

TOOLS IN BUSINESS MANAGEMENT

Towards a New Strategic Thinking

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Edited by
Małgorzata Poniatowska-Jaksch



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Reviewer

Krzysztof Firlej

English editor

Kamila Grzesiak/MG Partner

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DTP

DM Quadro

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Contents

Preface	9
<i>Marek Błaszczuk</i>	
1. Classification Criteria and Basic Types of Strategy Tools	15
Introduction	15
1.1. Goals, Strategy and Strategy Tools	17
1.2. The Criteria for Classification of Strategy Tools	22
1.3. Strategy Tools and New Strategic Thinking	37
Conclusions	42
Bibliography	45
<i>Mariusz Sagan</i>	
2. Institutional Factors and the Effectiveness of Strategic Tools in the Process of Effective Strategy Development in an Enterprise	47
Introduction	47
2.1. Strategic Tools and Key Processes in New Strategic Thinking	49
2.2. Institutional Factors and the Effectiveness of Strategic Tools	58
Conclusions	64
Bibliography	66
<i>Włodzimierz Szpringer</i>	
3. Financial Market as the Element of New Strategic Thinking	67
Introduction	67
3.1. Intellectual Property Rights in the Internet – Challenges for Compliance ...	69
3.2. Regulation and Compliance on the IT Market as a Strategic Tool	76
3.3. Regulation and Compliance in the Internet	81
3.4. Regulation and Compliance on the Financial Market	85
3.5. Assessment of Regulations' Effects – on the Example of Financial Market ...	100
Conclusions	107
Bibliography	107
<i>Maria Johann</i>	
4. Customer Satisfaction as a Main Objective of Business Activity	115
Introduction	115
4.1. Customer Satisfaction	116
4.2. Models of Customer Satisfaction	117

4.3. Methods and Tools for Measuring Customer Satisfaction	122
4.4. Customer Satisfaction Survey in a Travel Agency	124
Conclusions	129
Bibliography	130
<i>Katarzyna Nowicka</i>	
5. Cloud Computing in Customer Relationship Management	133
Introduction	133
5.1. Customer Relationship Management – Process and Tool of Implementation Strategy	134
5.2. Cloud Computing and Its Role in the Processes of New Thinking in Strategic Management	142
5.3. CRM in the Cloud Computing Model	149
5.3.1. CRM-as-a-Service	149
5.3.2. Netia SA – Company's Profile	151
5.3.3 The Use of CRM in Netia SA	155
Conclusions	160
Bibliography	163
<i>Ewa Rakowska</i>	
6. Informal Relationship Management in Flexible Organisation	165
Introduction	165
6.1. International Expansion of Businesses – New Challenges	166
6.2. Informal Relationship Management – Methods	171
6.3. Management of Informal Relationships in a Flexible Enterprise	175
Conclusions	181
Bibliography	183
<i>Joanna Korpus</i>	
7. Mergers and Acquisitions Versus Businesses Strategic Flexibility	185
Introduction	185
7.1. The Strategic Flexibility of Organisations as a Manifestation of “Strategic Thinking”	186
7.2. Mergers and Acquisitions – a Strategy, Method or a Tool?	191
7.3. Popularity Reasons for Mergers and Acquisitions as a Form of Modern Enterprises Development	195
7.4. Mergers and Acquisitions Versus Strategic Flexibility Businesses – Examples from the Polish Market Control	199
7.4.1. Acquisition of Quadra FNX by KGHM Polska Miedz SA	200
7.4.2. PKN Orlen's Acquisition of the Companies TriOil Resources Ltd, Birchill Exploration and Kicking Horse Energy	205

Conclusions	209
Bibliography	210

Teresa Pakulska, Małgorzata Poniatońska-Jaksch

8. Decomposition of Global Value Chain as a Tool for Implementation

Strategy	215
Introduction	215
8.1. Value Chain – Causes and Manifestations of Reconfiguration	216
8.1.1. Uncertainty and Digitalisation at the Core of Reconfiguration of the Value Chain	216
8.1.2. Value Chain and Its Reconfiguration – the Essence and Manifestations	221
8.1.3. Towards the Virtualisation of the Value Chain	226
8.2. Key Role in Outsourcing in Decomposition of the Value Chain	228
8.2.1. Trends in the Outsourcing Development	228
8.2.2. Outsourcing in the Strategic Tools Optics	232
8.2.3. Decomposition of the Value Chain – Towards a Strategic Partnership	237
8.3. Decomposition of the Value Chain in the Convention of New Strategic Thinking	241
8.3.1. Key Success Factors	241
8.3.2. Convergence of Technologies Versus Reconfiguration of the Value Chain	248
Conclusions	254
Bibliography	255
Final Conclusions	259

