain information about the frequency of stay in the company examined. As it is known, in case of the brand, loyalty towards it is very important and the name change can be a threat to identify the place and repeat the stay. Figure 1 shows answers to the question: “How many times have you resided in Verano?”.

As shown in Figure 1, over 43% of respondents were in Verano for the first time. And more than once – almost 57% of respondents. It is worth noting that more than 35% of the people surveyed were in “Verano” more than three times which means very high loyalty to the company, despite the name change.

Respondents were also asked whether they knew the previous name of the company. As it is clear from the analysis conducted, over 71% replied that they knew the previous name and more than 19% said they did not remember it. Almost 10% of respondents answered “Do not know / hard to say”. Those who answered that they remembered the name were asked to give it. 93% of them tried to write the previous name. In case of foreigners, however, the name was written with errors or in their native language.

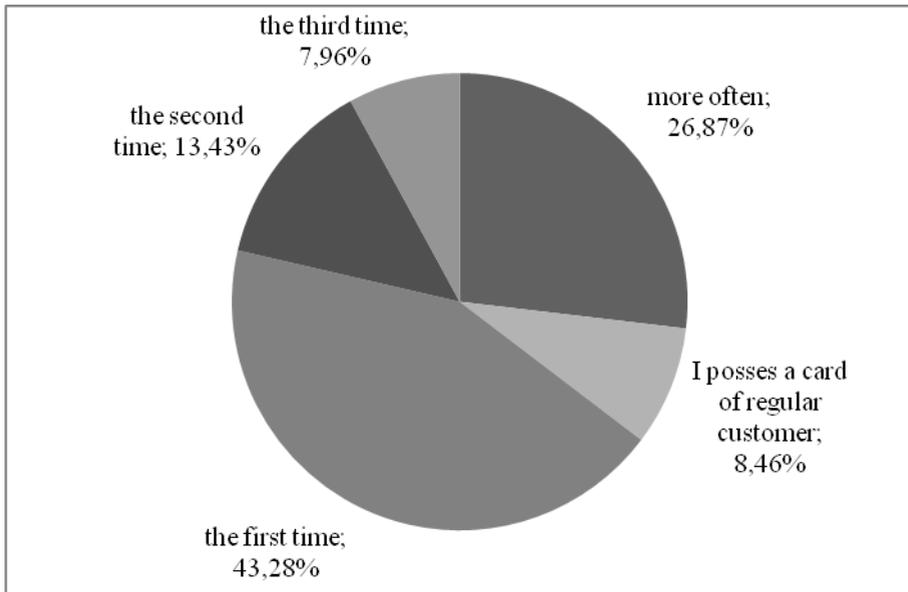


Fig. 1. Frequency of stay in "Verano"

Source: own work.

It should be noted that in case of persons who have been in the facility for the first time, more than 47% knew the old name, which may indicate that the name "Węgiel Brunatny" was a strong brand (fig. 2).

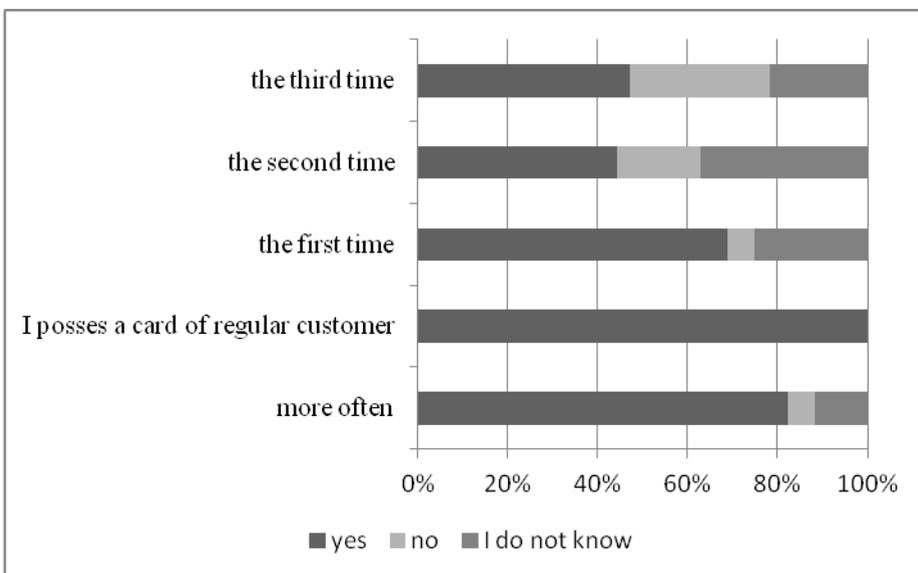


Fig. 2. Knowledge of the company previous name and the frequency of stay in the resort

Source: own work.

Respondents were also asked how they evaluated the change of the resort's name (fig. 3).

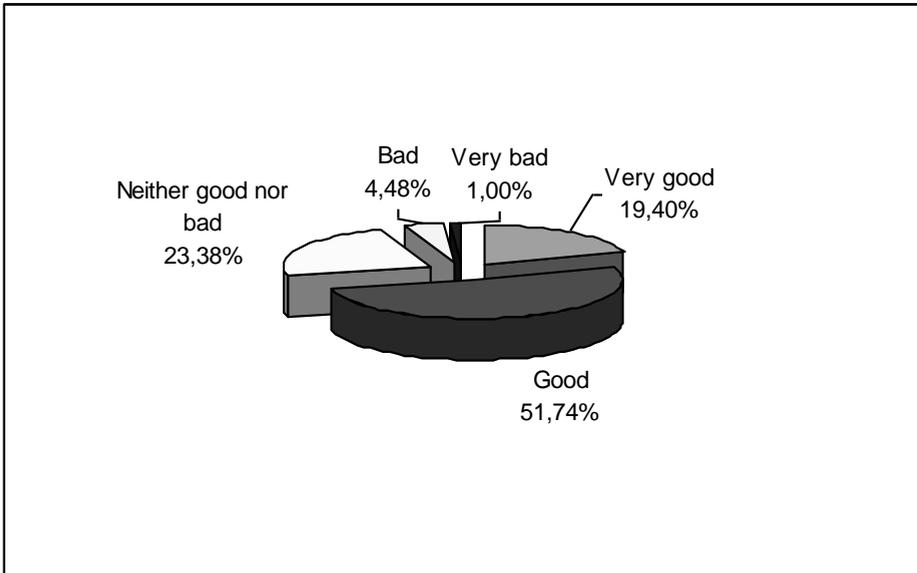


Fig. 3. Assessment of change in the resort's name of the resort in the respondents' opinion  
Source: own work.

Analysis of Figure 3 demonstrates that the decision to change the name was appropriate, as evidenced by the high percentage of positive responses (71.14% – the sum of the responses “good” or “very good”) and a small proportion of negative responses (5.58% – the sum of answers “bad” or “very bad”).

The next question was to check whether the new name was appropriate to the place. Nearly 30% answered “definitely yes” and 50.25% “rather yes”. 4.02% of the respondents felt that the name was not relevant to the resort (the answer “definitely not” and “rather not”).

Patients using the services of the company were also requested to select two associations that best suited the name of Health and Wellness Center “Verano”. Figure 4 presents answers to this question.

32.66% of the respondents indicating the expression “health and relaxation in one” may be a satisfactory result to the management of the facility, as this expression is consistent with the one expected. Also indication of “diversity and

wide range of health and spa services” and “European-level quality” confirms that the new name complies with the requirements.

In order to establish new brand awareness or attachment to the previous name, the respondents were asked “whether in conversations with friends about the facility they used the previous or the new name?”. Responses to this question are shown in figure 5

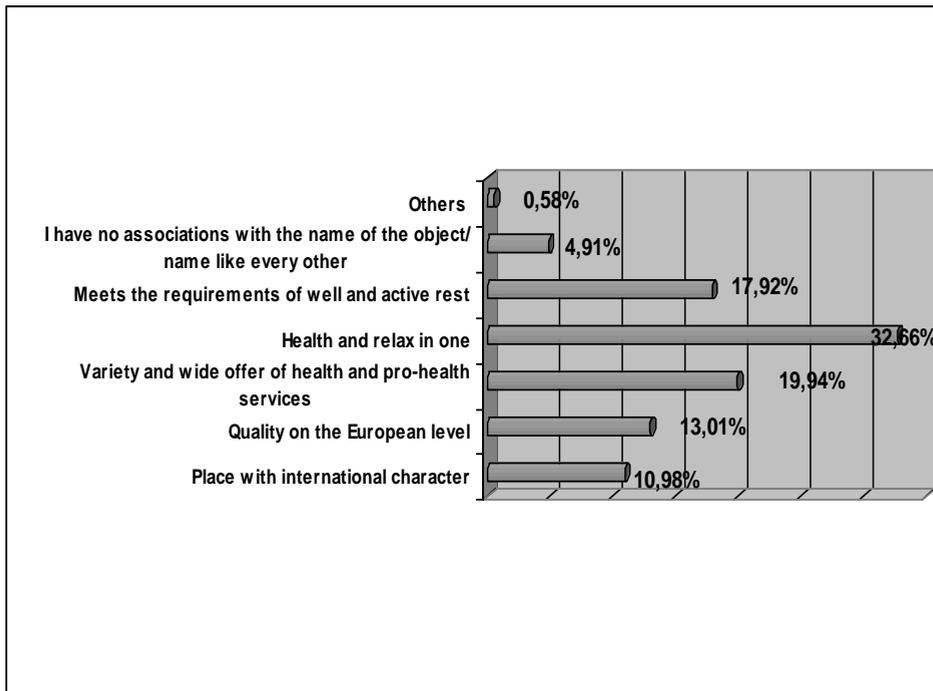


Fig 4. Respondents' associations with the name of Health and Wellness Center “Verano”

Source: own work.

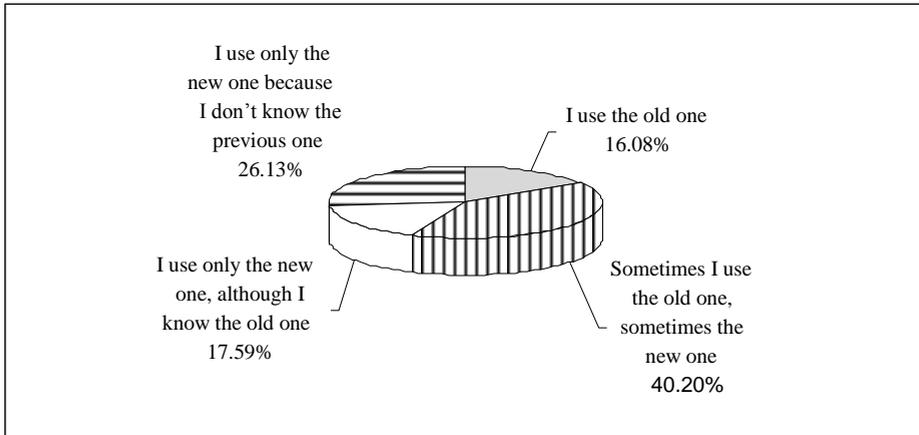


Fig. 5. Using a new and an old name by guests of the facility  
Source: own work.

In interpreting figure 5, one must consider that the previous name, i.e. “Węgiel Brunatny” is still used by visitors of the facility, which once again demonstrates the strength of the brand. This does not mean, however, that introduction of a new name was inappropriate. Using a new name by nearly 18% of the respondents, despite knowing the previous one, and in the face of the previously presented results, as well as due to the short life of the new name should be considered a good result. The company examined should continue marketing actions that reinforce the image of the new brand.

## Conclusions

The high volatility of market conditions in which businesses operate means that they must constantly seek new sources of competitive advantage. Attributes such as low price, quality of service are pretty easy to overcome by the competition. For this reason, more desirable are the attributes that are difficult to be copied by rival companies, and also make possible to obtain a sustainable competitive advantage. Many companies build their strategies based on several attributes simultaneously. Almost always one of them is the brand.

