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Nature and scope of change within post-socialist Polish enterprises

Abstract. This paper examines the process of strategic management within post-socialist Polish enterprises within last five years (1995-2000). There can be no doubt as to the dramatically altered environment within which post-socialist Polish enterprises are required to compete. By the same token, the strategic orientation of post-socialist enterprises has had to change. What is less clear, however, is the nature, scope and direction of change at enterprise level and the specific drivers of strategic change. What explanations can be found for the fact that enterprises within the same industry, subject to similar environmental pressures, have chosen significantly different paths to adjustment with entirely diverse results? How exactly can we differentiate the strategies adopted by transforming enterprises both immediately after the dismantling of the socialist system and more recently?

The aim of our research was to provide answers to these questions. We begin by evaluating evidence of enterprise restructuring during the initial period of transformation and move on to present empirical evidence as to the strategic direction of a sample of post-socialist Polish firms during the last five years of transformation. We see this as a significant period in the transformation process as enterprises move away from a 'wait and see' cautious approach to the one which demonstrates a greater awareness of the need for a proactive strategy in adjustment to the free market conditions. Our paper presents a critical appraisal of enterprise adjustment and focuses on the nature and scope of change within post-socialist Polish enterprises within the following areas:

- changes in ownership and their impact on the enterprise,
- changes in market orientation and segmentation,
- developments in strategy formulation,
- changes in work processes and the management of people.

Keywords: transformation, strategic change, ownership, post-socialist enterprise.

JEL Codes: L1, D2, D8, J8.

1. Polish capitalist restructuring

Poland was the first CEE country to break with the socialist system and the forerunner of economic and political reform. Mazowiecki's non-communist government

moved quickly to establish a market economy. This took the form of the Balcerowicz Plan which focused on a stabilisation programme to deal with inflation and regulation of government finances, and the creation of conditions appropriate to the emergence of competitive markets through the privatisation of state assets and attempts to attract FDI. Polish capitalist restructuring was focused predominantly on the adoption of an economic, rational model based on neo-classical liberal orthodoxy. Key features of the rational economic model can be summarised as:

- Financial restructuring, or the reform of financial institutions to provide effective sources of external finance for investment and a market in which ownership change can take place e.g. privatisation of banks and infrastructure, fiscal reforms, social security reforms.
- Structural change – at the macro level – the reform of government administration to remove excessive and unpredictable taxation, policy uncertainty, arbitrary bureaucratic intervention and corruption, and at the micro level – the removal of subsidies, tax leniency, soft bank lending alongside mass privatisation and the development of mechanisms of corporate governance.
- Technological restructuring – to enable CEE economies to ‘catch up’ with advanced capitalist economies, FDI and foreign trade are seen as important mechanisms for achieving technological restructuring which also has implications for changes in work organisation and styles of management.

Successful transformation to a market economy is seen as requiring structural and institutional change, political stability and economic transparency. At the enterprise level the logic of the economic rational model dictates a reduction of over-employment, the elimination of non-profitable activities (e.g. social and welfare activities), seeking foreign capital and maximising returns for concrete owners.

2. Capitalist restructuring at enterprise level – continuity or change?

Initial studies of transformation suggest that enterprises at the start of the transition period underwent a kind of strategy shock (see i.e.: Sudoł and Karaszewki 1997¹, Otta 1994, Gorynia 1998²), resulting from:

¹ The research involved 113 firms (mainly former state-run firms – 96.5% of the sample) in the provinces of Bydgoszcz, Torun and Włocławek and concerned the adaptive strategy used by those firms in the years 1990-1995.

² The research involved 66 firms (all of them having socialist “past”) in the Wielkopolska region and concerned the adaptive strategy used by those firms in the years 1989-1995 (research conducted twice: in 1993 and 1995).

- complete lack of protection for the domestic market against pressure from foreign competitors with much better potential than Polish manufacturers;
- a sudden fall in demand from the countries of the former communist bloc;
- an interruption in the supply of bank credit caused by the sudden increase in interest rates.