Preface

The turn of the XX and XXI century was a period of turbulent changes on the economic and political map of the world. The intensification of institutionalism, sometimes even economic nationalism, accompanied by an increase both in terms of regulations, as well as the importance of relations informal in their nature are the reflections of this phenomenon. The regulations must also take into account the changes resulting from the information revolution, which involves not only new forms of economic activity, or relationships with customers built on other principles and using different tools, but also the potential security risks of doing business in a virtual economy. Not without significance are also social transformations. Generation of young people on the one hand creates new patterns of consumption, on the other hand exerts pressure to change the organisational culture in the company. These are just some of the transformations in the wider and closer business environment that make economists increasingly ask themselves the question what the key factors of business success in the second decade of the twenty-first century are. These challenges are tried to be tackled with the new thinking in the strategic management of the company. It is an approach and a tool for shaping the future of the organisation by identifying the sources of the problems, variables that could bring improvement and solution of these problems in a strategic dimension. The basic processes associated with such defined new thinking about the management of the company concern preparing the organisation for changes, systematically created innovation, collaboration of business in the network, building a variety of business models within one organisation¹.

Changes in the perception of the business and thinking about business are insufficient, if the company does not have a good strategy, which it can successfully implement. In the aforementioned turbulent conditions, businesses are testing different kinds of tools, often already at the stage of development of given

¹ *Nowe myślenie w zarządzaniu strategicznym w przedsiębiorstwie*, ed. M. Poniatowska-Jaksch, Warsaw School of Economics Press, Warsaw 2015.

strategies. They seek tools that enable profitable growth among the new market realities, e.g. by developing the ability to adapt to changes, or to use social media in order to improve customer relations. The focus of modern organisation is on a customer, whose role in the defining and implementation of the strategy is crucial. This observation also applies to the tools used in the strategic management of the company. Customers, however, are becoming less loyal to one brand, which in turn translates into price pressure, product's innovativeness and diversification. In the revenue growth's optics one assesses instruments relating to the capital expenditures, applied technologies and sustainable development. This diversity presents in the approach to "the tools" used in strategic management makes them hard to clearly define. This does not change the fact that they play an important role in achieving the goals – they not only support the process of formulating the objectives and strategies, but also assist in their implementation.

Literature offers many publications devoted to the problems of both the use of tools in strategic management, as well as attempts to systematise them. Some consulting companies also publish papers on the popularity of the use of these tools in practice. According to Bain & Company, in 2014, five most commonly used methods by companies, among 25 included in the ranking included: Customer Relationship Management (CRM), benchmarking, research among employees, strategic planning and outsourcing. Their popularity depends on the intended objective of the business and economic realities. Analysed tools do not only differ in the levels of their use, but also the degree of satisfaction, e.g. due to the use of Big Data method, companies often expect a lower level of satisfaction than they actually achieve².

New operating conditions impinge not only on changes in the approach to strategy formulation³, but also on the selection of tools used in their implementation. One is looking for new possibilities of applications, and introduces modifications – so that these instruments are better suited to the needs of the organisation. Therefore, the question arises about their usefulness in the context of the new thinking in strategic management. How to choose them? Which methods and to what extent support the organisation in the development of fundamental processes characteristic of the new thinking?

² D. Rigby, B. Bilodeau, *Management Tools and Trends 2014*, Bain & Company, 2015.

³ M. Poniatowska-Jaksch, *Strategiczne pola konkurowania*, Warsaw School of Economics Press, Warsaw 2016.

Finding answers to these questions was the purpose of the authors of this publication. Its aim is to indicate the interdependencies occurring between the strategic and crucial tools from the perspective of the new strategic thinking processes (preparations of the organisation for changes, systematically created innovation, collaboration of the businesses in the networks, building multiple business models within one organisation). Special analysis (but not only) has been devoted to those, which, according to the same Bain & Company, are considered to be frequently used and are associated with high levels of satisfaction, although the classification accepted by the creators of this ranking can be, and often remains questionable (because, for example, one should settle the question of whether mergers and acquisitions in strategic management development are methods, or tools).

Given the fact that “the tools” in strategic management are understood in different ways, defining their essence, determining the classification criteria and types of tools for strategies, have become a starting point (chapter one). An identification of the features of the tools used in strategic management, characteristic for the new way of thinking has been made at this point.

The next two chapters relate to the importance and potential possibilities for the use of all kinds of tools in the conditions of the growing institutionalism, though from a different point of view. The second chapter, which is a kind of further elaboration, in the first part of the study focuses on the classification of the tools most commonly used in the strategic management of the company in the optics of the new strategic thinking. This approach enabled the author to try to assess the impact of institutional factors (under the new institutional economics, which consists of both formal institutions – regulations, and informal – free rules, conventions, etc.) on their effectiveness. The objective of the third chapter is to examine the importance of regulations – in the context of *compliance* as a strategic tool. *Compliance* means ensuring the corporate structure, which will allow functioning without irregularities resulting in legal sanctions or weakening of the company's image. The *compliance* enables to optimise risk management, increases the organisational culture of the company and is a factor increasing its competitiveness. These phenomena have been presented on the example of the market of new technologies, intellectual property rights in the Internet and the financial market in relation to the achievements of the economic analysis of law and regulatory impact assessment.

