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FOR OPENING THE ACADEMIC YEAR 1996/1997

Zbigniew Przybyła
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The issue of substantial organizational change is becoming a growing challenge for Western as well as Polish enterprises. The article discusses certain contemporary concepts connected with the change management process which may be the critical factor in wide-scale transformations that take place in many Polish organizations.

1. INTRODUCTION

One of the most important issues of today's management is change. It is described by the well known statement that — nowadays, more than at any time in history — the only constant is change. Market, product, and competitive conditions are rapidly changing. As the environment changes, organizations must adapt if they are to be successful. As Waterman noted: "Somehow, there are organizations that effectively manage change, continuously adapting their bureaucracies, strategies, systems, products, and cultures to survive the shocks and prosper from the forces that decimate their competition. [...] They are masters of renewal" (Waterman 1987). This describes a rising challenge in management. It seems to be more and more obvious that managers are going to have to become masters of change to be effective in the future. In Peters' own words "excellent firms don't believe in excellence — only in constant improvement and constant change" (Peters 1987).

The need for change in organization arises mainly from shifts in the external environment. Among the most important factors are (Spector 1995):

- dramatic increase in the number and quality of competitors,
- important realignments in the supplier-customer value chain,
- shifts in environment from a relatively tranquil and controlled one to a dynamic, highly unpredictable one,
- a major shift in customer preferences and expectations,
- extremely fast changes in technology.

Considering the situation of Polish organizations, it is also important to mention the factors specific to our environment which may create pressure for wide scale changes:

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the general transformation of state-owned enterprises towards market economy,
a great deal of experienced and strong foreign competitors, that are new to Polish firms,
the rapid growth of private firms, which are becoming more and more complex and require development or improvement of their management systems.

There is also another issue that needs to be taken into consideration if one is going to adapt new, Western concepts of transformation processes into the Polish environment. This issue is the basic difference at the beginning of the transformation process. While Western firms have been developing and introducing such important concepts as Just in Time Management, Human Resources Management, Controlling, and common usage of computer systems for two decades, Polish firms are only now beginning to do that. The following differences are also shown by Aguilar as major barriers faced by Central European managers in their transforming practices (Aguilar 1996):

- unfavorable prevailing circumstances, including embryonic and uncertain economic and political structures, relevant market conditions, antiquated plant and equipment, and social disorder,
- unsuitable organizational knowledge and skills necessary for competing in a market economy,
- entrenched attitudes and values that reflect a forty-year tradition of bureaucratic socialism.

Is it possible to speed up the long process of organizational evolution and improvement which has made Western companies what they are today? What approach should be taken to realize a successful fundamental transformation that will make Polish enterprises competitive in the market economy? The article below discusses the issue referring to a few, contemporary management concepts which have been arising on the basis of the wide-scale transformation of Western organizations in the 1990's.

2. THE FRAME OF CHANGE MANAGEMENT PROCESS

In this article I have decided to base the model of change process on a frame set by Kotter. In my opinion this seems to be a useful approach for the Polish environment. Contrary to models which are oriented on planning and designing processes, this model is oriented on managing the change process with consideration to change forces. The basic goal of this frame is to make fundamental changes in the way that the business is conducted in order to help to cope with a new, more challenging market environment. In Kotter's own
words, “Perhaps because we have relatively little experience in renewing organizations, even very capable people often make at least one big error” (Kotter 1995). Nowadays, many Polish enterprises face or soon will face the necessity of fundamental change. In most cases they will cope with strong opposition inside the organization, as well as a lack of experience in managing wide-scale change. The frame consists of eight elements, which are

1. Establishing a Sense of Urgency,
2. Forming a Powerful Guiding Coalition,
3. Creating a Vision,
4. Communicating the Vision,
5. Empowering Others to Act on the Vision,
6. Planning for and Creating Short-Term Wins,
7. Consolidating Improvements and Producing Still More Change,

3. ESTABLISHING A SENSE OF URGENCY

This first step is essential because just getting a transformation program started requires the aggressive cooperation of many individuals. Without motivation, people will not help and the effort goes nowhere. Although this step seems to be easy in comparison to others, in practice in most cases management fail this phase of change process. There are different reasons for such a failure:

- managers underestimate how hard it can be to drive people out of their comfort zones,
- managers grossly overestimate how successful they have already been in increasing urgency,
- managers lack patience and prefer to go directly to main activities,
- managers often become paralyzed by the downside possibilities i.e. defense in employees behaviors, a drop of morale, losing control over organization, jeopardizing the short — term results.