“Węgiel Brunatny”, now Health and Wellness Center “Verano” Sp. z o. o. within forty-three years of operating in the spa and tourism market has earned itself a recognized reputation – the brand, as evidenced by the results of the

survey. The decision to change the name of the company has been long considered and justified. Therefore, the name change was repeatedly and extensively consulted with the guests of the resort. The survey has shown that the previous name was too long and hard to pronounce, especially for foreign guests and also was not associated with the coastal character of Kołobrzeg and with the facility services. Therefore it was decided to change it to a shorter one, easier to pronounce and remember and to design a logo so that it was pleasant in visual perception.

The survey results show that the name change was the right decision and did not harm the resort, as evidenced, among others, by high share of patients who repeat their stay.

Summing up, it can be safely concluded that the new brand of Health and Wellness Center "Verano" has characteristics conducive to creating a strong brand and can give rise to the construction of competitive advantage of the company.

## **REBRANDING NA RYNKU USŁUG TURYSTYKI UZDROWISKOWEJ NA PRZYKŁADZIE CENTRUM ZDROWIA I RELAKSU „VERANO” W KOŁOBRZEGU**

### **Streszczenie**

Zapoczątkowane w latach dziewięćdziesiątych XX wieku zmiany w zakresie funkcjonowania przedsiębiorstw uzdrowiskowych sprawiły, że obiekty te działając na konkurencyjnym rynku usług turystycznych, w celu dalszego przetrwania i rozwoju, zmuszone są do opracowania odpowiedniej strategii marketingowej, która pozwoli im na zbudowanie i uzyskanie przewagi konkurencyjnej. Jednym z istotnych elementów tejże strategii jest zarządzanie marką. Niezwykle ważnym zaś elementem marki w wypadku przedsiębiorstw świadczących usługi, jest jej nazwa, która nie tylko stanowi podstawę tożsamości marki, ale i wpływa na wizerunek przedsiębiorstwa i jego produktu.

W związku z powyższym coraz więcej przedsiębiorstw funkcjonujących na rynku turystyki uzdrowiskowej decyduje się na zmianę wizerunku, przez zmianę nazwy, czyli tzw. *rebranding*.

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Głównym celem artykułu jest przedstawienie procesu zmiany nazwy przez przedsiębiorstwo uzdrowiskowe funkcjonujące w Kołobrzegu, od lipca 1966 roku pod nazwą „Węgiel Brunatny” a od sierpnia 2009 jako Centrum Zdrowia i Relaksu „Verano”. Artykuł został podzielony na cztery części. W części pierwszej przedstawiono wybrane zagadnienia teoretyczne dotyczące nazwy marki. W części drugiej scharakteryzowano badane przedsiębiorstwo, zaś w części trzeciej opisano działania obiektu podjęte w zakresie zmiany nazwy. W części czwartej artykułu przedstawiono natomiast wyniki badań ankietowych przeprowadzonych w sierpniu 2010 roku wśród gości obiektu, odzwierciedlające między innymi ich ocenę nowej nazwy.



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## **TOURISM DESTINATION MARKETING: POTENTIAL CONTRIBUTION OF CLUSTERING APPROACH**

### **Introduction**

Destination Management / Marketing Organisations (DMOs) all over world have to address more or less the same problems: compete in a global and mature market; improve destination marketing effectiveness; consider innovative and appropriate approaches to be adopted and implemented in promoting a tourism destination; and use the adequate tools. It is estimated that only those destinations, which recognize the changes occurring in the marketplace and proactively respond to them, will continue to be successful in the future. Within a global and much-demanding tourism market, the aim of improving a destination's marketing effectiveness and efficiency involves adopting the appropriate approaches and using the adequate tools by DMOs. The aim of this paper is to investigate the potential contribution of clustering approach in promoting tourism destinations.

### **Tourism Destination Marketing: Context and Value-Chain Approach**

J. Kig<sup>1</sup> and Scott et al.<sup>2</sup> suggest that tourism ‘product’ is an experience achieved through the combination of a diverse array of products and services. For visitors, the product is the total experience, covering the entire amalgam of all aspects and components of the product, including attitudes and expectations. Hence, destination is a provider of experiences. Destinations can increasingly be seen as ‘clusters’ or aggregations of businesses, consisting of mainly Small Medium-sized Tourism Enterprises (SMTEs). From a supply perspective, a tourism destination is a spatial unit encompassing a complex system of initiatives, plans and actions; and a diversity of actors, roles, and environmental factors that interact to determine its performance.<sup>3</sup> The quality of this system is of vital importance to destination’s performance. Tourists generally perceive and evaluate their visit as a whole package, an ‘experience’, even though the various services are offered by different operators. In fact, their visit consists of a structured series of services and producers, which operate separately. The value-chain of a destination illustrates the various actors involved in offering all tourism-related services; and it is a structured series of businesses, interactions, resources and knowledge streams involved in the creation and delivery of value to the end-consumer. This creates the need for integration of supply chain activities, from determination of consumer needs through product development, production and distribution. It is exactly because of this fragmentation that all actors taking part in the value-chain should deal with issues such as integration, collaboration, clustering of their activities.<sup>4</sup> Nowadays tourists desire and expect a series of services that allow multiple options and experiences involving many interconnected actors in a destination. These enterprises offer a series of services: transportation, accommodation, catering, entertainment, etc. The destination’s value-chain is thus reflected in all its elements.

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<sup>1</sup> J. King, *Destination Marketing Organizations - Connecting the Experience Rather than Promoting the Place*, Journal of Vacation Marketing, Vol. 8 (2), 2002, pp. 105–108.

<sup>2</sup> N. Scott, N. Parfitt, E. Laws, *Destination Management: Co-operative Marketing, a Case Study of the Port Douglas Brand*, in: *Tourism in the twenty-first century: lessons from experience*, ed. B. Faulkner, G. Moscardo, E. Laws, Continuum, 2000, pp. 198–221.

<sup>3</sup> C. Kaspar, C. Laesser, *Systems Approach*, in: *Tourism Marketing Handbook*, ed. S.F. Witt & L. Mountinho, Prentice-Hall, 1994.

<sup>4</sup> A. Poon, *Tourism, Technology and Competitive Strategies*, 4th edition, CAB International, 2002.

Several authors – e.g. S. Pike<sup>5</sup> – stress that there is an increased demand for destination marketing, due to rising customer expectations and growing competition between destinations. In response, destination marketing partnerships and alliances are increasingly crucial.

### Clustering approach

According to L. Lazzeretti and C. Petrillo<sup>6</sup> the tourism industry is continuously faced with a highly competitive environment; and the global market does not longer involve single businesses, but it rather consists of geographical or thematic destinations composed by a cluster of tourism related operations. Research suggests that networks and clusters can be used as framework providing SMTEs – which do not possess either the resources or organizational capabilities to survive on their own – with opportunities to operate in a competitive environment. The vital role for proactive partnership between public and private sectors has been stressed by several authors, for instance V. Middleton;<sup>7</sup> these partnerships were a favoured method of addressing the problems faced by destinations. More recently, however, attention has been increasingly focused on the contribution of clusters/networks as a means of generating positive economies for tourism businesses and regional competitiveness, as has been stressed by M. Porter<sup>8</sup> and A. Poon.<sup>9</sup> The linkages within the whole tourism industry at destination level are important because of the nature of overall tourism products which are an amalgam of multiple components supplied by a range of businesses. The more mature the market the greater the incentive for the individual actors at destinations to seek the benefits of partnership synergy.

A cluster is simply a collection of businesses or industries within a particular region that are interconnected by their products, their markets and other businesses or organisations, such as suppliers, with which they interact.

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<sup>5</sup> S. Pike, *Destination Marketing Organizations*, Elsevier 2004.

<sup>6</sup> *Tourism Local Systems and Networking*, ed. L. Lazzeretti, C. Petrillo, Elsevier, 2006.

<sup>7</sup> V.T.C. Middleton, with R. Hawkins, *Sustainable Tourism: A Marketing Perspective*, 3rd edition, Butterworth-Heinemann 2002.

<sup>8</sup> M. Porter, *On Competition: A Harvard Business Review Book*, Harvard Business School Publishing, 1998.

<sup>9</sup> A. Poon, *op. cit.*

Porter defines clusters as ‘geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities and trade associations) in particular fields that compete but also co-operate’<sup>10</sup> Clustering is a process that enables the participants to exploit their synergies and the complementarities between their outputs, involving several benefits. Therefore, a cluster is a progressive form of business network, which has strong business objectives focusing on improving sales and profits. In essence, clusters are characterised by a variety of participants that transcend organisational boundaries and structures; and they are vital for regional development increasing the performance, innovative capacity and local businesses’ critical mass.

### **Clusters and Networks in Tourism Industry**

Clusters and networks are said to involve several benefits including economies of scale; a focus on cooperation and innovation; increased synergies and productivity; knowledge transfer; joint marketing; increased competitiveness and sustainable competitive advantage. All these benefits create opportunities for synergy and mutual reinforcement to achieve the main aim of a destination that is a rewarding holiday experience for its visitors. Research – for instance M. Porter<sup>11</sup> – indicates that network building is a major new source of competitive advantage and an essential regional and global management requirement. Recent studies – e.g. C. Hall,<sup>12</sup> E. Michael,<sup>13</sup> M. Novelli et al.,<sup>14</sup> G. Saxena,<sup>15</sup> R. Tinsley and P. Lynch<sup>16</sup> – address in more

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<sup>10</sup> M. Porter *op. cit.*, p. 197.

<sup>11</sup> *Ibidem.*

<sup>12</sup> C.M. Hall, *Rural Wine and Food Tourism Cluster Network Development*. in: *Rural Tourism and Sustainable Business*, ed. D. Hall, I. Kirkpatrick and M. Mitchell, Channel View Publications 2005, pp. 149–164.

<sup>13</sup> E.J. Michael, *Tourism Micro-clusters*, “Tourism Economics” 2003, Vol. 9(2), pp. 133–145.

<sup>14</sup> M. Novelli, B. Schmitz, T. Spencer, *Networks, clusters and innovation in tourism: A UK experience*, “Tourism Management” 2006, Vol. 27 (6), pp. 1141–1152.

<sup>15</sup> G. Saxena, *Relationships, Networks and the Learning Regions: Case Evidence from the Peak District National Park*, “Tourism Management” 2005, Vol. 26(2), pp. 277–289.

<sup>16</sup> R. Tinsley, P. Lynch, *Small Business Networking and Tourism Destination Development: A Comparative Perspective*, “The International Journal of Entrepreneurship and Innovation” 2007, Vol. 8(1), pp. 15–27.

depth the implications of clusters and networks formations in the hospitality and tourism sectors. Hence, clusters are considered as being efficient management and marketing tools for destinations. P. Kokkonen and A. Tuohino<sup>17</sup> suggest that these tools, however, must be used in appropriate manner in order to contribute at achieving sustainable tourism development and related business objectives.

It has been stressed that, given the inevitable structural diversity of the tourism industry and its domination by small businesses, there is no logical alternative to the development of local partnership involving local tourism businesses and other local stakeholders. Considering that through a cluster, a group of SMEs can compete globally by co-operating locally, networks and clusters in tourism have experienced a dramatic growth, bringing benefits such as share of valuable marketing information, innovation, opportunity to enter other alliances on a national level and across borders, resource development and knowledge transfer between stakeholders.<sup>18</sup> As it has been already stressed the value-chain approach requires cooperation and networking between the key components at destination level. A. Lemmetyinen and F. Go<sup>19</sup> suggested that the development of tourism business networks might be considered as a system in which every participant contribute with its own capabilities. The authors stressed the importance of a network approach for managing and engaging in active net participation, and they suggested that local tourism businesses must develop new key capabilities in order to face future global competition. Hence, the coordination of cooperative activities in tourism business clusters is identified as a prerequisite for enhancing the value-creation process and building the brand-identity process across the cluster. The choice of a cluster approach is justified by the fact that this can be one of the best tools available in fostering tourism development.