The next three chapters focus on the issue of the relationships, while the two of them – on the topic of relations with customers. Their growing importance

in business is also indicated in the studies by Bain & Company, according to which, Customer Relationship Management (CRM) is the most widely used tool by companies and is characterised by the highest level of satisfaction. Thus, the fourth chapter focuses on the importance of customer satisfaction. It includes customer satisfaction models applicable in service companies and the methods and tools used for their measurement. On the other hand, in the fifth chapter the problem of the use of cloud computing in customer relationship management has been undertaken. The basic assumption is that, in spite of various research approaches, CRM as one of the main processes of integrated supply chain on the one hand and the tools of the strategy implementation on the other hand share a common goal, i.e. value creation. Co-operation in the supply chain needs a tool for supporting the accepted strategy, and cloud computing might be an answer.

Company's business relations do not only concern customer relationships, though as mentioned before, they are one of the most important factors. In the conditions of growing institutionalism, the importance of informal relations is increasing, but strategic management does not provide any tools for shaping them. So, management tools supporting the use of informal external relations in flexible organisation – one of the processes characteristic of the new way of thinking in the strategic management of the company, have become a subject of the discussion of the chapter. Particular emphasis is placed on the analysis of the problem in the context of the international expansion of companies to the markets characterised by a high share of informal institutions.

The problem of the flexibility of the organisation is also raised in chapter seven. The purpose of this section is to present the essence and the most important motives of mergers and acquisitions, which are a form of implementation of enterprise development strategies through external growth in terms of flexibility of strategic enterprises, which are a part of the concept of a new way of strategic thinking.

The last chapter – the eighth, raises the issue of the evolution of classical perceived tools used in the strategic management of the company on the example of outsourcing used in the implementation of the strategies of transnational corporations (TNCs). In their case, commonness of the use and advanced forms of classically understood outsourcing allow a decomposition of a global value chain created by the TNC. Decomposition becomes both a kind of strategy, growth method, as well as a specific tool of strategic management, the features of which remain the main subject of discussion undertaken in this part of the study.

The authors do not address all tools recognised in the literature and used in economic practice, but only those that seem to have good perspectives in the context of the new thinking in companies' strategic management, or some selected, typical of this approach, processes. Tools were discussed with the examples of different types of companies, industries or geographic regions, allowing exposing the nature and significance of selected tools.

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Marek Błaszczuk

Classification Criteria and Basic Types of Strategy Tools

Marek Błaszczuk

Introduction

The discussion about new strategy trends, new strategic thinking and new concepts of management is seen as incomplete, if one does not undertake research on methods and tools that enable the implementation of these concepts in management practice. Tools used in strategies, or, more broadly management tools, allow diagnosis of the conditions in which companies operate, define the rules of analyses allowing evaluation of the principles of the strategies selection and conditions for the use or implementation (premises, constraints and threats) of the strategies, and instruments for their implementation. The significance of aspects concerning strategy tools seems particularly important both for pragmatic reasons, i.e. the possibility of a wider use of new management concepts in enterprises, as well as for the theoretical and methodological reasons (defining the rules and boundary conditions) relating to the use of such tools, which in turn is one of the conditions for the implementation of these concepts. Knowledge about the strategy tools, their types, features and rules of use can always be described as incomplete. In particular, this thesis seems to be correct with respect to the new concepts, relatively less known and less used in practice, primarily due to the fact that a comprehensive description of the tools and their conditions of use and, above all, verification possibilities of the knowledge on such tools require both time and experience, as well as the access to a wider range of use of the same tools. Lack of sufficient knowledge about tools used in strategies, in particular in respect to new solutions, may cause, inter alia willingness to uncritically follow certain tendencies or trends, without a proper discussion on possible negative effects, or conditions of implementation and their

use (a relatively small attention is paid to the same restrictions, threats or other long-term and potentially negative effects of conducted activities, while each of them entails both positive and negative consequences).

Taking into account only the above sketch, it should be noted that the problem of strategy tools is very broad, because it concerns the essence of both tools, the classification criteria, the basic kinds of tools, the principles of their choice, the destination area, the guidelines for their interpretation, as well as the conditions of their use. The purpose of this part of the research is primarily an analysis of tools used in strategies, identification of their classification criteria and systematisation of the basic kinds of strategy tools. Taking into account the wider context of the research project, the study also attempts to preliminary assess necessary characteristics of the tools specific to the new strategic thinking. The secondary objective of this part of the study is also to identify key issues related to the purpose, selection and use of the strategy tools.

Discussion presented here on the nature and types of strategy tools refers mainly to current research on the scope of the strategy tools used in management practice¹, because the range of used tools stems from at least two factors, i.e. the potential possibilities (the effects of use) of each tool and the same knowledge and expertise (theoretical, methodological and empirical) on the rules for the use of particular tools. Analysis included here is only a contribution to the further research and discussion on the tools implemented in the strategies that could, among others, concern the following problems:

- 1) which strategy tools are more widely known and used in practice (and in what areas – from the perspective of adopted here evaluation criteria);
- 2) which tools (and within which strategic areas) are relatively less known and less used, and what the reasons (e.g. insufficient knowledge about the tools themselves, their potential, or lack of knowledge about the principles of decision making in the selection and the use of these tools) are;
- 3) which areas of strategic management lack the tools or methodical knowledge that would support the same process for conducting analysis and decision-making, or strategy implementation and control processes.