In the worst strategic position at the start of the transition period (1990-1991) were those firms which had borrowed from banks before 1990 and had not paid off their debts before the introduction of the Balcerowicz programme. This led to a huge rise in financial costs, in many cases the accumulation of unpaid interest and a rapid worsening in the overall situation of the firms in question, which were incapable of functioning normally, let alone of finding additional resources for initiating an adaptive process. Another group of firms which might be described as having been threatened with bankruptcy, consisted of suppliers and partners, which made up one of the first, if not particularly significant, links in the production chain of large industrial organisations often holding monopolistic positions. The dramatic fall in the sales of these giant firms led to disaster among smaller suppliers who often relied on these large organisations for a significant proportion of their orders. For many firms the initial period of transition was such a major shock that they failed even to make any attempt to adapt to the new situation, since it seemed that this situation could not possibly continue³.

For most of the firms analysed by Sudol, Karaszewski (1997), the first step in the adaptive process was privatisation. Even those firms which at the time of the study were still state-owned expressed a desire for privatisation. This strong tendency towards privatisation resulted from, among other factors, the doctrine of neo-liberalism which held sway and which was omnipresent in the media. From this perspective the privatisation issue was the key question whose rapid resolution would guarantee success in the introduction of market-oriented mechanisms both at the level of the economy as a whole and at the level of the individual firm. Although hindsight has demonstrated the fallacy of such oversimplification, there did exist a belief that it would be sufficient to graft on the magic of the market by the extension of private ownership, and the entire transformation process would then follow automatically. Privatisation would lead to the elimination of the so-called Bermuda triangle, supposed to be the cause of stagnation in decision-making⁴. In addition, it was expected that privatisation would also bring along a number of other improvements, such as productivity

³ Failure to take any kind of action is a classic symptom of a major internal crisis with which an organisation is not able to cope, preferring to ignore the problem in the pretence that it does not exist. More information on the theory of crises can be found in e.g. Slatter (1984), Pauchant and Mitroff (1992), Meyers et al (1988).

⁴ Bermuda triangle – a metaphor for the triple division of power and the resulting inertia in decision-making within state-run enterprises, although empirical studies have shown that the Bermuda triangle phenomenon rarely existed in practice. See, for example, Otta (1996, pp. 259-276).

increases, injection of foreign capital, the opportunity to take advantage of tax breaks (e.g. a three-year exemption from taxation in the case of joint-ventures) and salary increases.

If ownership change represents a significant factor in radical organisational change (Whitley and Czaban 1998b, p. 261), we would expect significant differences between state owned enterprises and privatised firms in such areas as the restructuring of production facilities and workforce and the introduction of new products, markets, customers and suppliers. However, many studies have illustrated the limited impact of changed ownership structures e.g. privatisation and decentralisation, on work organisation and management behaviour and practice within former state owned enterprises (e.g. Clark and Soulsby 1999 in the Czech Republic, Whitley and Czaban 1998a, b in Hungary, Keleman in Romania 1999, Konecki and Kulpinska 1995, Szczur 1998 in Poland, Carlin and Aghion 1996 in comparison of Russia, Poland, Hungary and the Czech Republic). Such studies have demonstrated evidence of 'reactive restructuring' (Carlin and Aghion 1996, p. 374) as a result of the hardening of budget constraints (labour shedding, wage reductions, closing plants or eliminating production lines, hiving off of social assets, selling or leasing physical assets such as plant and company vehicles, improving sales and marketing behaviour through advertising, market research and improved packaging). However, evidence of 'deep' or radical restructuring (substantial new investments and changes in technology and/or management structures) within state controlled enterprises or those controlled by managers and employees has been limited. Studies have highlighted the continued stability of internal labour markets, levels of employment, product markets and technology for largely pragmatic reasons i.e. the lack of capital to pay off debts, upgrade equipment and increase wage rates. Studies have also highlighted enduring systemic barriers to change.

By contrast, the implementation of radical organisational change and deep restructuring is predicated on socio-economic crisis (decline in sales and production) and new ownership/management rather than through formal ownership change (Dąbrowski et al 1992, p. 213, Konecki and Kulpinska 1995, Whitley and Czaban 1998b, p. 276, Stępień 2001). Radical organisational change is also identified as more prevalent within foreign owned firms (Jarosz 1995, Carlin and Aghion 1996, OECD 1997, Whitley and Czaban 1998b, p. 260, Stępień 2001) where foreign owners are able to provide new capital, expertise and are also more likely to replace more top managers with outsiders.