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<sup>17</sup> P. Kokkonen, A. Tuohino, *The Challenge of Networking: Analysis of Innovation Potential in Small and Medium-sized Tourism Enterprises*, "The International Journal of Entrepreneurship and Innovation" 2007, Vol. 8 (1), pp. 44–52.

<sup>18</sup> G. Saxena, *op. cit.*

<sup>19</sup> A. Lemmetyinen, F. Go, *The Key Capabilities Required for Managing Tourism Business Networks*, "Tourism Management" 2009, Vol. 30 (1), pp. 31–40.

## Clusters' Activities

Given that tourists are seeking a diversified and rewarding holiday experience, effort should be put into identifying the opportunities for synergy and mutual reinforcement. The success of a destination in terms of tourists' satisfaction is a function of several interdependent components. Therefore, cluster's activities are implemented into two main areas / fields (tab. 1). Obviously destination is the appropriate spatial unit for clustering.

## Tourism clusters' contribution

The valuable contribution of tourism clusters and networks has been investigated and stressed in several contexts. Firstly, in regional and virtual networking; the tourism industry exists as a network of interconnected subsectors, and consequently, networking is very beneficial in destination marketing.<sup>20</sup> Information and Communication Technologies (ICTs) support the effectiveness of business networks and encourage closer collaboration. Destinations emerge as major beneficiaries of the ICTs, as they can take advantage of new strategic tools for planning, management and marketing through co-ordination of local products and increased power in the distribution channel. These benefits can be achieved by means of a closer partnership throughout the tourism industry, as has been stressed by several authors, e.g. P. Braun,<sup>21</sup> M. Hitz et al.,<sup>22</sup> N. Mistilis and R. Daniele.<sup>23</sup>

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<sup>20</sup> M. Soteriades, V. Avgeli, *Promoting Tourism Destinations: a Strategic Marketing Approach*, "Tourism: an International Interdisciplinary Journal" 2007, Vol. 55(3), pp. 335–345.

<sup>21</sup> P. Braun, *Networking Tourism SMEs: e-commerce and e-marketing Issues in Regional Australia*, "Information Technology & Tourism" 2002, Vol. 5(1), pp. 13–23.

<sup>22</sup> *Information and Communication Technologies in Tourism*, ed. M. Hitz, M. Sigala, and E. Murphy, Springer, 2006.

<sup>23</sup> N. Mistilis, R. Daniele, *Challenges for Competitive Strategy in Public and Private Sector Partnerships in Electronic National Tourist Destination Marketing Systems*, "Journal of Travel & Tourism Marketing" 2005, Vol. 17 (4), pp. 63–73.

Table 1. Clusters' Activities

Field	Activities and Actions
(i) Management	Clustering contributes to: strengthen backward economic linkages to reduce leakage; enhance collaboration; develop local understanding and knowledge of tourism; knowledge management and knowledge-sharing activities; share information and expertise; innovate; and monitor the results achieved and adapt the management techniques accordingly.
(ii) Marketing	All variables marketing mix and communication tools would be positively influenced by the synergy created through coordinating them within one management team: product development and formulation; market and customer research; market segmentation; branding; promotion and information services; communication program; and relationship marketing.

Source: own.

Secondly, literature on event management has acknowledged the importance of building relationships with other actors within the context of event tourism – e.g. D. Getz et al.<sup>24</sup> – and convention tourism (C. Bernini<sup>25</sup>). Wine tourism is another context that has been cited by C.M. Hall<sup>26</sup> as an example of successful development of clusters. According to D. Getz and G. Brown<sup>27</sup> collaboration is needed to facilitate the wine tourism experience, involving destination marketing/management organizations, the wine and tourism industries, cultural and other recreational suppliers. The ‘Wine Roads of Northern Greece’ – a thematic and geographical cluster – created theme products of wine tourism interlinking, on one hand, professionals of accommodation, catering and local producers, and on the other, wineries and vineyards as tourist attractions. It should be noted that the selection of all partners for joining the cluster is based on specific qualitative criteria indicating

<sup>24</sup> D. Getz, T. Andersson, M. Larson, *Festival stakeholder roles: concepts and case studies*, “Event Management” 2007, Vol. 10 (2–3), pp. 103–122.

<sup>25</sup> C. Bernini, *Convention Industry and Destination Clusters: Evidence from Italy*, “Tourism Management” 2009, Vol. 30 (6), pp. 878–889.

<sup>26</sup> C.M. Hall, *op. cit.* .

<sup>27</sup> D. Getz, G. Brown, *Critical Success Factors for Wine Tourism Regions: a Demand Analysis*, “Tourism Management” 2006, Vol. 27 (1), pp. 146–158.

a special seal of approval. These themed products interlink wineries and vineyard domains to tourism attractions, as well as to tourism-related business creating an added-value for professionals and rendering destination more attractive to potential visitors.<sup>28</sup> Operations are encouraged to operate in a progressive form of business network (cluster) in order to work for their own interests (improved sales and profits) and for the visitors' benefits (improved product/experience).

Finally, a cluster in spa & health tourism has been investigated by M. Novelli et al.<sup>29</sup> The UK 'Healthy Lifestyle Tourism Cluster' experience was employed to analyse the process and the implication of network and cluster development in tourism. Their study suggested that consideration should be given to the process rather than to the outcomes. However, the development of clusters should not be seen as a simple and spontaneous process due to the nature of businesses involved, but as a very complex process linked to strong stakeholder collaboration. The benefits resulting from clustering are: introduction of innovative procedures to destination promotion; improvement of supply, knowledge transfer through expertise and resources exchange; experience exchange and joint marketing actions; establishing a quality assurance scheme; establishing inter-linkages; synergies; efficient marketing; and branding.

## Conclusions

Tourism marketing represents the systematic, coherent and consistent effort of DMOs to develop, formulate, and implement their strategies in order to achieve their main goal: making the tourism product a successful experience for their visitors. The study has shown that clustering approach could have an important contribution in improving the effectiveness of destination marketing. By developing meaningful and productive partnerships, several benefits should be resulted and destinations would attain their aims. This approach is very beneficial, especially for mature destinations, under certain conditions: (i)

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<sup>28</sup> E. Wickens, M. Soteriades, *Crucial Success Factors for Clusters in the Context of Rural Tourism: Lessons from the Greek Experience*. 3rd Integrated Relational Tourism International Scientific Conference, ARCES University College, Palermo University & Helwan University, Cairo, Egypt, 24–26 October 2009.

<sup>29</sup> M. Novelli, B. Schmitz, T. Spencer, *op. cit.*

taking seriously into account all determining and influencing factors; (ii) adopting the appropriate approaches; and (iii) using adequately the available tools and techniques.

It is estimated that factors which are considered as influencing the effectiveness and efficiency of clusters at destination level are as follows. A clear partnership structure is required and a common platform of interests should be developed. Shared commitment, collective action, and continuity must be strong features of the alliance. There is a need for productive dialogues between the community and local industry. Cluster's geographical qualities have significant implications for collaboration, harmony, leadership and agenda setting in the partnership. There is also need for efficient management of local clusters: resolve leadershipwider community involvement; clear rules of conduct (involving development of professionalism); as well as a need for a customer focus bounded by knowledge management and driven by innovation and personal service.

It is suggested that clustering activities should be a prerequisite for destination tourism marketing. If this tool is appropriately implemented, taking into account all the above-mentioned factors, it would have a significant contribution into destination competitiveness and tourism marketing effectiveness. These business alliances could operate more efficiently at destination level, having a comprehensive approach. Such an approach allows DMOs to overcome the challenges and exploit the opportunities presented by ICTs. Thus, destination marketing could be more efficient. Having as main aim 'Build-up a partnership at local/destination level aiming at attaining a competitive advantage within a global market', the challenge for destinations remains to be adapted in a new, global and over-demanding market.

## **MARKETING REGIONÓW TURYSTYCZNYCH W UJECIU KLASTROWYM**

### **Streszczenie**

Celem artykułu jest przedstawienie problemów marketingu i zarządzania ruchem turystycznym w Chalkidiki (północna Grecja). W regionie dominują małe i średnie przedsiębiorstwa hotelarskie, a ruch turystyczny charakteryzuje

się dużą sezonowością. Poziom zarobków w branży turystycznej jest bardzo niski, godziny pracy są długie a znaczna część przedsiębiorstw oparta jest głównie na pracy rodziny. W artykule dokonano analizy funkcjonowania reprezentatywnego przedsiębiorstwa Kalimeria. Jako metody badawcze wykorzystano obserwację oraz wywiady z pracownikami. W wyniku badań stwierdzono, że rozwój produktu turystycznego małych przedsiębiorstw turystycznych jest uwarunkowany pomocą lokalnych władz.

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## **PROBLEMS OF TRAINING TOURISM MANAGERS IN KAZAKHSTAN**

### **Introduction**

One of the major problems of the state for the next decade will be realisation of Strategy of entering in number of 50 the most competitive countries. Throughout many years the tourist branch steadily increases, even in the conditions of adverse conjuncture and the economic crisis period in the world tourism industry the positive tendency to growth was saved. Tourism stimulates development of such adjacent branches of economy as: trade, transport, communication, agriculture, industry, etc. Now in territory of Kazakhstan positive dynamics of tourism development is traced. It is developing as the interbranch complex of economy and in direction of increase in volumes of output and realisation of services, and in respect of expansion of their assortment.

At the same time, practically at all levels of this branch deficiency of qualified personnel is felt. It is one of the conventional problems of the world industry of tourism. For Kazakhstan, with its anew defined tourist infrastructure, this problem is especially actual.

The requirement of modern tourist labour market for comprehensively prepared specialists – the managers of tourism capable to continuous adaptation regarding new technologies of servicing, causes to development of professional training system. At the same time one of the basic problems constraining development of tourism, is the insufficient quantity of specialised shots in the field of tourism as planning of manpower resources has special value in tourism, after all the success substantially depends on quality of shots.

### **Modern state of training specialists in Kazakhstan**

Now in republic training of specialists for tourist branch is carried out by 19 higher educational institutions on speciality “Tourism” and “Service”, including South Kazakhstan State University named after M.Auezov. The chair “International tourism and service” conducts training of bachelors on speciality “Tourism” and “Service”. Difference of the given speciality is its integrated approach. The curriculum connects areas of the most different sciences, assuming that exactly the wide sight will help the future specialist to understand better varying world and to solve practical problems.

Improvement of quality of preparation of professional shots depends on set of factors: level of development of branch, presence of traditions in professional training in this sphere, parities of national education with regional and world, presence of the qualified teaching personnel and modern educational-material resources.

Now the certain experience and operating time in this direction is saved up. Along with vocational training of managers on tourism, the special attention is given to bringing-up of all-round developed person, the patriot of our country. In training managers of tourism the basic emphasis is done on:

1. Languages. For the future specialists in tourism it is not only communication medium, but also the important professional tool: graduates learn to know well minimum three languages (Kazakh, Russian and English).
2. Special economic disciplines. Students study bases of enterprise activity, tourism management, tourism infrastructure, marketing of tourism, etc. Thanks to the received knowledge they can organise and manage the tourist's companies.

3. Information technology. Passage of courses “Technology of booking of the international passenger air service in system Amadeus” are organised.

Opening of specialisations that will give the accented preparation for the solution of the problems assigned to the developer of tourist's product, tour operator, the guide, manager of tourist-hotel sphere, the researcher of the internal and international tourist market is planned.

In the future specialisation will allow us to train both universal, and specialists in profile. Some students will master subtleties of working out and sale of rounds, others get acquainted with the organisation of restaurant business, the third study features of hotel services, and the fourth choose “excursion” direction.