¹ D.K. Rigby, B. Bilodeau, *Management Tools and Trends 2013* (Report), Bain & Company Inc., Boston 2013 and D.K. Rigby, B. Bilodeau, *Management Tools and Trends 2015* (Report), Bain & Company Inc., Boston 2015.

1.1. Goals, Strategy and Strategy Tools

The concept of “tools” for creating and implementing the strategy (formulation, implementation, monitoring and verification) is widely used in the literature on business administration, however it is not precisely defined. Also, the tools themselves are relatively less often the subject of theoretical and empirical analysis. Its frequent effect is the quite extensive knowledge of the same strategies and new management concepts with the absence at the same time of sufficiently clear rules for creation, selection and implementation of these strategies. It may concern, e.g. how and by what methods should the core competencies be identified? What kind of knowledge should be developed in the processes of organisational learning and knowledge management? What strategic resources and processes should be produced within the enterprise, and which should be obtained from outside? What criteria should one guide when deciding on the internationalisation of often different areas of the value chain? What should the basis of complex decisions regarding the selection of partners in strategic alliances or in mergers and acquisitions be?

According to the PWN Polish Dictionary, “tool” can be defined in three ways, i.e. as: 1) a device for manual execution of an action or work, 2) a person who is an active performer of will of another person, and 3) when one mentions “something used for some purpose”². So understood concept of tools primarily indicates (in a more or less direct manner) two important, from the perspective of these considerations, features, i.e. that: a) tools can take the physical or intangible form (surprisingly it seems that the human being can be considered for a tool); b) tools allow one to perform a specific task or achieve the objective.

Many ideas in management science derive from the English language, by means of which one often defines new phenomena, concepts and terms (mainly due to the large impact of reputable universities and consulting firms), so it seems reasonable to reach for lexical sources in this language. The concept of tools is defined in the English language in a similar way as in the Polish language³. Anglo-Saxon sources point, however, an additional feature: “the tools do not wear out (completely) during (one) process of their use” (similarly to the means of production in economics, which do not wear out during one production

² PWN Polish Dictionary, source: <http://sjp.pwn.pl/szukaj/narz%C4%99dzie.html>

³ https://en.wikipedia.org/wiki/Tool_%28disambiguation%29

cycle, although generally their use is recorded, which is formally reflected by the amortisation and depreciation). It can also be recognised that, as in relation to different types of intangible assets, the value of many tools does not depreciate during their use, but often these tools can gain value (mainly thanks to the experience, learning and improvement), which depends however on their type.

Referring directly the concept of tools to the management processes and the strategy itself, it is noted that the tools have often intangible and objective character, and are associated with knowledge and concern, among others concepts, methods and management instruments (including procedures, policies, decision-making criteria), as well as, as it results from the further considerations, types of behaviours and activities. Tools can be of physical character (very often both physical and intangible). Examples of such tools, which are largely based on material resources, include, for certain, the basic elements of telecommunications infrastructure (software and hardware) or new management tools based on IT/ICT infrastructure. From the perspective of general considerations, the interpretation of the term “tool” seems to have a very broad meaning, which can raise many objections or concerns.

Keeping in mind the research objectives and relating the concept of tools to the strategy itself, it is worth noting some difficulty (or surprising similarity) concerning the border demarcation between the ideas of goals, strategy and tools, as these terms (especially strategy and tools) bind targets with the methods of their implementation. Nevertheless, the concept of strategy can be considered in a wider way, because the content of the strategy defines both the objectives and methods of their implementation⁴, while tools allow primarily achieving earlier (or hierarchically: higher) specific objectives. In other words, strategy tools are mainly related to the methods of implementation of the objectives and strategies. This does not preclude the fact that the tools can also support the process of formulating both the purpose itself, as well as whole strategies, but they are always the instrument (methods, rules, procedures) for implementing a predetermined goal. That is the role of many tools of strategic analysis, which do not constitute a strategy, but support the processes of building, implementation and verification – for both the objectives and the strategy itself. This subtle difference that can be explained on the basis of theoretical considerations, does not make it easier, paradoxically, in many cases, to make a clear assessment of

⁴ Based on the analysis of the essence of the strategy – the previous phase of the statutory research carried out by Collegium of Business Administration, Warsaw School of Economics, Warsaw 2014.

whether, for example certain types of activities are in fact strategies or merely tools for the implementation of the strategy.