Empirical studies have thus highlighted a number of contingencies for restructuring; namely, enterprise size (Dąbrowski et al 1991, p. 405), industry and product market features (Szczur 1998, p. 20, FT 26 March 1997, Stępień 2001, pp. 110-121), knowledge of the market and good contacts (BCE November 2000, p. 29), enterprise resources and financial viability (Szczur 1998, p. 20, Stępień 2001, pp. 121-140), socio-economic crisis and new ownership/management (Dąbrowski et al 1991,

pp. 412-414, Dąbrowski et al 1992, p. 213, Koniecki, Kulpińska (1995), in effective adaptation and adjustment to market conditions.

Radical restructuring within Polish privatised enterprises is thus associated with structural change, turnover of human capital and a new definition of organisational reality and values by important organisational actors and can occur before formal ownership change. Moreover, such a radical change is more likely with the involvement of FDI. However, as Szczur (1998, p. 20) cautions, the factors driving restructuring within Polish privatised enterprises are complex and interrelated and it is difficult to identify a specific set of criteria that might contribute to an effective template for restructuring. As Kostera (1995, p. 689) suggests all enterprises '*...negotiate their contingencies in the environment – so they are all 'adapted' but according to different sets of criteria...partial adaptation is the safest form...and draws on both political and economic legitimacy*'.

However, timing cannot be ignored in researching transformation. The uncertainty and turbulence of the economic environment and the transitory nature of the context within which they were being required to operate, means that managers are likely to rely on pragmatic responses where both strategies which worked within socialism are combined with new approaches in adjusting to market capitalism. As Obloj and Kostera (1993, p. 15) suggest, privatisation presented socialist managers with a dilemma; freedom from the administrative hierarchy and the opportunity for autonomous decision-making but at the expense of increased risk, insecurity and responsibility. Invariably, the risks involved in enterprise restructuring within an uncertain, turbulent and poorly resourced economic environment, have resulted in managers taking a pragmatic, wait-and-see approach which involves combining the opportunities presented by the new rules of the game with old, tried and trusted approaches that worked within the socialist system.

After all, 'sticking to the knitting' is seen as an appropriate strategy for western firms within turbulent and discontinuous environments. Moreover, as Martin (1999, p. 98) suggests, many of the political and technical skills of the previous period continued to be relevant particularly in the immediate post-socialist period, '*...informal contacts were required to secure finance and customers, ... operations management skills continued to be needed to maintain production with irregular supplies and often demoralised workers*'⁵. Reciprocal networks and collaboration (with suppliers, customers and government agencies) represent a resource for managers from the socialist past and a higher level of such contacts is seen as a temptation for indigenous managers to be risk-averse and avoid the sort of restructuring that could lead to their dismissal (Carlin et al 1995, p. 428).

⁵ See also Sik (1994, p. 91) who argues that the networking culture of CEE countries, reinforced by socialism, represented an effective vehicle with which to cope with the economic challenges and opportunities of post-socialism.

Studies have shown that transformation is a multifaceted process and that following the initial shock stage, enterprises have passed through several stages including:

- A phase of “rescue” transformation involving rapid liquidating of stocks, elimination of collateral functions and general cost-cutting;
- A phase of developmental transformation when the firm’s domain was expanded and significant investments were made in resources, the functioning of the whole organisation was improved, and there was systematic observation and active interpretation of signals coming from the marketplace.

For example, Gierszewska’s (1998)⁶ study of 59 post-socialist enterprises found that the initial phase of the adaptation process was dominated by actions taken to ensure the firm’s survival and ability to operate relatively securely in a still unknown territory. During the subsequent phase firms began to engage in an active, expansive battle for new customers and markets using a whole arsenal of weapons. The competitive techniques most commonly used by these firms are, in order:

1. Introduction of totally new products for existing customers;
2. Mergers with or take-overs of competing firms;
3. Significantly increased expenditure on marketing;
4. Adaptation of products for totally new groups of customers;
5. Use of available capacity to launch new production, different from but technologically linked to the existing processes;
6. Operations in new geographical regions (in Poland and abroad);
7. Association with leading international manufacturers;
8. Significant cost reductions;
9. Setting prices significantly below those of competitors;
10. Entry into new markets;
11. Transformation into conglomerates;
12. Purchase and sale of shares in other firms, and other operations on capital markets⁷.