As has been mentioned above the real danger is the paralysis of top management. As Kotter notes, “it often comes from having too many managers and not enough leaders” (Kotter 1995). In established organizations the management’s mandate is to minimize risk and to keep the current system operating. On the other hand change requires creating a new system which always demands leadership.

There are two ways of developing leaders in an organization. They can be hired from outside the company. They can be also developed inside the company if they are empowered i.e. in the way Mills introduces in the new
management system called GEM (Mills 1995). An organization may also develop leaders by building their entrepreneurial skills on a base of so-called core organization processes (Ghoshal, Bartlett 1995b).

Establishing a sense of urgency requires first the selection of critical information such as revenue drop, losses in core business or rapid decline in market share. Second this critical information has to be communicated broadly and dramatically, especially with respect to crises or great opportunities that are very timely. The purpose of these activity is "to make the status quo seem more dangerous than launching into the unknown". The urgency rate is high enough when, in Kotter's own words, "about 75% of company's management is honestly convinced that business-as-usual is totally unacceptable" (Kotter 1995).

4. FORMING A POWERFUL GUIDING COALITION

Major renewal programs often start with just one or two people. However in the case of fundamental change there is a necessity for a strong leadership coalition. If some minimum mass is not achieved early in the change process, nothing much worthwhile happens. It is often said that major change is impossible unless the head of the organization is an active supporter (Kotter 1995). This is also stressed in a research of McKinsey consultants. As they note even with sufficient breadth and depth, a change project will fail without the full commitment of senior executives. The CEO may demonstrate his strong commitment by placing his best people and other commonly recognized members of the organization on the redesign team, making significant investment in technology and skills which are required in the change process and also by giving the team adequate time to effect fundamental change. Also very important is that top management invests its own time on the project. In the McKinsey's consultants' research, in the most successful change projects, senior executives spent between 20% and 60% of their time on the project (Hall et al 1993).

Another critical factor is so that each member of a guiding coalition should understand and strongly support the necessity of change. However obvious it might seem to be, it is not. In the case of one of Poland's largest companies, I have witnessed the phenomenon of a redesign team in which there were managers who were nominated to the team, although they disagreed with the idea of change. What is important was that top management was not interested in what those people really thought, as if the act of formal nomination to the redesign team and assigning individual task were enough to convince those executives of the idea for change. They formed a powerful passive opposition which was a real stumbling block for the change process with a very strong influence on low level employees.
Having formed the powerful guiding coalition effort is still required to make the coalition become a team. It is not always easy for high level managers to work as a team. Sometimes it is necessary to support the team with knowledge and to develop skills, which let those individualistic leaders become the efficient change management team. In our recent research in the Department of Management Systems Design we have been working on the complex, team-oriented method of development and support of management staff. The experience we gathered show that linking diagnosis, simulations and training methods with clearly defined goals may efficiently support a management team.

5. CREATING A VISION

An important element in organizational and cultural change is the development of a vision. Many management theorists feel that vision is the very essence of leadership. As they note, organizations are driven by a vision, not by directives from the chain of command. The vision always goes beyond the numbers that are typically found in plans. It provides a sense of identity and purpose for organization members and clarify the direction in which an organization needs to move (Harvey, Brown 1992). Creating a vision often starts from a draft from a single individual but then it requires tough analytical as well as synthetical thinking. In the above-mentioned process the management team eventually develops a strategy for achieving that vision.