Activities and methods of actions, which are difficult to classify are, for example strategic alliances, mergers and acquisitions, deconstruction of the value chain, core competencies, strategic relationship management, etc., because each of these activities or methods of actions, can be treated either as an independent strategy and as a method or tool to implement the strategy (e.g. the senior strategy of strategic management). These differences are also often exposed in the literature on strategic management, where one often takes up discussions on whether, for example mergers and acquisitions are methods of implementation of the strategy (inter alia growth and development) or remain an independent strategy (and possibly in which situation)⁵.

The possibility of a final decision on whether the rules, procedures, methods and actions may bear the name of a strategy, or do they just provide the means for their implementation, can be recognised in two ways. Firstly, as already mentioned, the strategy must determine not only the method, but it should also define the objectives of the given case, while the tool is assigned, by the rule, to the predefined purposes. It is not difficult to note here that the examples given above, in the vast majority, meet this requirement, therefore, very often above activities are called strategies, not tools. On the other hand assessment of the problem is related to the hierarchy of objectives itself (and following this track, also the hierarchy of strategies), which in many cases also remains a subjective matter (discretionary). For example, if the strategies of mergers and acquisitions will be considered a tool for achieving higher goals (growth and development of the company, business diversification – entering the new sector, balancing the portfolio, internationalisation and acquisition of core competences), while at the same time selected targets can be achieved in other ways (in certain situations they may be direct investments, strategic alliances, outsourcing of production, or franchise networks, etc.), so it is completely justified that in the broader context (growth and development strategy classification systems) this strategy can be considered as a tool to implement a strategy (in this case the strategies of growth, development, diversification, geographical expansion, new sources of competitive advantage and making better use of the existing resources). From this (subjective, after all) perspective strategies of mergers and acquisitions (most

⁵ Cf. *Fuzje i przejęcia*, ed. W. Frąckowiak; PWE, Warsaw 2009; Z. Pierścionek, *Zarządzanie strategiczne*, Polish Scientific Publishers PWN, Warsaw 2011, pp. 420, 422.

often classified as “strategies” for growth and development, or as “a tool” of growth strategy) can be implemented based on other motives (e.g. related to the implementation of the competition strategy itself) and despite the fact that these strategies are not classified neither as strategies for competition, nor as methods of their execution. In fact mergers and acquisitions can become a tool for the implementation of competitive strategy (taking over competitors, consolidation of the sector, changing the competitive forces in the sector and other competitive reasons). Going forward, this same strategy, implemented based on financial reasons (looking out for the occasion, a will to achieve a certain return on an investment portfolio, etc.), may become a leading strategy, which gains the rank of the development model for the entire enterprise (company basically does not develop for some time in an organic way, but primarily through mergers or acquisitions of other companies). In such a situation, it can be assumed that the acquisitions are not a tool of the strategy, but they become an independent, leading development strategy of the company (holding, corporation, Joint Stock Company). In a sense, it is still a tool for reaching the objectives, like any other strategy, so it can be simultaneously recognised as independent strategy, as well as a tool for implementation of the strategy. Hierarchism of objectives, which will also be subjective, as well as hierarchism of the strategies themselves (recognition of the given hierarchy) can therefore largely explain how both strategic management strategies of lower level can be considered for a tool to implement the strategies (of a higher level), as well as every strategy, including the strategy of growth and development, can be considered for a tool to implement a higher purpose (growth of the company, development, implementation of the mission, acquisition or commercialisation of resources, etc.). At the same time a theory of the enterprise (including the concepts of the general target) is constantly evolving⁶, which means that no hierarchy of targets can be regarded as the sole and absolutely correct, and as one can see from the perspective of the development of the new era of investors capitalism, perception of the strategy of mergers and acquisitions may change with the priorities that guide the managers. Certainly not every strategy tool, or the strategy itself can be presented from so many different perspectives, but it is a reflection of the complex nature of this phenomenon.

⁶ Cf. A. Noga, *Teorie przedsiębiorstw*, PWE, Warsaw 2009, p. 112; T. Gruszecki, *Współczesne teorie przedsiębiorstwa*, PWN, Warsaw 2002, pp. 155–157.

On the basis of these considerations it can be concluded that the strategy tools can be defined both very broadly and very narrowly (instrumentally). Taking a broader definition, tools can be categorised, assigned with specific role and place in the whole process of creating and implementing a strategy and furtherly one can define the rules of their selection, use and interpretation. Such analyses allow having a closer look at the essence of individual tools and evaluating them and possibly comprehensively defining the conditions for their selection and use. In the later part of the study one attempts to identify the criteria for tools' classification and basic types of strategy tools resulting from these criteria.