Gierszewska’s (1998) conclusions are based on survey data concerning the competitive actions undertaken and proposed by the firms under investigation. A decade after transformation a key issue to be explored is the extent to which the declared

⁶ The study was carried out in 1993-1996 on a sample of 59 post-socialist enterprises which had been privatised by the liquidation or capitalisation method, and one of the goals of the analysis was to observe patterns in the strategies adopted by these firms, mainly in the area of products and markets.

⁷ G. Gierszewska, *op. cit.* p. 146. It was shown in the study that firms privatised by the capitalisation method with the participation of a strategic investor, whether from Poland or abroad, undertake actions on a wider scale than firms which were privatised by means of quick sale. This wider scale means, for example, the undertaking of wide-ranging actions within the firm’s domain, while the second category of firms still prefer to act in a way which is characteristic of the first stage of transition, based mainly on the reduction of costs and attempts to maintain the firm’s market position.

intentions of enterprises have been realised and the extent to which post-socialist enterprises can be said to have adopted a more proactive strategy to adjustment and adaptation. A further dimension is the extent to which firms established since 1989 operate differently from privatised firms or those still state-owned and the degree to which the 'new order' has been shaped by the past and by elements inherited from previous systems, the so-called path dependency. Are the strategies of older enterprises (whether or not still state-owned) determined to a larger degree by the structure and features characteristic of the socialist system than is the case with firms founded during the transition period itself?

3. Strategies of post-socialist enterprises – empirical evidence

Our empirical evidence is based on questionnaires and interviews conducted in 91 post-socialist Polish firms in the year 2000. These were all involved in manufacturing but represented different industrial sectors. Our investigation focused on:

- identification of the firms' general profile of activities and their condition at the time of the study;
- identification of change of domain, i.e. changes in fields of operation, markets, products manufactured and position in the technological chain over the past five years;
- identification of change in relation to firms' resources, including changes in human resource management and ongoing work processes, changes to organisational structure and approaches to strategic planning over the past five years;
- assessment of these changes in the context of their effectiveness and influence, e.g. on financial results, competitive position, productivity, transparency of rules and procedures applicable within the firm, staff awareness of the firm's strategic goals, and general working atmosphere.

The study was carried out by two methods. The basic source of information was a questionnaire completed by trained research workers, the respondents usually being middle and senior management personnel. The research workers also collected supplementary information on the organisations surveyed. This included the firm's history, management methods and the existing relations between staff, management and owners.

The participating firms employed between 50 and 1000 staff, the most common range being 100-300. The largest group (55 organisations) consisted of private Polish-owned firms. Over half of these (33 firms) were former state-owned enterprises which had been purchased by individuals or corporations, often by means of complex transfer procedures. Twenty two firms had been founded privately by

Polish owners, and in the vast majority of these cases the owners (one or several individuals) were also directors. Eighteen of the participating firms were foreign-owned or foreign-controlled, and of these 15 were based on former state-run enterprises, while the remaining three were greenfield investments. Eight of the firms analysed were state-owned enterprises. The remaining 10 firms were co-operatives or organisations whose ownership status was not precisely explained, and hence cannot be classed in any of the above three groups; these firms will not be analysed as a separate group, but data obtained from them was taken into account for the purposes of the analysis of the sample as a whole.

All the firms within the study were involved in various type of manufacturing. The largest group was producers of food and drink (17), clothing (11), furniture (11), machinery, equipment and metal products (10), and there are also several building materials manufacturers (7). Apart from the firms producing machinery, equipment and metal goods, there is no significant disproportion between private Polish capital and foreign capital in particular industrial sectors, either in the sample or throughout the general population of firms.