It is also interesting to consider underlying theories of motivation that are connected with a concept of vision and mission. The first, so-called „goal setting” theory says that intentions to work towards a goal are a major source of work motivation. There seems little doubt that the articulation of future intentions are a potent motivating force for many, and it is in the way that a statement of corporate vision adds value. The second, so-called „reinforcement theory”, argues that existing structures and systems condition and guide action, reinforcing behavior may be appropriate within a corporation's context. A mission should provide just such a reinforcing structure by articulating the types of behavior an organization sees as a guide to its future progress. The mission should be therefore, an everyday reference point for behavior. Although both theories are ideologically opposed (but neither can be proved „better” than the other), their coexistence simply illustrates the fact that different people can be predisposed to different approaches (Cummings, Davies 1994). Summarizing those theoretical concepts presented above, it may be relevant in the process of managing change to create vision as well as mission and support them with an appropriate strategy.
6. COMMUNICATING THE VISION

As Kotter notes: transformation is impossible unless hundreds or thousands of people are willing to help, often to the point of making short-term sacrifices. However, employees will not make sacrifices, even if they are not satisfied with the status quo, unless they believe that useful change is possible. Without a great deal of credible communication, the hearts and minds of troops are never captured (Kotter 1995).

It is regarded that official statements, formal and informal meetings or articles on the company's information boards are not yet the appropriate message for employees. The message that creates an efficient communication of the new vision, mission and strategy, stems from top management's day to day activities. It makes them a living symbol of the new corporate culture.

Another important aspect in communicating the vision, characteristic for successful transformation efforts, is connected with the thorough analysis of the existing information system in order to maximize its efficiency in the communication process. To make it possible, especially in large companies, it may require creating a communication team that could spend 100% of its time on the issue. During the process of change in one of the Polish firms I have been participating with the board ordered the company spokesman to coordinate communication process. It was not an effective solution, however. There were a few reasons for this: firstly, the spokesman had not enough authority — it required the active commitment and support of senior executives in the team, secondly there was no coordination between his activities and those executives inside the company's dozen subsidiaries, and thirdly this was only one of many tasks he had to realize.

Computer technology is becoming a common enabler of revolutionary improvement of organizational information systems that might be used in communication processes. Member’s free access to all information serves as the core value and guiding principle in Kao. It is connected with a flat structure, in which all information is shared horizontally and not filtered vertically. As Kao’s CEO notes: “The company that develops a monopoly on information and has the ability to learn from it continuously, is the company that will win, irrespective of its business. This makes it necessary to share all information. If someone has special or crucial information that others don’t have, that will deprive us and the organization of real creativity and learning.” The benefits from this open sharing of data outweigh the risk of leaks — the Kao believes — and, in a present, dynamic environment, leaked information instantly becomes obsolete (Ghoshal, Bartlett 1995a).
7. EMPOWERING OTHERS TO ACT ON THE VISION

As the workplace is becoming a primary means for personal fulfilment, management needs to recognize and respond to the reality that their employees do not just want to work for the company — they often want to belong to an organization. This means more than just providing work, companies can help give meaning to people's lives (Ghoshal, Bartlett 1994). A link between the organization and its member implies mutual commitment in which the manager treats the employee as an asset to be developed. On the other hand an employee commits not only their time but also their emotional energy to make the company as effective and competitive as he or she can. This creates the basis for empowering members of the organization. Empowerment is the explicit grant of authority to make decisions and take actions (Mills 1995). It gives the employee a possibility to accomplish the instructions fully understanding the company's goals so that he or she may fulfill their task in the way which would create the best result for the organization. What is important to mention is that empowerment may increase the number of mistakes which occur in the day-to-day life of the organization. However, as is stressed by Japanese executives, "success is the mother of failure". Seiko Instruments, USA, may be an example of that approach. At this company, the employee mission statement explicitly notes that "we embrace risk taking and tolerate mistakes". What is not tolerated is the failure to admit a mistake or unwillingness to share those lessons with others (Rehfeld 1994). This approach can be also found in some Western companies. At Intel, it is legitimate to own up to one's personal mistakes and to change one's mind. Andy Grove, Intel's president, the symbol of the company's confrontative, task oriented culture, had long insisted on not having any recreation facilities in the company. But as the organization grew, and the need for supplementing the task-focus with concern for a friendly work environment become manifest, he gave in and made a celebration of being beaten down. At the dedication of the new facilities, he appeared in his bathing suit and took a shower under a big banner, which read: "There will never be any showers at Intel — Andy Grove."