Apart from the objective difficulties on a clear and general decision (specifying the strict border) on what methods (procedures, rules) or actions can be considered as the strategy tools, and which not, one needs to also inquire about whether such a decision is necessary at all and whether it brings new value to management science and shouldn't one, on the other hand, focus much more attention on the assessment of conditions for the use and implementation of various types of tools? Such an approach would allow avoiding (probably) the unnecessary discussion on the subjective and the objectively difficult to resolve problem, and a better focus on the tools alone and the conditions of their use, facilitate the processes of selection of tools that are appropriate to the situation and the nature of the problem being solved (strategic problem). On the basis of these considerations, it was concluded that it is reasonable to adopt a broad definition of strategy tools, where one determines not only all the methods and activities that enable the implementation of both the building process (determinants analysis), as well as the process of implementation, analysis and verification of the strategy alone (analysis of the strategy itself). In a broader sense, strategy tools also include direct strategies' instruments that allow one to closely define the content of the strategy, its components and the implementing instruments. The adoption of a narrow definition would limit the concept to the analytical and instrumental dimension (methods, procedures, rules and evaluation criteria that are directly related to the process of analysis, selection, strategy verification, and therefore the assessment of the conditions of the implementation of the strategies and policies of their choice), which would not allow taking more account of these strategy tools that directly define the same strategy and constitute its executive instrument (strategy implementation).

Objectives (both general and more specific) constitute the content of the strategy, so strategy tools refer, in the broad sense of the phrase, also to specific objectives, such as the mission, as well as soft instruments of any strategy,

such as core values, attitudes, organisational culture⁷ or relationships (and methods of their management) – because all these elements translate into the feasibility of a comprehensive and coherent strategy. Narrowing the definition of strategy tools only to instruments of an analytical character, limits in some sense the perception of these instruments to the area of building and evaluation of the strategy, while strategy executive instruments are the ones that seem to play the increasing role. As shown by the studies published, among others, by Bain & Company, according to managers, executive instruments⁸ are essential in strategies and management methods. It may be related especially with interest, increasing for many years, in strategy implementation processes in relation to the same processes of building and evaluation of the strategy. At the same time one cannot endlessly compare these basic areas or types of tools, because they are absolutely not alternative and complementary (in terms of structure, strategy implementation and evaluation), which means that each of these elements has a specific, different effect both on the final efficiency and the flexibility of the implemented strategies.

1.2. The Criteria for Classification of Strategy Tools

Despite the objective difficulties of empirical verification and assessment, strategy implementation tools submit to the classification, so they can be closer characterised and systematised. Apart from the formal possibilities of knowledge about the tools systematisation, an attempt of classification allows identifying the basic problems with the assessment of the purpose and conditions of selected tools' use (and therefore conscious and substantively justified selection of these tools in accordance with the nature of the problem being solved), and also allows in many cases conducting comparative analyses and assessment of tools themselves, e.g. in terms of how some of them are alternative or complementary or which other tools will be needed in order to make a process of creation and implementation of the strategy complex.

⁷ Cf. e.g. J.C. Collins, J.I. Porras, *Built To Last, Successful Habits of Visionary Companies*, Harper-Business, 1997, pp. 47, 73, 115.

⁸ K.R. Darrell, B. Barbara, *Management Tools and Trends 2015* (Report), Bain&Company, Inc., Boston 2015, pp. 4,5,6.

The criteria for strategy tools classification translate into, among others:

1. The formal possibilities for classification and systematisation of knowledge about the tools.
2. Positioning the specific tools in the whole process, or in particular areas of the development or implementation process of the strategy: an indication of the areas and the possible scope of use, or impact of the tools (strategy levels, types of strategies, areas of strategic analyses, etc.), as well as drawing attention to the role and importance of the particular tools in the whole process of development and implementation of the strategy, or in its individual areas.
3. The assessment of the tools themselves from the perspective of the adopted criteria, concerning, *inter alia*, what strategy tools can be considered as an alternative or complementary, or what additional tools are needed to make strategic decisions in the particular area.
4. Identification of universal tools, comprehensive or integrated, whose purpose, or scope of the impact on the implemented strategies is far beyond the narrow areas, established on the basis of the accepted classification criteria.
5. Determination of preliminary conditions for the use of particular strategy tools (purpose, scope of impact, as well as the limitations or risks associated with the use of each strategy tool).
6. The overall assessment of the strategic management process from the perspective of availability and usability of the tools and evaluation of the tools availability gap from the perspective of the whole process or its individual areas.

As far as same organising and systematising tools based on selected criteria (the first of the arguments stated above) may be regarded as objectively justified or legitimate, but impossible to carry out (in relation to specific situations or specific tools), e.g. due to excessive model simplification of reality (colloquially “forcing it to a certain drawer”), the remaining arguments, from the above-mentioned, suggest a possibilities arising from the same classification of the tools from the perspective of the application of different criteria. As noted above in the fourth paragraph, the purpose of such analysis may be also found (paradoxically?) in the same specifying objective difficulties to empirical verification of specific tools and difficulty of their unambiguous classification. These difficulties may emerge primarily from both the wider possibilities of using selected, specific strategy tools (for example more universal tools, or those of an integrated character) and related restrictions on assigning given tools to narrowly defined areas and possibilities of application, as well as from the specific application

conditions, or the use of the particular strategy tool (e.g. portfolio analysis methods in strategic analyses are mainly used to assess the extent and direction of diversification, in certain circumstances and with appropriate assumptions they can be, however, used in a wider range, i.e. in order to assess the attractiveness and development potential of various market segments of the selected market, different markets in geographical dimension, or even to assess the direction of vertical integration. Going even further, these methods can be also used in the assessment of some mergers and acquisitions)⁹. Conditions alone for the development and use of tools may increase, or on the contrary, limit their use. For this reason, a wider discussion on the conditions of use of particular strategy tools, in addition to the assessment of the purpose and possibilities of using various tools, is also becoming a very important problem. Such knowledge may have a primarily pragmatic character – because one then assesses not only available tools, but also the conditions (situations), in which they can be used.