According to the curriculum after each course practice passage is provided. The most important is industrial, where they will get the basic professional skills: ability to solve real problems, to understand difficult situations, will receive skills of dialogue with clients, colleagues, partners, including on foreign language. Interesting summer practices are organised, where special attention is paid on studying of the most attractive tourist directions on ecological tourism with attraction of resources of the State national natural parks «Altyn Emel», «Ile Alatau», «Charynsky canyon», and also on cultural-informative tourism on routes of the Great silk way and business tourism (these directions call interest potential foreign tourists).

Along with educational-training campaigns, industrial practice, the international practice is organised. Despite global financial crisis, university administration annually promotes in the organisation of summer international practice of students in the countries Uzbekistan and Turkey. Besides problems of personnel maintenance of the industry of tourism, today on the 1<sup>st</sup> place are problems of quality and certification of the tourist education which will allow to raise competitiveness of the tourist industry. These problems are of high importance not only for high schools preparing shots for tourist branch, the Ministry of tourism and sports Republic Kazakhstan, but also for World tourist organisation (WTO). Under its initiative in 2008 in Astana the international scientifically-practical conference «Introduction of system of certification of quality of tourist education “UNWTO-TEDQUAL” has been spent.

There is question, whether the faculty is sufficient and the maintenance of state standard of education of RK on specialty “Tourism” corresponds for

introduction to certification of quality of tourist education in Republic Kazakhstan?

At present there is paradoxical situation: the state high schools train specialists for private structures. Demands for distribution of specialists are absent, and commercial structures don't pay their training. At the present stage the tourist enterprises should co-operate with HIGH SCHOOLS in working out of state standard of education on specialty. It is desirable to add into the state standard of education that the deserved instructor of tourism, the master of sports, skilled workers of sphere of tourism, candidates for the master of sports (instructors, the guides having higher education) can be teachers.<sup>1</sup>

### **Problems and perspectives**

We recommend before introduction of certification of quality of tourist education it is necessary to result careful updating the state standard of education taking into account the experience which has been collected during action and numerous remarks from the tourist public.

We recommend:

- a) To create tourism state sector, for development of new recreational zones, building the enterprises of resort-tourist enclave, introduction of new forms of tourism – tourist trains, tourist steam-ships, the national tourist routes, based on principle of self-financing, self-support and self-development.
- b) To create independent supervising body of tourism which will carry out the organisation and the control over activity of public sector of tourism, to direct and regulate activity of private sector of tourism.
- c) To organise financing of activity of tourism public sector within first ten years of formation, in purpose of leading of system of tourism to independent functioning and formation by national economy branch.
- d) To allocate supervising body of tourism with the right of sale, objects to private persons or private enterprises upon termination

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<sup>1</sup> *Government program of development of tourism in Republic of Kazakhstan for 2007–2011*

of development of recreational zone and maintenance of necessary stream of tourists.

- e) To allocate the ground areas in recreational zones, to tourism public sector, HIGH SCHOOLS where professional training is carried out.

The basic problems of tourism industry in the course of the development are known. From positions of deficiency of qualified personnel, they are following:

- a) *Imperfection of concepts of tourism development* in concrete territories is caused first of all by deficiency of the “tourist – focused” shots in the structures, who is to develop and realise these concepts.
- b) *Problems of formation of tourist infrastructure* also directly are connected with personnel maintenance. Well-known that any infrastructure is first of all shots. Without qualified employees degrades existing one, which makes the new infrastructure to develop disproportionately.
- c) *Problem of revival and development of active tourism.* Active tourism – the branch of Kazakhstan tourism industry, which is least developed. It is impossible to forget also about almost total absence of shots, especially instructors and the guides of tourism prepared for job with groups in field conditions.
- d) *The generated priority of existing tourism* in Kazakhstan tourist business is connected with problem of personnel qualification.

New operating conditions of the world tourist market generate great demand on professional training in the given sphere. Therefore the question of personnel maintenance of tourism sphere and hospitality, especially preparations of bachelors of tourism, managers of tourism – future of tourist heads of new generation in colleges, institutes and universities, remains still actual. Novelty of such preparation consists, first of all, in training of students on the international educational programs as modern tourism is beyond for a long time one country or one region.

However the majority of higher educational institutions suffer from absence of standardization at various levels of training, ignorance of the requirements shown at the international level to preparation of specialists. Today preparation and training of highly-skilled personnel in tourism sphere is

one of primary factors of achievement of competitiveness of the tourist enterprises. The solution of the given problem is connected first of all with modernisation of system of professional educational management in the high schools preparing specialists for tourist branch according to real needs of the market.

One of ways of the solution of the given problem is introduction of the international certification of tourist education in practice of preparation of specialists in high schools.

The important direction of improvement of tourist educations quality is introduction in Kazakhstan programs on introduction of system of certification of quality of tourist education “UNWTO-TEDQUAL” in the higher establishments of republic preparing shots for tourist branch. This question is included into the Plan of measures on realisation of the Government program of development of tourism in Republic Kazakhstan for 2007–2011.

“UNWTO-TEDQUAL” is block of programs on maintenance of quality of tourist education. The certificate “UNWTO-TEDQUAL” is given to institutions of education and professional training of tourist shots.

According to employees of tourist companies certified system TedQual is a qualitative, guaranteed system for tourist education and training. All educational institutions and corporations (public and private), wishing to certificate the Program of tourist education, on voluntary basis can submit their programs:

- to create the qualitative guaranteed model of tourist education and system of training by means of voluntary standardization,
- to pass to the big pedagogical efficiency and efficiency in tourism.

What is essence of this certified system?

The system of certification of quality of TedQual is based on three components: the quality standards, audit of quality, quality certification.

The purposes of this system are directed on:

- creation of the qualitative guaranteed model of tourist education and the system of training based on voluntary standardization,
- increase of pedagogical efficiency in process of preparation of the future specialists and efficiency of their vocational training.

This system is developed on the basis of preparation of tourist shots of the western countries as Spain and France, having their own system and standards

of such preparation, and also very high indicators on level of reception and service of foreign tourists, profitableness of tourist branch.

Therefore input in the qualifier of specialties on the tourism of higher education, recommended by the World tourist organisation and the international practice should become the first step on way of introduction of certified system TedQual as specialists believe. Thus specified qualifier should meet the requirements both the Ministry of Labour and Social Protection, and the Ministry of tourism and sports of the Republic Kazakhstan.<sup>2</sup>

Main objective of working out of the state obligatory standard on speciality 050902 – Tourism is establishment of obligatory minimum of knowledge which should receive the learner in course of educational process, and also maintenance of conditions for reception high-grade, qualitative vocational training, the professional competence in the field of tourist-recreational activity.

Now there is formation of the complex science united achievements of various researches of tourism sphere by specialists of geography, management, marketing, economy and other social, economic and humanitarian sciences. Specialists cannot agree about the name of this science yet. Number of researchers suggest to use word “touristics”, others consider that the science about tourism more accepts such names, as “tourology”, “tourography”, or “tourismology”. However the science about tourism represents system of sciences about tourism, because *tourism is the plural system of knowledge covering many aspects of life* and its activity. To this occasion, it testifies that, first, necessity of complex science about tourism is realised practically by all; Secondly, scientists approach to formation of this science (or sciences) from different theoretical-methodological positions, as explains not only different variants of the name of science, but also various interpretation of the subject of this science.

In our opinion, for the sciences studying tourism as sphere of culture and human activity, as such discipline can serve the history of travel and tourism. Now this subject is read in a number of high schools and colleges of tourist profile. Sections on history of travel and tourism contain practically in all

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<sup>2</sup> *The message of the President of Republic Kazakhstan N.A. Nazarbayev “Strategy of occurrence of Kazakhstan in number of 50 most competitive countries of the world: priorities and ways of their realization” – Almaty, Kazakhstan institute of strategic researches at the President of Republic Kazakhstan, 2006, p. 152.*

manuals on tourism, besides some special books on the tourism history are written. The history of travel and tourism creates the base to scientific researches of tourism. This branch of knowledge also is important for professionals in tourism sphere as allows to understand specificity of tourism in this or that region of the world taking into account its historical and national features.<sup>3</sup>

At our university preparation of specialists with use of distance-educational technologies that offers following advantages is conducted:

- Students from other regions who had no possibility because of geographical remoteness earlier can be trained,
- It is possible to study at home or on workplace, under the individual schedule etc.

Competitiveness of the future specialist is indicator of quality of high school preparation. Quality of preparation of graduates, higher educational institutions whereas criterion professional competence acts, is considered from position of recommendations of UNESCO. The essence of conceptual requirements of professional competence is reduced to expansion of knowledge, the skills necessary for labour productivity increase. Replacement of concepts is of purely labour industrial knowledge, skills and full scale of knowledge. Including such which are necessary for protection and health improvement, demographic developments, preservations, developments of traditions and culture, rational use of natural resources, protection of environment, decrease in ecological risk, for performance of active civil role and competitiveness on labour market.

Clearly that qualified personnel is necessary for service of all objects. For example, in sphere of entrance and internal tourism hotel service includes the whole complex of services for tourists and is the key factor defining prospects of development of tourism in Kazakhstan, competitive in world system of tourist business. Tourist services are carried to social-cultural services. They are under construction on principles of modern hospitality that raises their role in development of domestic tourism, and also puts certain problems in system of professional training for tourist-hotel service. Accommodation – the most important element of tourism. The hotel industry is essence of system of

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<sup>3</sup> A.N. Alexandrova, *Tourism management*, M. Asket Press, 2008, p. 470.

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hospitality. It starts with the most ancient traditions in the history of mankind – respect to the visitor, celebration of its reception and service.<sup>4</sup>

## **Conclusions**

Thus, it is possible to tell with confidence that preparation of specialists at our university has something in common with the problems put “ in the Message of the President of the country to the people of Kazakhstan: «... To realise strategy of employment which not only will help us to cope with crisis shocks, but also will provide effective development of economy during postcrisis time ».

Global financial crisis, undoubtedly, has caused invaluable damage not only tourism and sports sphere, but also all economy of our country as a whole. And this year the message of the head of the state serves in uneasy conditions of crisis as the task directed on consolidation of efforts not only state structures, but also all Kazakhstan community for worthy joint overcoming of difficulties and the solution of problems of the further development of the country.

## **PROBLEMY SZKOLEŃ MENEDŻERÓW TURYSTYKI W KAZACHSTANIE**

### **Streszczenie**

Jednym z istotnych problemów turystyki w Kazachstanie jest niewystarczający poziom wykształcenie kadry zarządzającej. W artykule przedstawiono zarówno stan obecny w zakresie szkoleń z zakresu turystyki w Kazachstanie, jak i proponowane działania mające usprawnić system. Szczególny nacisk został położony na współcześnie implementowany program certyfikacji jakości szkolnictwa turystycznego Światowej Organizacji Turystyki.

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<sup>4</sup> *The Project of Increasing Competitiveness of Kazakhstan*, Austin Associates, INC, 2004, p. 54.



# *Chapter X*

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## *CUSTOMER RELATIONSHIP MANAGEMENT*



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**CUSTOMER – FRIENDLY PUBLIC SERVICES – THE GOOD  
PRACTICE EXAMPLE OF THE DISTRICT LABOUR OFFICE IN  
GDAŃSK**

**Introduction**

Despite socio-economic development of the modern world, still one of the problems of contemporary economies, those already grown as well as rising, is unemployment. For economists it is wide and important research area, where even the Prize in Economic Sciences in Memory of Alfred Nobel 2010 was awarded jointly to Peter A. Diamond, Dale T. Mortensen and Christopher A. Pissarides. For the unemployed this means quite stressful and problematic situation, when their incomes decrease or even are lost influencing whole families, and all these factors lower their self-esteem and make them out of the mental form.