We assume that on the basis of our sample it is not possible to draw firm conclusions, generalisable to all transforming enterprises. Nevertheless our findings provide a fertile seedbed for reflection (both theoretical and practical) in relation to observable trends in the direction of strategic change across post-socialist Polish enterprises, the sources of competitive advantage, the balance between internal and external factors and the consequences for effective adjustment or failure.

The industries covered by our sample are not among those generally regarded as the most attractive⁸, although since foreign investors show a greater degree of interest in food manufacturers than in heavy industrial firms, presumably the former are potentially more profitable for such investors⁹. That the sectors in question are not outstandingly attractive is confirmed by the firms' own evaluation – when asked which stage of their life cycle their industries were currently at, most firms (67%) indicated the stage of maturity, which is not characterised by spectacular short-term financial results, but rather compels firms to use various aggressive techniques for gaining customers, which leads to a decrease in margins on products sold. It is interesting, however, that different firms producing a similar range of products often gave different responses to this question, and it seems that this evaluation depended to a large extent not on knowledge of the industry as such, but rather on the general

⁸ In research carried out by *Businessman* – a popular, specialist economic monthly publication – aimed at finding the 100 largest private firms by market value (which depends to a large extent on profitability), it was found that the list was headed by telecommunications firms, media firms, IT firms, foreign trade agents, breweries and refineries. For more information see Romanski et al (2001, p. 123).

⁹ Inflows of FDI in Poland have been uneven with disparities between different sectors. In terms of sectoral investment, the largest investments have been made in food processing, tobacco, car assembly, financial services and retail trade (OECD 2000, p. 35).

condition of the firm in question. It was noted that there was a tendency for firms which were themselves experiencing internal crisis and whose market position was below average to describe the industry as being at an intermediate stage between maturity and decline. On the other hand, even those industries which would properly be classed as mature were described as being in a phase of growth by firms which were experiencing dynamic growth themselves.

When asked to indicate the dominant means of competitive struggle within their industry, responding firms often referred to competition based on quality and not on price, although there were discrepancies in this assessment between particular types of firms. Foreign-owned and privately owned Polish firms more often mentioned the quality-oriented nature of competition (58% and 62% respectively) than state firms, of which 57% see the competitive struggle as a typical game of price and economies of scale. The reason for such an assessment may not be so much the actual nature of competition within a given industry, but rather the typical competitive behaviour of the particular strategic groups to which the analysed firms belong.

Orientation towards a particular type of competition is dependent on the observation of market changes. When asked about the nature of these changes, firms saw the following as the most typical, in order: growth in competitors' potential; a significant rise in the number of competing firms; and abandoning cost-based strategies in favour of competition based on factors other than price. There are differences, however, between particular types of firms as to their assessment of what has been the dominant change in their competitive environment. State-run enterprises most frequently mentioned the growth in the number of competitors, while foreign-owned firms were more likely to refer to changes in competitive strategies, and private Polish-owned firms mentioned all three of the above factors equally often. The results obtained here clearly point to „maturing of the Polish market” to a fully developed market economy, and hence it is not surprising that state enterprises find the rising number of competing firms most striking, as a contrast to their experiences under the communist system.

Changes in the competitive environment inclined firms towards changes in their domains¹⁰. The escalation of the competitive struggle forced firms to act aggressively, which led in particular to significant changes in product portfolios in order to increase sales in presently occupied markets. Firms also modified their sales territory, which was evidenced in most cases by the creation of a sales network (forward vertical integration). The Table below shows various activities undertaken by the analysed firms over the past five years, indicating differences between various categories of firms.

¹⁰ The vast majority of the firms analysed described their present field of operations as covering the whole of Poland, where they offer a relatively small number of products (36% of respondents) or as international, again with a small number of products offered (32%).

Table 1. Changes in firms' field of activities¹¹

	All	Foreign-owned	State-owned	Private Polish-owned
Modernisation of a few products	21%	22%	38%	20%
Complete modernisation of the range of products offered by the firm	10%	17%	12%	9%
Introduction of a few new products	27%	17%	63%	29%
Significant expansion of product range	37%	44%	0%	44%
Slight expansion of markets	20%	5%	37%	24%
Significant expansion of markets	28%	44%	12%	24%
Ending production of certain products	21%	17%	12%	24%
Withdrawal from several markets	3%	5%	0%	4%
Total change of sector in which the firm operates	0%	0%	0%	0%

Source: Original data.