Difficulties concerning unambiguous tools classification can be also a signal pointing to the need of developing other classification systems, based on the criteria previously untapped. No classification is fully comprehensive, because each is based on a limited number of evaluation criteria, which often simplifies the model-perceived reality, while presentation of too complex system of criteria does not allow describing reality in a clear way. The study included primarily the classification criteria that can be considered universal, allowing the systematisation of different strategy tools in a basic, but at the same time wide range.

Area of destination (area of use, or impact) of the strategy tools has been used as the basic and most general criterion of adopted classification, assessed from the perspective of the whole process of development and implementation of the strategy (the perspective of the whole process of strategic management). The process of strategic management includes all elements related to the analysis, development, implementation, and verification of strategy and takes into account (in general terms) all the formal and informal elements influencing the strategic choices made in the company (such as, among others, intuition, experience, tacit knowledge, vision, as well as the formal analysis, selection, implementation, and

⁹ In the literature, it is assumed according to the genesis and the rules of construction and interpretation that methods of portfolio analyses are associated primarily with the strategy of diversification (Cf. e.g. G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warsaw 2009, p. 153; M. Lisiński, *Metody planowania strategicznego*, PWE, Warsaw 2004, p. 206), the adoption of certain assumptions, however, allows in many cases a wider use of these relatively simple tools to assess the extent and direction of development.

verification strategy tools). Despite subtle differences and different concepts of strategy development process, it is described similarly in many sources – both in literature and in research, and includes such basic elements as: vision, mission, goals, strategic analysis, strategy selection, implementation, assessment and verification of the implemented strategy¹⁰. The importance of individual process areas and the interpretation of the ultimate way of creating a strategy may be the issue of discussion, because to a large extent they are dependent on the adopted concept of strategy development (the orientation, adopted priorities on the structure and implementation of the strategy). All elements of the process indisputably affect the decisions and strategic choices to a greater or lesser extent.

Tools positioning in the whole process of development and implementation of the strategy can be considered not only for the most general, universal and relatively large plane of classification, but also for the plane of tools evaluation, the extent of their use, purpose or impact, which allows the positioning of all the tools, regardless of the context where the tool, or its wider concept has been developed (alternative trends, priorities and concepts of strategic management).

Classifying tools from the perspective of the entire strategic management process allows both assessing their purpose, the possible scope of use or impact, and assessing the role of specific strategy tools in a wide spectrum of activities, actions and decisions that lead to the implementation of the strategy. At the same time, as noted in the beginning of this part of the discussion, tools classification also allows the assessment of the tools availability gap in specific areas of strategic management, in this case, from the perspective of the whole process. Identification of areas where strategic management does not have a sufficiently broad and comprehensive range of tools, or identification of areas where the tools are not always rated as sufficiently comprehensive, or clearly positive, or effective (the controversies concerning parametric evaluation systems, methods of measurement and quantifying qualitative characteristics, etc. can be an example here), plays a particularly important role from the perspective of the assessment of further research and the potential development of new effective methods and tools intended to be used in these areas. At the same time the possibility of building an effective, coherent and comprehensive strategy largely

¹⁰ Cf. e.g. R.D. Ireland, R.E. Hoskisson, M.A. Hitt, *The Management of Strategy. Concepts*, 10th edition, South-Western Cengage Learning, 2008, p. 5; A.A. Thompson, A.J. Strickland, *Strategic Management. Concepts and Cases*, 11th edition, Irwin McGraw-Hill, 1999, p. 4.

stems from the fact of having adequate, comprehensive set of instruments and tools for the analysis and implementation of the strategy. These instruments (as well as the knowledge, experience, intuition of managers and the organisation of the whole process of strategy development) largely determine the quality of the whole process of strategy development and implementation.

Strategy tools can be initially classified in the three general areas from the perspective of the whole process of strategic management:

- 1) tools for determinants assessment of strategy development: a) assessment of external conditions, and b) the evaluation of internal conditions;
- 2) tools for the analysis and evaluation of the strategy itself (instruments of analysis and evaluation of implemented or planned strategy);
- 3) strategy content and implementation executive tools – implementation of strategic objectives methods and instruments of particular strategies.