In these circumstances citizen's contact with a public office, the impressions and relations with office workers, highly influence the individual lost during the first visits in a public institution's unknown halls and rooms. Others while visiting offices, are quite conscious about their needs, and their preferences somehow influence on the level of service quality assurance, use of adequate marketing tools and rising accessibility to those institutions.

The evolution of the economy and market innovations extort, also in the public sector institutions, some adoptions to the existing conditions. Information and communication technology (ICT) development brings many opportunities, such as operational functioning on the one hand, but as well throwing down the new gauntlets, on the other. Modern public administration, due to citizens needs fulfillment, who plays the role of consumers, in a marketing context, has to offer something more interesting and effective what could derive from economic and technical progress. Thus some of the public offices undergo interesting metamorphosis, and their valuable service activities actually establish the intriguing research subject.

The aim of this paper is a presentation of selected initiatives, benefited mainly from information and communication technologies development, to heighten quality of public service in Gdańsk District Labour Office and improve its accessibility and effectiveness, as examples of good practice worth further development, wider promotion and implementation in other institutions.

### **Customer oriented service development of The District Labour Office in Gdańsk**

The District Labour Office in Gdańsk is the publicly own institution which main objectives are, in particular: preparation and realization of employment promotion programs and elicitation of local labour market (the part of district social problem solving strategy); fund acquisition and management; registering and helping the unemployed or job seeking citizens, as well as helping entrepreneurs searching for employers; initiation, organization and financing of services and labour market instruments; awarding and paying out unemployment benefits; decision making about unemployment status, benefits rights, and other funds; and typical for this institution projects and operation programs implementation.<sup>1</sup>

There were several milestone stages and initiatives that somehow have changed the way of the labour office service provision and have improved the customer orientation during last decade. First of all, looking back to the year

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<sup>1</sup> *Uchwała No XVII/413/07 Rady Miasta Gdańska z dnia 29 listopada 2007r. w sprawie nadania statutu Powiatowemu Urzędowi Pracy w Gdańsku. Regulamin Organizacyjny Powiatowego Urzędu Pracy w Gdańsku. Załącznik do Zarządzenia No. 1142/09 Prezydenta Miasta Gdańska z dnia 29 lipca 2009 r., pp. 6–8.*

2003, there was an implementation of quality standard ISO 9001 and the Quality of Service Policy was stated. According to that Policy the superior aim of the office was maximizing customers' satisfaction through professional, efficiency and services just on time, meeting their needs and expectations. Adequate long term actions were taken to create image of helpful, reliable and open institution. Office workers orientation has been changed and they have realized, that the unemployed and employers became their customers.

In the 2004, process of the new face of employment agency and the vocational counseling program have been implemented. All that mainly to rise a particular service quality and improve customer satisfaction. The action taken was based on the good practice of foreign offices, considering customer friendly departmental reorganization and clerks' tools consolidation, due to their efficiency improvement and citizens service convenience. For the next several years architectural design and office equipment have been optimized, professional training in customer service quality and culture for public workers have been performed, as well. Since 2008 new programs have been developed and the organizational structure has been changed according to the model assumptions and needs of the evolving labour market.

Following some examples of the labour office initiatives are presented. They begun from the first contact point with customers, so the real *reception desk* was formed. The former gatehouse or lodge was converted into helpful place where competent and well informed office worker invites citizens with warmth and understanding.

The next important element, from marketing point of view, is *occupational information room*. That is a place enabling people to be informed about some occupations and their classifications, vocational training and guidance, instruction movies are played (i.e. job seeking, self-presentation, labour market trends, etc.), important institutional addresses are presented, and other applications available – important for the unemployed.

Moreover, several *computer workstations* with the Internet access were installed, especially for those, who have no possibility to use PC's at home. The computers simply let citizens prepare and e-mail some documents, write their CV, search for job vacancies placed in the online databases, and much more. There are also special *electronic info-stands* linked with the office website. Several machines are placed also in the small cities around the district, and at the Public Library buildings as well, all that helping people from the provinces

be up to date with all programs for the unemployed even without visiting the office in person. Inside the office room there are special *info-screens* communicating for customers information about some short period and seasonal work opportunities. The *newspaper corner* is another useful place, where job seeking individual can read labour related, professional and news magazines being well informed about more attractive vacancies, for instant. During this stage, unemployed is in some sense becoming engaged in the job and knowledge seeking activity.

Due to time and customer service management the *electronic queue system* was implemented. Aggregated data inform about number of waiting people and approximate time needed to meet the office worker. In the meantime, citizens, waiting for their turn, can visit computer and info-stands or newspaper corner. For managerial staff the system is a source of data to be analyzed and the base of the operational service improvement.

In 2008, so called SMS *labour agency* was implemented. That is an example of ICT application for the unemployed convenience, who can simply receive short message information about vacancies, labour fairs, courses and workshops. The Office organizes two times per year labour fairs and also offer a *labour exchange room* where the unemployed and employers meetings can be arranged most frequently.<sup>2</sup> However, the important role in a service provision is played by team of vocational guidance workers and employment agents, who are active on the local labour market.

### **Online unemployed registration as a valuable element of customer service quality**

Dynamically increasing access to the Internet and popularity of WWW cause an understandable customer irritation, when the ICT isn't in use when providing public services. However there are some objective obstacles restricting wide and quick online applications, these are: work reorganization, staff mental change, professional training, and so on. This takes actually a long time and of course requires money that coming from permanently short public budgets. We already know that the Internet characteristics is very suitable as an

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<sup>2</sup> R. Budnik, *Nowe oblicze pośrednictwa pracy i poradnictwa zawodowego w Gdańsku*, in: *Dobre praktyki w pośrednictwie pracy – innowacyjne projekty realizowane przez powiatowe urzędy pracy*, Ministerstwo Pracy i Polityki Społecznej, Warszawa 2009, pp. 9–25.

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effective communication channel (in everyday life and marketing). The primary goal of marketing communication is to reach a targeted audience to affect its behavior by informing, persuading, and reminding. The interactivity of the Internet is one of its greatest assets. By communicating with customers and others one-on-one, the organization can build databases that help them meet specific needs of individuals. Web sites require active audience in the information-seeking process to purposely visit the site. Therefore, the quality and freshness of content is very vital for the web site. Marketing communication helps move services, and ideas from organization to end users and builds and maintains relationships with customers and other important stakeholders.<sup>3</sup>

So the Internet constitutes a valuable medium that can be widely used during functioning of the labour office. Generally, usage of the Internet by most labour offices in our country is reduced to Web site construction with adequate information for the unemployed, job seeking individuals and potential employers, with some email contact possibilities and electronic downloadable forms. But really new and useful application – *the unemployed registration via Internet* – has been implemented in 2009 by The District Labour Office in Gdańsk. So far it has been widely considered among other public institutions operating in this sector as a kind of setting new standards in customer service.

The aim of this project implementation considers modern citizens' needs and increased provision of labour office services for those, who use widely ICT in their everyday lives.<sup>4</sup> Table 1 shows potential advantages for customers and institution after introducing this application.

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<sup>3</sup> M. Mayo, Encyclopedia of Business, 2nd ed., <http://www.referenceforbusiness.com>, 19.7.2010.

<sup>4</sup> *Wykorzystanie nowoczesnych technik informatycznych ułatwiających obsługę osób bezrobotnych na przykładzie Rejestracji przez Internet w Powiatowym Urzędzie Pracy w Gdańsku*, post conference materials, Powiatowy Urząd Pracy w Gdańsku, 28.09.2009.

Table 1. Advantages of online registration to District Labour Office

Customer advantages	Office advantages
<ul style="list-style-type: none"> <li>– visit date setting opportunity;               <ul style="list-style-type: none"> <li>– time- saving;</li> </ul> </li> <li>– easier, convenient and quicker office access;</li> <li>– wider set of information needed for registration;               <ul style="list-style-type: none"> <li>– more personalized service;</li> </ul> </li> <li>– some data setting control and its improvement possibilities.</li> </ul>	<ul style="list-style-type: none"> <li>– effective time management and work organizing;               <ul style="list-style-type: none"> <li>– shorter queues;</li> </ul> </li> <li>– time effective customer service;</li> <li>– less data to upload by workers;</li> <li>– more preparation time for particular customer;</li> <li>– contact possibilities just before visit if needed.</li> </ul>

Source: own elaboration based on: *Wykorzystanie nowoczesnych technik informatycznych ułatwiających obsługę osób bezrobotnych na przykładzie Rejestracji przez Internet w Powiatowym Urzędzie Pracy w Gdańsku*, Post conference materials, Powiatowy Urząd Pracy w Gdańsku, 28.09.2009.

In addition the registration application is integrated with the SEPI system (Self-governmental Electronic Information Platform) and it enables citizens' personal data verification,<sup>5</sup> and gaining other information: willingness and ability to take a job, family incomes, age and number of kids, and so on.<sup>6</sup> In the future, due to the system utilities, an office worker will be able to obtain some local labour market reports and data about potential abuse considering unemployment benefit payments, etc. The solution presented here, due to its utilities, gains office staff common acceptance and is one of the crucial elements of the office wider development strategy.

After certain service implementation the key question is: whether or not customers as application users are satisfied? In that case the research, using questionnaires, was performed during October and November 2009 in which 560 of the unemployed and job-seeking citizens took part. The research findings indicate that 98% of users are satisfied that online registration had been implemented and such convenience exists. Almost all of them (99%) declared the usage of this application again and indicated that it had been easy to use, moreover they also set a very good or good grade for staff providing service after registration. Generally 87% of the respondents acknowledge registration via Internet as a very good idea, 13% as a good one. Furthermore, in the opinion of 88% respondents customer service time had significantly been shortened, but

<sup>5</sup> *Samorządowa Elektroniczna Platforma Informacyjna*, materiały źródłowe Computerland SA i Grupy Sygnity, p. 3.

<sup>6</sup> *E-Gdańsk – europejska metropolia on-line*. Materiały źródłowe Referatu Multimedialnego Kancelarii Prezydenta. Urząd Miejski w Gdańsku, Gdańsk 2009. p. 9.

12% of them stated that there had been no difference. There were also some deficiencies due to technical problems that users were facing during registration: 11% had problems with application forms, and for 17% some internal error made registration impossible.<sup>7</sup> So, those very good grades obtained from respondents allow to say, that implemented e-service described here was successful and valuable – of course despite some easy to fix little technical problems.

Undoubtedly all valuable implementations require full commitment to fulfill the goals of these initiatives and let them not just remain empty promises for the citizens. The rising demand from customers of the public service is quality and response. Fortunately, that is what they, increasingly in many cases, are getting.

## Conclusions

Even though expenses in the process of system implementation are needed one should consider a long term economical effectiveness. Still, citizens are the final and true beneficiaries of the innovations through the improvement of service quality, reductions in waiting and service times and the ability to treat larger numbers of customers. On the one hand, there is the goal of maximizing service quality, and on the other hand, public service providers need to minimize the use of highly expensive, extremely scarce resources.<sup>8</sup> Public institutions, just like the labour office, should promote innovations that improve service quality and delivery while keeping costs under control. As it was described above improvements in service quality are accompanied by a set of working practices that simplify the procedures and make them easier to perform. Moreover, that kind of initiatives strengthen public office image as a quite modern institution that perceives trends and is customer friendly. The ICT will provide organizations and consumers with new ways to establish and reinforce relationships that are also important for ensuring quality of customer service. The Internet will become a major force in how public institutions communicate with citizens.

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<sup>7</sup> *Raport z badania ankietowego dotyczącego rejestracji przez Internet w Powiatowym Urzędzie Pracy w Gdańsku*, Powiatowy Urząd Pracy w Gdańsku, Gdańsk 2010. pp. 1–9.

<sup>8</sup> P. Windrum, P. Koch, *Innovation in Public Sector Services*, Edward Elgar Publishing, Cheltenham 2008, p. 165.