It might be worthwhile to ask the question if empowerment is an efficient solution for organizations in which employees are often alienated and take a passive role in the organization's activities. Firstly, in order to maximize the organization's efficiency, the objective is to change the relationship from one in which employees feel they work for a company to the one in which they recognize that they belong to an organization. Secondly, during a fundamental change, the creativity and entrepreneurship of all the organization's members has always given outstanding results (according to Ghoshal 1994, 1995;
Kotter 1995; Johnson 1992; BCG 1995). In the case of Intel, key decisions are typically taken in open meetings all of which have pre-announced agendas and inevitably close with action plans and deadlines. During a meeting, participants are encouraged to debate the pros and cons of a subject aggressively through what is described as “constructive confrontation”. But once something has been decided on, Intel has the philosophy — “agree or disagree, but commit” (Ghoshal, Bartlett 1995a).

For successful change the employees’ empowerment has to be also connected with removing obstacles to the new vision. Sometimes the obstacle is the organizational structure: narrow job categories can seriously undermine efforts to increase productivity or make it very difficult even to think about customers. Sometimes compensation or performance-appraisal systems make people choose between the new vision and their own self-interest (Kotter 1995). Not always has the organization the power or time to get rid of all obstacles, but action is essential, both to empower others and to maintain the credibility of the change efforts as a whole.

8. PLANNING FOR AND CREATING SHORT-TERM WINS

It is broadly recognized that the fundamental change process takes time. In the research of McKinsey's consultants in such cases as AT&T, Siemens Nixdorf and Banca di America e di Italia the transformation processes have taken more than three years and as it was stressed, the long and often arduous process of change is very delicate politically, and each company experienced disruptions (Hall et al 1993). These are the reasons that renewal efforts risk losing momentum if there are no short-term goals to meet and celebrate. During the implementation phase therefore, it is critical for top management to obtain clear performance improvements, establish goals in the yearly planning system, achieve the objective, and reward the people involved with recognition, promotions and even money. In encouraging the short-term wins it may be useful to implement the idea of changing — based on Western culture (I mean the European and American) — one year planning systems into Japanese-like six months cycles. As suggested by Rehfeld, former president of Seiko Instruments USA, it is one of the best Japanese management roles that does improve an organization's efficiency and motivation of its members (Rehfeld 1994). Producing short-term wins is often criticized but as Kotter notes the pressure can be a useful element in a change effort. This is because that when it becomes clear to employees that transformation will take a long time the sense of urgency can drop. Commitments to produce short-term wins help keep the urgency level up and force employees' involvement and support for change.
9. CONSOLIDATING IMPROVEMENTS AND PRODUCING STILL MORE CHANGE

The first clear performance improvement, after a considerable period of change, may create the temptation for the leading team to declare victory in their transformation efforts. However, while celebrating a win is fine, declaring the victory can be catastrophic. In fundamental transformation processes anchoring change results requires a few years since first visible win. In Kotter’s research he notes a case where the largest scale changes have taken place in the fifth year of transformation. This was three years after the first recognizable wins (Kotter 1995).

To tackle the above-mentioned problem it could be useful to refer to the kaizen philosophy. The word “kaizen” can be defined as a kind of voluntary continuous (“kai”) improvement (“zen”), with an emphasis on the voluntary and consensual nature of the process. Rather than focus on an event, like keeping quality constant, kaizen forces managers to stay focused on the process, continually improving every facet of it. The ability to concentrate on the continuous, small incremental improvement of business processes is a very powerful competitive tool. It provides a motivation, incentive and structure for employees to work efficiently as a team to achieve common objectives (Rehfeld 1994).