As can be seen from the above data, foreign-controlled and private Polish-owned firms have carried out a much more expansive market strategy than state-run firms. There are also quite important differences between firms as regards their assessment of the changes carried out. The most optimistic are the foreign-owned firms. There the evaluation of the changes is unequivocally positive, encompassing the achievements which those changes have made possible: improved financial results, levels of sales, strengthening of negotiating position with respect to suppliers and customers, and improvement in position with respect to main competitors. State firms are much more cautious in their evaluation of the influence which these changes have had on the firm's general competitive position, although here too changes are most often viewed positively. Between the extreme optimism of foreign-owned firms and the more restrained attitude of state-run enterprises lies the evaluation made by private Polish-owned firms which in some cases admit that, despite very positive effects of the changes in terms of financial results and strengthening of competitive position, the costs of the transformation were nonetheless very high.

There was a somewhat different distribution of optimism in the firms' evaluation of their own strategies as compared with those of their competitors. The greatest satisfaction was shown by foreign-controlled firms which referred to their superiority over their competitors in terms of productivity, management style, quality of products offered and financial results obtained. State-owned firms also see their position in a fairly optimistic light, and none of them had the impression that in any of the categories listed (financial results, productivity, product quality, management style) they were below average in relation to their competitors. The greatest degree of self-

¹¹ It was possible to select more than one answer.

criticism was shown by private Polish-owned firms which, although they believe their product quality to be at least above average, in many cases state for example that their management style still requires major changes. These assessments do not appear reliable (especially in the case of state-owned enterprises) since the vast majority of the firms analysed do not carry out systematic analyses of the competitive environment, and over half (48 of the 91 firms analysed) had not carried out benchmarking tests over the past five years. The greatest proportion of firms carrying out such studies is to be found among foreign-owned firms (10 out of 18), while as many as 6 out of 8 state-owned enterprises do not perform such analysis. Among private Polish-owned firms, half carry out such analyses in order to compare their own position to that of other Polish and foreign firms in the same sector.

Firms wishing to fulfil growing market expectations have also carried out a series of transformations relating to their resources. Generally speaking, we can state that the firms most frequently carried out modifications affecting the organisation of work, involving attempts to improve production processes, including the introduction of new production technologies and documentation of basic procedures, most commonly with the introduction of ISO 9000 system (29 of the analysed firms have this certificate). The firms also modified their organisational structure, trying to simplify communication within the firm and to decentralise management. Many of the analysed firms had also changed their remuneration policies, usually in order to link pay with performance. Changes to the salaries system had the greatest, and in the majority of cases positive, effect on employees. When asked whether attempts to make changes in certain areas had been unsuccessful, firms most often mentioned projects to involve the workforce in the process of introducing organisational improvements, changes to remuneration policy and flexible working hours; the reason for these failures was said to be resistance from employees and trade unionists¹², lack of time for the introduction of changes or lack of funds.

A significant event which was analysed and assessed was the change in firms' ownership¹³. Ownership had changed in the case of 13 out of 18 firms which were foreign-owned (or foreign-controlled) and in the case of 23 out of 55 private Polish-owned firms. In those firms which are now in foreign ownership the change of owner¹⁴ is viewed positively. Financial results have improved marked-

¹² In general, when asked about the role of trade unions in the management of the firm and their involvement in the change process, firms give negative responses. In the vast majority of cases trade unions limit their attention to wage claims and very rarely do their representatives put forward any initiatives regarding the direction of the firm's development.

¹³ The questions concerned the last owner, since in some cases there had been several such changes in the course of the period under analysis.

¹⁴ In the case of these firms, a change of ownership usually meant the purchase of a former state-run enterprise or already privatised post-socialist firm by a foreign investor. Apart from a new source of capital, a firm's take-over by a foreign investor meant the arrival in the organisation of a distinctive "guardian" of assets and owner's interest, whereas earlier this role had been fairly enigmatic.

ly, productivity has increased, the firm's competitive position has improved, and procedures and the day-to-day functioning of the organisation have become more transparent. There has also been an increase in employees' awareness of strategic plans and of the firm's general directions of development. In private Polish-owned firms the change of owner¹⁵ is also seen in a positive light, though less enthusiastically in this case, but it can be clearly seen from the responses that such change had a positive effect on the economic condition of the firms in question, on the clarity of working rules and procedures and on employees' awareness of strategic goals.