## **PRZYJAZNE KLIENTOWI USŁUGI PUBLICZNE – PRZYKŁAD DOBRYCH PRAKTYK POWIATOWEGO URZĘDU PRACY W GDAŃSKU**

### **Streszczenie**

Informacyjne i komunikacyjne technologie usprawniają funkcjonowanie wielu instytucji publicznych, dostarczając urzędnikom wartościowych instrumentów, czyniąc ich pracę wydajniejszą, przyczyniając się jednocześnie do poprawy jakości obsługi klientów. Powiatowy Urząd Pracy w Gdańsku stanowi przykład dobrej praktyki jako instytucja, podejmująca różnego rodzaju wartościowe inicjatywy na rzecz bezrobotnych i poszukujących pracy.

Celem niniejszego artykułu jest przedstawienie wybranych inicjatyw urzędu, podnoszących jakość usług publicznych oraz ich dostępność i efektywność. Inicjatywy urzędu, takie jak rejestracja przez Internet, są przykładem przyjaznych klientowi rozwiązań, jednocześnie kreujących wizerunek instytucji nowoczesnej i pro aktywnej, dążącej do spełniania rosnących oczekiwań obywateli odnośnie jakości i zakresu usług publicznych.

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## LOYALTY PROGRAMS MANAGEMENT AND SATISFACTION OF THE CUSTOMER IN A LARGE COMPANY

### **Introduction**

Executives in any industry will be telling that they sincerely care about their customers – after all, satisfied customers are the source of a company’s long-term success. But as they face the daily challenges of designing new products and services, building brands, and creating strategies for addressing competition, many executives lose their customer focus. They haven’t developed clear insights into the diversity of their customers’ needs nor have they identified their most valuable customers. And managers rarely have a data-based understanding of how well they are satisfying customers across numerous interactions with them. Loyalty programs – which promote specific customer behaviors by providing benefits (such as rewards for miles flown) – can help enhance the customer experience. While companies often view such point-based programs as a fast way to enhance profitability by inducing customers to buy, they are finding that there is a much greater value provided by loyalty programs: the collection of information from program members. Companies can then use this data to develop the whole view of customer interactions and determine how best to tailor process enhancements by segment – particularly for high-value customers. By implementing loyalty programs that

are integrated across sales, service, and marketing – across all channels of interaction – a firm can greatly enhance the customer experience, increase customer retention, and foster development of a community of people who serve as advocates for the business.<sup>1</sup> The main aim of this article is to show the role of loyalty programs management and satisfaction of the customer in a large company in Poland in the 21st century, in the theoretical frame and practical one – that is the example of “a case study”.

### **Loyalty Programmes Management – a short overview and best practices**

Customer loyalty is a concept used in marketing since the existence of this field. There are different approaches to understanding customer loyalty issues.

Loyalty is recognized as an alternative to the following terms: satisfaction, habit, repeat purchases, preferences, commitment, retention, loyalty, good communication of opinions, coercion. Modern marketing dealing with issues of customer loyalty is defined as a variety of terms: relationship marketing, affiliate marketing, marketing, centrally-oriented, marketing-oriented frequency, individual marketing and loyalty marketing.<sup>2</sup> The most accurate definition of marketing that deals with customer loyalty is a concept of “loyalty marketing” because loyalty is the goal of the organization, as opposed to other terms that say about how to reach a target. Most of the definitions of loyalty issue focuses on the aspect of friendship and ties with the client and a company.

Loyalty is more than just doing another repeated purchases in a particular company. Loyal customers are very loyal to the company and fully dedicated to it. Quite different definitions of the nature of loyalty is that customer loyalty throughout your budget is earmarked to benefit from certain types of products in one company. Very accurate determination of loyalty requires that a loyal customer recommend your company so it is an advocate of the enterprise.

Loyal customer not only benefits from a specific company's products, but is so happy with the services and products that say about them to others.

The most comprehensive definition is to define a loyal customer as a person who:

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<sup>1</sup> *SAP Thought Leadership – Enhancing the Customer Experience with Loyalty Management*, SAP AG 2008, p. 2.

<sup>2</sup> W. Urban, D. Siemieniako, *Lojalność klientów. Modele motywacja i pomiar*, Wydawnictwo Naukowe PWN, Warszawa 2008, p. 11.

- makes regular and repeated purchases,
- uses the products offered by the company,
- disseminates positive information about your company,
- is resistant to the promotion of competitive firms.<sup>3</sup>

In the marketing literature there can be seen two basic understanding of the issues of customer loyalty. Firstly, loyalty as a customer behavior, and secondly – loyalty associated with personal feelings or attitudes of the client.<sup>4</sup> Loyalty as a customer purchasing behavior, and above all as a re-purchase is a very superficial notion, since it shows the causes that lead to this behavior which is a purchasing power.

According to F.F. Reichheld loyalty leads to more than repeated purchase, it means “someone’s readiness, such as a customer, an employee, a friend for investment or personal sacrifice in connection with the strengthening of the relationship. For a customer it could mean to remain with the provider who treats him well and gives him good value in the long term even if the supplier does not offer the best prices on individual transactions”.<sup>5</sup>

Understanding loyalty related to the affection and feelings of a client poses many problems of interpretation because of the complexity of the phenomenon. Speeches attitudes and behaviors of loyalty precedes many processes occurring inside the client. The literature lacks a clear classification system so conceived loyalty.<sup>6</sup>

There can be distinguished groups of customers which can have other conditions of loyalty towards the company. All typologies of loyal buyers should be preceded by a description of the types of causes that lead to customer loyalty behaviors. Deeper knowledge of the company for these reasons lead to the improvement of effective creation and maintenance of loyal customer base. Knowledge of the causes leading to the loyalty of customers is essential for effective strengthening their loyalty and may prevent the leaving of customers.

Increasingly, both theorists and practitioners of management repeat that loyal customers are “a kind of asset”, which enable the company to gain

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<sup>3</sup> E. Rudawska, *Lojalność klientów*, PWE, Warszawa 2005, p. 29.

<sup>4</sup> W. Urban, D. Siemieniako, *Motywy lojalności klientów*, in: “Marketing i Rynek” 2005, No.5, p. 2.

<sup>5</sup> F.F. Reichheld, *The One Number You Need to Grow*, in: “Harvard Business Review”, 2003, Vol. 81, in: W. Urban, D. Siemieniako, *Motywy...* p. 2.

<sup>6</sup> W. Urban, D. Siemieniako, *Motywy...* p. 2.

a competitive advantage. Loyal customers come back for more to buy, are cheaper to operate, less responsive to small price changes, and without batting an eye recommend the company and its products to others.<sup>7</sup> Conducted research shows that loyal customers are more profitable than the newfound customers.

More than 100 years of concentration on the company, its capabilities and products in the heart of “modern business” has become a customer who must be provided with high-value offer to acquire them first, then to maintain, and ultimately build with them long-term partner relationships based on loyalty.<sup>8</sup>

Long-term orientation concentrated on loyalty is both a strategy pursued by the top management and business philosophy. It applies equally to the head and heart, income, and ethics. It does not give immediate results but in the medium and long term provides a significant improvement, real profits and corporate success.<sup>9</sup>

### **Tools of building customer loyalty**

True loyalty must be based on a sustainable basis, and deep relationships with customers. Company's marketing efforts should be aimed at building and consolidating loyalty.<sup>10</sup>

Encountered in practice marketing activities aimed at building and strengthening customer loyalty can be divided broadly into three groups:

- the use of instruments of price (discounts, rebates, special pricing terms, free service for regular customers, etc.),
- activities aimed at providing the customer in exchange for the loyalty of additional value (point systems, lotteries, discount cards, gifts, activities associated with companies from other industries),
- actions based on an understanding of financial needs and an individual approach.<sup>11</sup>

The most known instruments of building customer loyalty are:

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<sup>7</sup> M. Cichosz, *Lojalność klienta wobec firmy*, „Marketing i Rynek” 2003, No. 8, p. 8.

<sup>8</sup> *Ibidem*.

<sup>9</sup> A.M. Schüller, G. Fuchs, *Marketing lojalnościowy. Total Loyalty Marketing*, Akademia Sukcesu - HDT Consulting, Warszawa 2005, p. 304.

<sup>10</sup> P. Stodulny, *Analiza satysfakcji i lojalności klientów bankowych*, CeDeWu, Warszawa 2006, p. 120.

<sup>11</sup> *Ibidem*.

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- customer visits,
  - cards for regular customers,
  - letters written by the company to buyers,
  - telephone hot line (hot line),
  - clubs for regular customers,
  - customer advisory clubs,
  - marketing events,
  - business magazines and newsletters,
  - consumer websites.

For interactive communication with customers and building loyalty there are used also possibilities that creates web-based network. Moved there yet applied marketing<sup>12</sup> operations become more attractive particularly to young customers. They have been used already by several companies in Poland, including successful Alima Gerber, producer of the drink Frugo. Frugo Internet service is not focused solely on promoting the drink. It creates a virtual image of the hero – Mariana, giving it many features convergent with those of the target group, which is directed both the product and the site. Every month, he says on the site their unusual adventure, using a common youth slang. On visiting the many attractions waiting at the beginning of such shares provided for the possibility of setting up email accounts in the domain lists.<sup>13</sup>

Each company should introduce tools that build client loyalty. The purpose of such actions is to reward loyal customers and strengthen ties with them.

As the world economy faces new and serious challenges, it has become increasingly important to enhance the customer experience. In particular, customer churn is very costly – it's many times more expensive to acquire a new customer than to keep an existing one – so retaining customers by offering a superior experience is a top priority. Also, delivering unique experiences to different customer segments is a valuable strategy. In many industries, a relatively small percentage of customers delivers most of the revenue, so investing in the experience offered to high-value segments will enhance profitability.

Customers today are empowered with information, and they evaluate their relationship with your company with respect to their own unique needs. The

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<sup>12</sup> *Ibidem.*

<sup>13</sup> *Ibidem.*

leaders of successful companies start with their brand promise – and then train employees and align processes to create excellent customer experiences that are consistent with the brand.

To deliver superior value, it's crucial to establish the right metrics. These metrics should measure the progress of your business strategies across customer-facing sales, service, and marketing processes – and support development of your brand. The key is to use metrics – covering areas such as service levels by customer tier and first-call resolution attainment – to determine your progress toward enhancing your customers' experiences, achieving differentiation relative to your competition, and enhancing customer lifetime value. Moreover, particularly during challenging economic times, it's highly valuable to invest to build brands while carefully monitoring ROI. If you sustain spending on marketing and service excellence while many others are focusing on cost reductions alone, the long-term returns are likely to be favorable: relative to more cautious competitors, you can increase brand equity as well as retain customers by offering a better experience.

While establishing the right metrics is essential for enhancing the customer experience, companies often lack a rich set of data covering customer behavior and insights. Without a way to collect a robust set of customer data, you may be inclined to monitor only what is easy to measure – and not develop deep insights derived from customer interactions. Loyalty management programs are a means of collecting meaningful customer data to be used for subsequent decision making.

Companies often pursue loyalty programs because they believe the rewards encourage customers to buy – a quick path to boost revenue and profits. Unfortunately, such an approach has tended to produce only temporary results. The programs become commoditized within an industry; consumers are overwhelmed with membership in multiple programs; and companies increasingly struggle to foster the desired consumer behaviors. But companies are starting to realize that well-run programs provide data to enhance processes – achieving a true 360-degree view of each customer – and thereby enable durable improvements to the customer experience. By avoiding the pitfalls of limited visibility, you can make sure that you're making intelligent investments in your most profitable customers.

For example, before implementing a loyalty program, an airline might find a segment of customers who purchase tickets frequently and deliver high

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revenues – seemingly a high-value segment. Once a loyalty program is implemented, however, the company finds out more. These customers actually are not highly profitable: they book only low-margin seats, do not purchase extra services or upgrades, and do not act as advocates for the airline. The company can then determine what action to take, such as focusing on truly high-value customers or trying to change the behavior of customers in this low-profit segment.