It is obvious that each step in the change process multiplies new challenges and new opportunities for the organization. As noted by Kao’s CEO: “Past wisdom must not be a constraint but something to be challenged. Yesterday’s success formula is often today’s obsolete dogma. My challenge is to have the organization continually questioning the past so we can renew ourselves everyday” (Ghoshal, Bartlett 1995b). It becomes therefore extremely important for the leading team to use the credibility afforded by short-term wins to broaden ongoing change efforts. Each fundamental transformation refers to six core organizational elements (Hall et al 1993):
- roles and responsibilities,
- measurements and incentives,
- organizational structure,
- information system,
- shared values,
- skills.

Change in any of these elements influence the whole organization as a system and therefore gives the possibility to improve other ones. As noted by Rehfeld, in Western culture, this permanent improvement process which may correspond with the kaizen philosophy, has to be enriched with the appropriate motivation system.
The fundamental change process may be recognized as settled down in the new, transformed organization, when it becomes "the way we do things around here". Until new behaviors are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed (Kotter 1995). Because of that, in the final phase, the transformation needs to become anchored. The new shape of roles and responsibilities, measurements and incentives, information system, and shared values, in particular, serve to reinforce new patterns of behavior and interaction by providing a more permanent foundation for transforming the organization.

In this final stage, two factors are particularly important in institutionalizing change. The first is a conscious attempt to show people how the new approaches, behaviors, and attitudes have helped improve performance. This requires every member of the organization to understand he is a co-author of the success. The new image of the organization has to be perceived not as a result of top management's new strategy but as "the way we do things around here". The efficient communication system is again a critical factor that serves to reach the objective.

The second factor is a permanent change of top management attitude, so that it really personifies the new approach. As Kotter notes: "one bad succession decision at the top of an organization can undermine a decade of hard work! Poor succession decisions are especially possible when board of directors is not an integral part of the renewal effort. It is wrong to assume that transformation could not be undone by the next generation of top management." In his research he shows that in such cases signs of renewal began to disappear within two years (Kotter 1995).

11. CONCLUSIONS

There seems to be no doubt that nowadays we are facing the incoming period of wide-scale revolutionary transformations in Polish enterprises. As the change process is strongly connected with the social, economical, and political environment it requires a great deal of time and effort to transform a particular organization. Additionally, unsuitable organization knowledge, skills, attitudes, and values as well as lack of capital seem to question the possibility of success.

However analyzing contemporary approaches to the change management process that are presently arising in Western companies, despite all the differences between the East and the West, seem to be very useful to Polish organizations.
The following factors influence the usability of the above-mentioned concepts for Polish enterprises:

- All the approaches discussed above have been created for wide-scale transformations (technological, organizational, and cultural) so that they are suitable for our firms,
- All of them concentrate on the new approach to people which is also necessary in Polish enterprises,
- They are based on sophisticated computer technology which is nowadays much cheaper, efficient, and user friendly, and which is also important, is rapidly becoming a common tool in Polish firms.

Unfortunately, there are also obstacles which seem to be more difficult to overcome in Polish organizations than in Western ones. Comparing the required knowledge and skills, it is possible to say that executives are totally unprepared, and need support to deal with the above-mentioned approach to people and with the change management as such. What is also relevant is that Polish unions are very strong with serious political power and they usually have demand attitudes, and that often creates a strong opposition against the change process.

Considering the issues discussed above, the main conclusion seems to be that efficient implementation of change management processes, most of all, requires the strong and very intensive support of management staff. This issue refers to different types of change (for example technological and capital) which should be enriched with the appropriate organizational and cultural approach. The support of the company’s managers should focus on developing leadership potential, providing appropriate knowledge, and establishing the new system of organizational values. This seems to be essential in supporting managers who will be able to implement efficiently the process of managing fundamental change.

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