Another particularly significant issue which was analysed was the method of managing human potential and the identification and evaluation of changes in this area over the last five years. As in the case of strategic management described below, human resource management is highly differentiated in various types of firms. Clear differences can be seen in approaches to the question of employee training, multi-skilling and the role played by employees within the firm. It can be generally stated that foreign-owned firms place a noticeably greater emphasis on regular and comprehensive staff training¹⁶, as well as paying attention to the needs of employees to feel appreciated and well informed as to the current situation of the firm and its plans for the future. Within privately owned and state-owned Polish firms employee involvement and commitment to organisational goals and values is not seen as a strategic employment issue. The differences in the way employees' roles are perceived by firms are presented in the Table 2.

The nature of strategic management within the firm was also analysed. Firms were asked whether they drew up strategic plans and what these plans contained, what were the firm's main strategic goals and whether detailed plans were drawn up ensuring the attainment of these goals. It turned out that nearly all the firms replied affirmatively to the question whether the firm had a strategic plan, but further questioning revealed that these plans were often „in the boss/owner/management's head". This situation was most common in the case of private Polish-owned firms, especially in those with a small number of employees and those which are managed by their owners. It is quite understandable that young, developing and small organisations might have incompletely formulated plans, but it is not clear why in some of the firms analysed these plans were not even revealed to employees¹⁷.

¹⁵ Here the change of owner usually took place by means of the take-over of a formerly state-run enterprise by private Polish capital or by further changes of owner involving privatised firms. There was only one case noted in which a firm changed hands having been founded using private Polish capital following the introduction of the market economy.

¹⁶ In foreign-owned firms a clearly greater proportion of the workforce was undergoing training (approximately 45% on average), than in state-owned and private Polish-owned firms (approx. 25%), and more time is devoted to training annually.

¹⁷ When asked whether employees' representatives are consulted about strategic planning,

Table 2. Responses concerning employees' role in the firm – selected aspects

	Foreign- -owned firms*	State-owned firms*	Private Polish-owned firms*
In our firm employees are treated as people, as members of the organisation having an influence on its destiny and proper functioning	88%	50%	58%
Employees can expect long-term employment with the firm	83%	100%	67%
Persons at the top of the firm's power hierarchy are the right persons to take decisions about the way it functions	83%	87%	73%
Trade unions assist in the search for ways to improve the firm's results	22%	12%	15%
It is better to consult employees directly without going through trade unions	50%	25%	49%
We do not introduce any changes in the firm without consulting employees as to consequences	22%	37%	29%
Employees are fully committed to the organisation's values	17%	12%	33%

*Percentage of responses agreeing or strongly agreeing.

Almost all foreign-owned and state-owned firms had plans in the form of a written document. The ways in which such documents were drawn up, however, were quite different. Foreign-owned firms usually received guidelines on the structure and contents of the plan from senior levels of the corporations to which they belong, and their own contribution usually involved only the planning of activities of a tactical and operational nature. The „strategic creativity” of Polish management boards was therefore limited from the start. This situation can be compared to the way in which employees are treated in some private Polish-owned firms, that entire foreign-owned firms and their boards are often treated as if they were incapable of creating anything comparable to what could be achieved at the organisation's headquarters in the West¹⁸. In state-owned firms, on the other hand, strategic plans are

firms gave ambivalent responses. About half refer such matters to the workforce, while many of the others do not even inform employees of the firm's intentions. The greatest proportion of “uninformed” workforces is seen among private firms – 11 out of 55 do not make such information available, and when asked for reasons respondents most often state that it is the duty of an ordinary employee to conscientiously perform his or her assigned duties and that consideration of the firm's strategic plans would not help him or her to perform those duties any more effectively.

¹⁸ The foreign-owned firms in the sample were dominated by those with owners from Germany, the Netherlands and the US.

usually drawn up by extrapolating past economic trends based on a limited amount of information on the competitive environment, which calls into doubt the quality of such plans and the effects of their realisation (if achieved).