To enhance the customer experience and achieve profit growth, loyalty programs need to be part of a comprehensive customer relationship management (CRM) strategy that starts at the executive level and engages all employees. Company leaders first need to establish their brand attributes and determine the implications for interaction with customers across all touch points. Companies also need to determine how different customer tiers – from steadfast and highly profitable segments to occasional shoppers – are to be treated. That means training employees thoroughly, steering customers to the appropriate channel, and satisfying customers so well that they become advocates. Establishing a sound CRM foundation is essential for any industry intending to implement a loyalty program – since success depends on achieving a complete view of the customer. This is true for business-to-consumer industries, such as travel, hospitality, and wireless services – as well as for business-to-business industries, such as construction and energy, where loyalty programs are becoming increasingly relevant to enhance customer relationships. In any company, loyalty management processes should be integrated across the enterprise: all departments should align around the treatment of customers based on loyalty strategies delineated by segment.

Once the CRM strategy is put in place, the loyalty program needs to be enabled by a software solution that can achieve the intended visibility across touch points (fig. 1). Such a solution needs to have the basics – including program management with functions to register members, establish tier groups, and set up program-specific point accrual. The basics also include a robust rules management engine, which incorporates the setting up of program conditions and timed execution of reward rules.

But it's crucial to go beyond the basics. In order to streamline data collection and enhance the customer experience, integration with a company's software applications for sales, service, and marketing is paramount. For example, sales and service agents should have visibility into loyalty account

status to address point-redemption requests, up-sell and cross-sell when appropriate, and handle complaints. Customers should have self-service functionality via a Web portal so they can access their account and handle routine functions, like changing an address or viewing account status. Finally, marketing should tightly integrate with a loyalty management solution and leverage data collected from all interactions.<sup>14</sup>

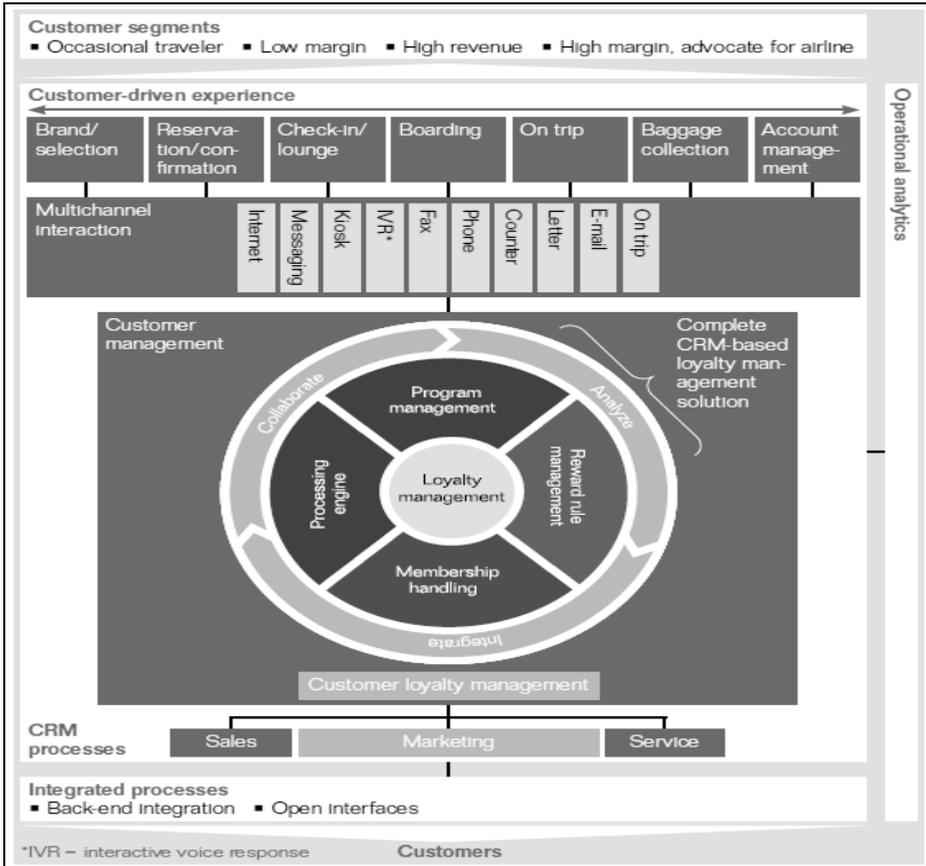


Fig. 1. Framework to Enhance the Customer Experience for an Airline

Source: report “SAP Thought Leadership – Enhancing the Customer Experience with Loyalty Management”, SAP AG 2008, p. 5.

<sup>14</sup> SAP Thought Leadership... pp. 3–5.

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**Loyalty programs management and responsibility towards customers in PKN ORLEN – a case study**

Polski Koncern Naftowy ORLEN is a modern, professionally managed company which applies state-of-the-art technological solutions. The brand also symbolizes a dynamic expansion and successful transformation from Petrochemia Płock SA and CPN SA into PKN ORLEN. PKN ORLEN is a leader not only of the Polish economy, but also of the regional refinery and petrochemical industry, a leading producer and dealer of refinery and petrochemical products. Products are subject to control from production to distribution stage, as our top priority is the highest quality of manufactured products and offered services.

Motto of the company: Whenever you need us.

Mission of the company: Aiming to become the regional leader, we ensure long-term value creation for our shareholders by offering our customers products and services of the highest quality.

All our operations adhere to 'best practice' principles of corporate governance and social responsibility, with a focus on care for our employees and the natural environment.

The company has the largest fuel station network in Central Europe, covering Poland, Germany, the Czech Republic and Lithuania (fig. 2). Fuel stations offer top quality products and services. PKN ORLEN retail network is based on effective logistics infrastructure consisting of corporate and external fuel terminals, underground cavern storages and a network of long-distance pipelines.

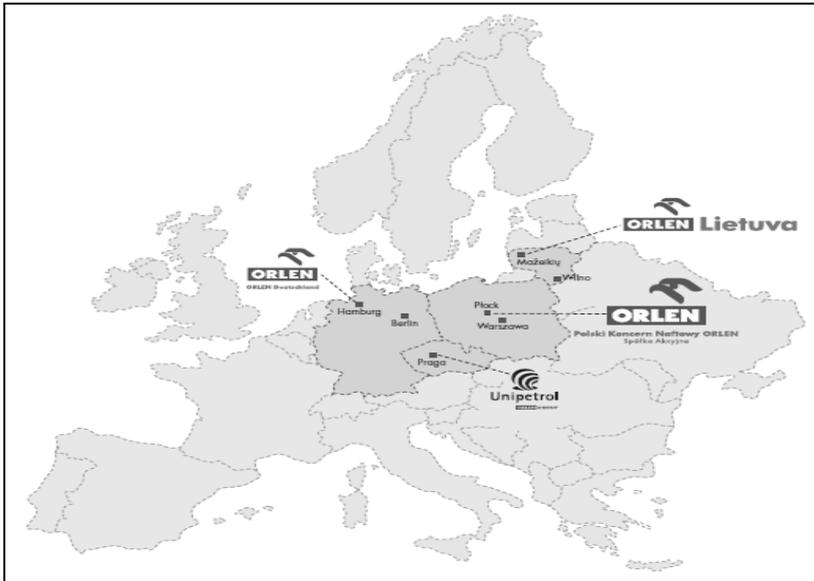


Fig. 2. Petrol station network in Central Europe

Source: corporate responsibility report 2009, PKN ORLEN, Plock 2009, p. 8.

As at 31 December 2009 the ORLEN Capital Group consisted of 125 companies. The Group included 82 subsidiaries (36 direct subsidiaries, 46 indirect subsidiaries), 58 directly affiliated entities, 67 indirect affiliates, including 3 joint venture companies (2 directly affiliated, 1 indirectly affiliated).

Today PKN ORLEN is the Polish synonym of world-class products and model expansive enterprise, a company observing the principles of corporate social responsibility, ethics, corporate governance and full transparency. The Company stimulates the professional development of its employees and strives to protect the natural environment. PKN ORLEN aims at maintaining the proper balance between economics, surrounding environment and human needs. Consequently, thanks to effective domestic and international investments, PKN ORLEN has joined Europe's leaders – companies perceived as model representatives of their countries.<sup>15</sup>

In PKN ORLEN there can be seen four types of levels of responsibility:

- responsibility towards the market,
- workplace responsibility,
- responsibility towards customers and partners,
- environmental and social responsibility.

<sup>15</sup> *Corporate responsibility report 2009*, PKN ORLEN, Plock 2009, pp. 8–9.

Because of the main aim of the chapter there will be discussed:

- the loyalty management,
- responsibility towards customers in the company.

### **Loyalty management in PKN ORLEN**

Currently, the ORLEN brand includes a fuel station network in Poland and Lithuania. These are modern facilities offering top quality fuel and services, friendly stop-over and resting places. ORLEN fuel stations guarantee quality and safety, offering loyalty programs and car fleet services.

Flota is a professional fleet programs focused on the needs of business customers. It offers partnership approach and advanced technological solutions. The fleet cards offer was developed and tailored to the needs of companies of various sizes and representing different business sectors. The main advantage of the brand is its comprehensive offer targeted at various B2B sectors. Participation in the program guarantees safe and convenient payment for fuel and services, and sound financial management through better control over a company's fuel expenses.

VITAY (introduced in February 2001) is the brand of the Polish most extensive customer loyalty programs aimed at and created for customers of ORLEN fuel stations. The program offers a wide range of rewards. In accordance with the motto – it also stimulates activities and behaviours of customers, their zest for life. Its is easily available and user friendly, and the rules of collecting points are simple. In this program in 2009 have already participated nearly 6.5 million Polish drivers. In order to maximize the benefits of the program, PKN Orlen has decided to implement an advanced system of knowledge (Statistica Data Miner) on the behavior of their customers. This system is aimed at customer segmentation, customer loyalty program effectiveness analysis, testing the effectiveness of promotions and their impact on consumer behavior, and planning advertising campaigns.

To join the program VITAY must be 18 years and:

- fill up one time for a minimum of 100 PLN,
- fill in the form of the participant,
- the customer receives a card VITAY immediately after the purchase and with it 200 points as a gift,

– to collect points and exchange them for prizes at the station or on order.<sup>16</sup>

One liter of fuel is credited to a participant in the program by 6 points, and a liter of gas by 4 points. In addition, points can be scored using the additional services or products ORLEN. PKN ORLEN activated SMS service for program participants, designed to inform the customer about the additional discounts and points that can be obtained. The main features of the program are listed in table 1.

Table 1. Features of the VITAY program

Feature	VITAY program
Program type	Partnership
The possibility of transferring credits	To children from family orphanages
SMS service	Service "Let's be in touch"
A way of accession to the loyalty program	Fillig out the form at the ORLEN station.
Specific requirements for joining the program	The obligation to tank for the amount of at least 100 PLN
Value of awards	Rewards points with a higher value compared to the rewards offered by other companies such as BP PAYBACK program
Product awards catalogue	Limited choice
Offer for most faithful participants	Special offer for a gold card
Discounts in outlets of program partners	Discounts with partners SEMI LINE, Fantasy Park, Flower Mail
Credit card within the loyalty program	Partnership Credit Card VITAY PKO
Number of partners cooperating with the loyalty program	A small group of partners involved in the program
Advertisement	Advertisements located at sales outlets of all program partners
The possibility to transfer credits under the program partners	The possibility of a transfer points from the loyalty program 5plus.

Source: own research based on: <http://www.orklen.pl/PL/DlaKierowcow/VITAY>, 8.9.2010.

The most loyal customers may participate in the Super VITAY program, which is a unique, prestigious offer under the VITAY loyalty program.<sup>17</sup> To get

<sup>16</sup> *Katalog programu VITAY, Szerokiej drogi*, No. 2/2009, p.11.

<sup>17</sup> *Ibidem*.

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the Super Gold Card VITAY the client is to collect at least 9 000 points within six months. For holders of the card there were prepared catalogue of special gifts, protection of collected points in case of loss of cards and additional bonus points which the cardholder receives when the thresholds have been exceeded during the month:

- 2 000 points – they are 500 points for free,
- 5 000 points – they are 1500 points for free,
- 10,000 points – they are 5000 points for free.<sup>18</sup>

Therefore, loyalty management in PKN ORLEN company is quite developed, because there are three different programs, but on the other hand customers complain about the many failures of these programs, as well as the customer is still treated as a group rather than a separate entity.

### **Responsibility towards customers**

In 2009 PKN ORLEN took all reasonable efforts to maintain and elevate customer service standards. Priority of the company is the top quality of products and services to ensure that fuel stations are places, where in accordance with the principle “two hours of driving, twenty minutes break” customers may safely and comfortably relax. It is very important to ensure that customers are professionally served. The company also respects their privacy.

In 2009, the company did not find any justified cases of customers’ complaints which would arise from the loss of personal data in the VITAY Program.

In comparison to the previous years, positive effects of these efforts were confirmed by results of surveys related to service standards and mystery shopping studies. We constantly elevate our standards of customer care e.g. by implementing a comprehensive training system for fuel stations employees conducted by sales managers – coaches.

The year 2009 was characterized by an increased number of complaints and claims filed at own stations in comparison to the previous years. The share of accepted complaints and claims in the total number of filed complaints and claims, which remained on the same level in 2007 and 2008, grew by 4% in 2009 (tab. 2). Such phenomenon always causes concern, therefore its causes

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<sup>18</sup>*Ibidem.*

were thoroughly analyzed. It turned out that in most cases, extreme weather that unfortunately occurred last winter sometimes made it impossible to win with natural conditions, although our fuels met all required norms.

Table 2. Number of complaints and claims in PKN ORLEN in 2007–2009

	2007	2008	2009
Total CoDo (own stations)	1 174	1 150	1 418
Accepted	285	278	399

Explanation: CoDo – complaints and claims.

Source: corporate responsibility report 2009, PKN ORLEN, Plock 2009, p. 46.

As products – fuels – are not sold in packages, in 2009 the company did not recover materials from sold products and their packages. Suppliers also constitute an important group of partners. The quality of products we purchase and who supplies them are very important factors for the company.

The company constantly works with suppliers to satisfy current needs of fuel stations. PKN ORLEN introduces new products in line with significant world trends, e.g. the fair trade idea. Coffee offered at Stop Cafe is certified by F airtrade. Although statistics show that this logo is still not very popular in Poland, the company believes that the duty is to promote this idea and to join the fair trade movement. Surveys conducted by the company indicate that the F airtrade certificate does not directly influence the decision to buy coffee, however when the customer finds out that the coffee is certified by this logo, he or she feels satisfied with the purchase of such a product. This is very important for a good beginning. PKN ORLEN also strives to make life easier for disabled customers. The portal [www.orken.pl](http://www.orken.pl) offers them functionality dedicated to them, whose additional advantage is a legible icon. Customers have at their disposal the search engine allowing them to find PKN ORLEN fuel stations which enables them to plan their journey and locate stations on their route corresponding to their needs.

After marking an appropriate criterion, the map shows the stations which have a wide access ramp and a toilet adjusted to the needs of the disabled. Disabled customers may also use detailed selection criteria allowing them to select three features facilitating the visit at the fuel station. It is worth emphasizing that the implementation of these ideas was guided not by business motives, but by care and the sense that as the Company it may do something which will make life easier for other people. The website [www.orken.pl](http://www.orken.pl) itself offers features for the disabled in accordance with the applicable WCAG 1.0

standard. PKN ORLEN operates in compliance with all points included in Priority 1 and most points of Priority 2 and 3. This standard applies among others to illustrations captions, not using too vivid colours, too dynamic animations etc.<sup>19</sup>

### **Loyalty program in PKN ORLEN in the eyes of its customers**

This section presents the results of the own study conducted among clients of PKN ORLEN stations on specific loyalty programs, satisfaction or dissatisfaction of using VITAY. Research results show how customers of the service station evaluate this loyalty program, the motives for participation, how it affects their commitment to the company, and also reveals the strengths and weaknesses of the program in the eyes of the surveyed customers.<sup>20</sup>

According to respondents the greatest influence on the choice of the petrol station is the distance from home or work, as many as 32%. Group 23% of respondents use the services of stations because of the good quality fuel. Only 17% of people involved in the study because it selects the station participates in the loyalty program. Also 17% in the selection takes into account low price of fuel.

Attractive loyalty program does not contribute to the choice of petrol stations. Also important are other factors, more practical, such as price and good quality fuel. According to respondents the existence of the program has little impact on attracting new customers, while its goal is to keep customers.

Huge impact on the success of loyalty programs is advertising, which must be a source of information about the program, clearly define the rules for participation and, above all, identify the benefits that can achieve the program participant. Advertising can take many forms, but each is just as effective. Respondents noted only advertising at sales outlets that is why people who are not using from ORLEN stations may have no idea about this type of program.

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<sup>19</sup> *Ibidem*, p. 46.

<sup>20</sup> The anonymous survey was conducted on a group of 100 respondents in the period 01.01.2010–31.01.2010 in Siedlce County; 44% women and 56% of men participated in the survey. Surveyed people largely prevailed between 21 and 25 years old – 45% and those aged 26–35 accounted for 21%. The fewest people were over the age of 50, only 8% of respondents. 58% of respondents were people with secondary education, 27% of respondents were people with higher education, 13% of the principal and only 2% of primary education. Group 23% of respondents confirmed that their profession is associated with driving, while 77% of respondents felt that their profession has nothing to do with it.

According to respondents the best source of information about the program is the sales outlet. At the same position are, as often ignored by sellers, recommendations of satisfied customers who can be called the advocates of the company. Group of 20% of respondents obtained information about the programs from the Internet, while only 15% of respondents declare that the information source is the seller.

Motivational factors are dependent on personalities, because not each motivator with the same force acts on the client. According to the survey 30% of respondents belong to the program because they regularly buy products of the company and have the opportunity to participate in the program. 25% of respondents participate in the program to ensure that they are keeping rebates and discounts. Many customers are affected by service of the stations which proposes a membership program – up to 20% of respondents. The attractiveness of the program invites only 14% of respondents, while 11% of the respondents joined the program at the instigation of friends.

Satisfaction with the loyalty program is a prerequisite for customer retention. If the program is unattractive, it discourages the use of the station offers. Among the surveyed respondents only 19% are very satisfied with the loyalty program which are using. On average, satisfied participants of the program is about 44%. For 29% of respondents the program is indifferent. Dissatisfied participants is only 6% and negative attitude towards the program is 2% of the respondents.

Despite satisfaction with the program, as many as 33% of participants said that the loyalty program has some imperfections. 67% of respondents said that the offer of the program is tailored to their requirements.

Customer dissatisfaction results in returning them to the competition or using at the same time offer of a competitive company. In the long run if the offer is more attractive, it may cause the leaving of the customer. Group of 85% of the surveyed are against loyal customer loyalty program. Only 15% of respondents use a competitive program at the same time such as Shell, Statoil, and Plock Petrochemical.

Satisfied program participant is an excellent business advocate. His recommendations are a great advertisement for the company which results in the influx of customers. On the question: Have you ever recommended the petrol station that you are using, as many as 53% replied affirmatively. By contrast, 47% of the group have never happened to recommend his gas station.

Dissatisfaction with the use of loyalty programs threatens the lack of customer loyalty, or even his leaving. Therefore, companies must continually carry out research on the level of satisfaction of participants. Reasons for dissatisfaction may have different ground and cover not only economic and informational aspects of the program, but also behavioral factors, which division is presented in table below.

Table 3. Reasons for dissatisfaction of loyalty program participants of PKN ORLEN

Economic factors	Behavioral factors	Information factors
<ul style="list-style-type: none"> <li>- Required a large number of points for valuable prizes</li> <li>- A small amount of points for 1l of fuel</li> <li>- Too low discounts rebates</li> <li>- For a small number of points the program offers little useful rewards</li> <li>- Too long time of a transaction</li> </ul>	<ul style="list-style-type: none"> <li>- No sense of distinctions or better treatment for other clients</li> <li>- Bounds with only one petrol station</li> </ul>	<ul style="list-style-type: none"> <li>- Catalogues with awards are not available to the public</li> <li>- The low level of customer information</li> <li>- Invisible advertising</li> </ul>

Source: own research.

As table 2 shows loyalty programs should be constantly improved. There is required a large amount of collected points for valuable rewards, low discounts and rebates are only some of the economic factors which have huge impact on the loyalty program participants. The usefulness of prizes in the process of creating catalogues of gifts for loyal customers should also be taken into account. Choice of awards should always be preceded by an examination of the market and expectations of future participants. This gives a reliable picture of the needs of customers and hit their taste.

Too long time of a transaction, due to frequent blockades and failures of electronic readers also discourages participants. Preferential treatment of participants, manifested by, for example the service from outside the queue, not only will provide greater loyalty and satisfaction, but also the feeling of the need in such treatment by the other station customers who are not participants in the program.

Entrepreneurs offering loyalty programs often do not address behavioral factors of force during operation of the scheme. Feelings and experiences can shape the satisfied customer in the advocate`s attitude who is more reliable and efficient than an advertising campaign. That is why it is worth to invest in

friendly service and continually improve it in terms of culture and treatment of clients.

The great barrier to the implementation of the program loyalty, and its subsequent functioning is information to be transmitted to customers who are not often aware of the existence of the program and its benefits. An excellent source of information, which is often not appreciated, is that station staff which during the purchasing encourage clients to participate in the program. Catalogues with product information, the membership, performance and rewards should be placed in a visible place at each petrol station. It is also worth to distribute catalogues to participants in the process of joining the program.

All kinds of discounts, rebates and promotions for the program participants should be advertised at least at the stations. In this way, participants feel privileged. Advertising can be a motivator of accession of new participants into the program.

## **Conclusions**

Customers' needs are constantly changing under the influence of various factors, so the company should continue to explore them. Prosperous loyalty program is a source of customer loyalty which accumulates in the long term profits for the company. Investing in a loyalty program is necessary to improve it, as well as keeping customers and creating a positive corporate image to "the outside world". Lasting relationships with customers are more profitable than disposable contacts that is why it is so important to maintain a loyal customer. The most widely used tool that aims at shaping the company's relationship with the customer are customer loyalty programs and the process of managing them, especially in a large company.

## **ZARZĄDZANIE PROGRAMAMI LOJALNOŚCIOWYMI A SATYSFAKCJA KLIENTA W DUŻEJ FIRMIE**

### **Streszczenie**

Współcześnie potrzeby klientów zmieniają się i wzrastają pod wpływem różnych czynników. Ponadto w wielu sektorach konkurencja jest bardzo

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rozwinęta, co zmusza wszystkie firmy do rywalizacji między sobą oraz wdrażania takich działań, które zatrzymają nabywcę przy jego dotychczasowym dostawcy. W związku z tym wiele przedsiębiorstw zaczyna wprowadzać do swojej działalności marketingowej programy lojalnościowe oraz pewne formy zarządzania nimi. Głównym celem artykułu jest próba określenia roli zarządzania programami lojalnościowymi w dużej firmie, na przykładzie PKN Orlen oraz wpływu tych programów na satysfakcję klienta, których głównym zamierzeniem jest tworzenie długotrwałych relacji firmy z nabywcą, a w rezultacie otrzymywaniu wpływu stałych zysków.