When asked about the contents of their strategic plans, firms most often mentioned issues relating to expansion of markets and intensification of sales efforts, as well as modernisation and introduction of new products. Such modernisation and modification of products would, however, only to a limited degree involve investment in new technologies, machinery and equipment – such investment is planned much more frequently in foreign-owned and private Polish-owned firms than in state-run enterprises, mainly as a result of differences in firms' access to funding and credit. Interestingly, none of the state-owned firms listed among its strategic goals the simplification of production procedures which are usually too complex and bureaucratic¹⁹, while approximately one quarter of private Polish-owned and foreign-owned firms mention such aims.

4. Conclusion

The strategic behaviour of the analysed firms over the past five years can be compared to an exhausting, even didactic, „adaptive race” in pursuit of a constantly changing economy which to an ever larger degree resembles a mature market system.

The tempo and effects of this race seem to be different in various types of firms. The fastest, most comprehensive and best planned transformations are carried out by foreign-controlled firms, and the direction of these changes seems to be correct, since these firms enjoy increasing profitability, carry out effective modifications to their domain and resources while at the same time giving attention to regular employee training and job satisfaction. Bearing in mind that the vast majority of these firms are based on the former state-run enterprises and have not been exempt from the weaknesses left by the socialist management system, they have to a large extent eliminated the shortcomings of the old order. It should be emphasised, however, that firms which were taken over by foreign investors not only obtained knowledge concerning modern management methods (such knowledge is now increasingly widely available in Poland), but most importantly the financial resources which, in combination with guarantees of job security for the workforce for a specified period²⁰, helped to obtain employees' involvement in, or at least acceptance of, the introduction of far-reaching changes.

¹⁹ See for example Kiezun 1991 for an analysis of the features of socialist production systems.

²⁰ The take-over of firms by foreign investors was often associated with the signing of the so-called social pacts, which guaranteed wages and job security over a two or three-year period.

Equally rapid, even quite chaotic at times, has been the transformation of private Polish-owned firms. Despite firms' determination to introduce comprehensive changes in order to improve their competitive position, these changes often seem to be unsystematic and not properly thought through, and failures in their implementation are blamed on resistance from the workforce or on sudden changes in market conditions. There is also much room for improvement in the way in which human potential is managed. Impersonal treatment of employees can be observed especially in firms which have always been privately owned or in firms located in small towns with high rates of unemployment. Unfortunately the rapid development of Polish firms is often obstructed by a lack of knowledge about the various branches of management and by limited financial resources.

The most evolutionary type of transformation can be observed in the case of state-owned firms. Their strategy resembles a leisurely walk spent dreaming of a tranquil past, mildly disturbed by an environment in which changes are taking place with breathtaking speed. One even gets the impression that this environment hinders state-run enterprises in their development, although it would obviously be unfair to claim that these firms are not adapting at all in response to the market's expectations. The changes, however, are made too slowly and reluctantly, largely because of inadequate and inflexible material resources, and a lack of access to funding and credit which could be used to remedy this situation. There is also a lack of knowledge on the subject of management techniques, and above all there is no realistic and consistently followed vision as to the development of the firm, as is reflected in the routine way in which strategic plans are drawn up and limited expectations as to their successful realisation²¹.

To conclude, the strategies of the analysed firms can be seen as increasingly mature processes of adaptation to the external environment, and in some cases even as attempts to create that environment. Private Polish-owned firms cope in the market no less successfully than foreign-owned or foreign-controlled firms. The nature of the potential of these two categories of firms, however, is somewhat differentiated, especially as concerns management style, strategic planning and treatment of employees. State-owned enterprises, despite the need for rapid and effective elimination of the diseases of socialism and adaptation to market conditions, are the slowest to make changes, often waiting for a miracle in the form of a wealthy foreign or domestic investor who with a wave of his magic wand would transform a decrepit socialist mare into a dynamic, aggressive stallion of the free market.

²¹ When asked about the probability of fulfilment of their strategic plans, state-owned firms most often stated that it was fairly probable, but with greater emphasis on 'fairly' than on 'probable'.

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