The area of use, or impact of each tool may be associated both with the evaluation of the strategy itself (paragraphs 2 and 3), as well as with the assessment of the context of the strategy development (points 1 and 2). Attention here was, however, paid to three, instead of two areas, as analysis of the same strategies (point 2) is not always synonymous with the analysis of the context of the strategy development (point 3). Also not all tools for determinants assessment of strategy development, including the assessment of internal conditions, allow the direct analysis of the strategy itself, but to a large extent these areas are strongly related. Also, not all internal conditions can be considered for being under control or intentional, and therefore it is impossible to put an equal sign between strategy and its content and internal determinants. Also strategic analyses, which aim to evaluate the internal conditions, are not always focused on the analysis of the strategy itself, because they can concern the analysis of the resources alone, or the evaluation of the effects of implementation of specific strategies (e.g. the method of assessing the company's position). It is also difficult to say in such a situation, that an attempt of a comprehensive analysis of the strategy was made, i.e. not all the internal analyses tools are directly related to the evaluation of the strategy itself (although these areas are strongly related). In a similar manner one has separated independent areas (2 and 3), as tools for analysis and evaluation of strategy (here mainly the tools of strategic analyses) are also not the same as the tools for the implementation of the strategy (strategy analysis tools include, e.g. value chain analysis, methods of competitive profile analysis, strategy canvas method, while executive tools/instruments include deconstruction of the value chain, developing or acquiring core competences, image creation,

shaping favourable internal and external relations, confrontation, cooperation, strategic alliances, coopetition, mergers and acquisitions, development of franchise networks, open innovation, the creation of network companies and others). Tools that allow both studying strategy development conditions, as well as tools that allow evaluating the implemented, or intended strategies (areas 1 and 2) will be further below referred to as analytical tools, while strategy executive tools will be the same as the strategy implementation tools.

Process of development and implementation of the strategy perceived as a model, includes a wide range of areas and activities. Therefore beyond the general division into three areas mentioned before (studies on conditions of development and implementation of the strategy and for the evaluation of the strategy itself and the related executive instruments), they can also be classified directly (their scope or impact) into narrow areas of this process¹¹: a) vision, b) mission, c) goals, d) strategic analyses, e) strategy selection (synthesis of analysis results), f) implementations and g) strategy assessment and verification (assessment methods of the same strategy and the changing conditions of the strategy implementation) – when tools have dedicated character and support the processes of strategy development and implementation in the narrow areas of this broad process.

The process of strategic management has a continuous character and is usually depicted as a model in the form of a specific sequence of decisions and actions. It should be considered, however, that these stages are contractual and overlap each other, and the scheme of the development and implementation of the strategy is presented in a slightly different way in different sources. The same overlapping of various stages of the process can create difficulties to unambiguous tools assessment and positioning. For example, the properly used tools of strategic analysis should enable questioning and verifying both the conditions, objectives and methods of strategy implementation, which essentially positions many of the strategic analysis tools simultaneously in many stages of this process (these analyses not only affect the formation of vision, mission and objectives, but also allow one to choose the strategy, to verify and evaluate it). The mere clarification of exact shaping sequence of the vision, mission and strategic objectives seems virtually impossible in theory and in empirical verification, as well as the impact of informal factors and tacit knowledge (intuition, experience).

¹¹ R.D. Ireland, R.E. Hoskisson, M.A. Hitt, *The Management of Strategy...*, op.cit., p. 5; A.A. Thompson, A.J. Strickland, *Strategic Management...*, op.cit., p. 4.

Still, specific analysis tools, and strategy implementation tools have often dedicated character and support actions or decision-making processes in specific analytical or implementation areas. Dedicating analysis tools to specific areas of the development and implementation process usually means that it is difficult to acknowledge any strategy tool as comprehensive and universal (both from the perspective of the whole process, as well as from the perspective of selected areas of the process), which also means that the rules for the selection of analysis tools should also indicate what areas of analysis and the methods and strategy tools can be considered as complementary, and when they can be regarded as relatively complex. Despite the potential difficulties of classifying tools, much points to the fact that these opportunities are relatively wide (positioning, assessing the scope and purpose of use, as well as the ability to assess the role and conditions of use), and the benefits of the tools systematisation are significant.

The area of use or impact of strategy tools in the whole process of strategic management is proposed as a general assessment criterion, but one can also ask the question of whether there is some other, equally wide (or even wider) perspective for tools evaluation. It is worth, for example, considering the strategy tools classification from the perspective of their origin and the connection with the main trends in ideas and strategies (concepts of strategic management, strategy formulation concepts, concepts of competitiveness of enterprises), which also creates a potentially broad, general perspective of tools classification. One adopted here, however, is an assumption in full compliance with the acquis and the importance of different strategic management schools (and the resulting consequences, i.e. the functioning of different priorities and principles of strategy development) that such classifications can be useful primarily from the perspective of achievements assessment of individual trends and possibility of their mutual synthesis (e.g. on how the selected trends and analysis tools or evaluation of the strategy itself and its conditions are complementary and in what areas). To a much smaller extent such classifications allow the evaluation of the role, purpose, or conditions of implementation of individual tools, or identifying tools gaps in a particular area of strategic management (pragmatic approach). This type can be extremely useful as a basis of scientific research carried out under the specific trends, as well as a support for research and comparative analysis in the framework of the concept, but will not play such an important role (in terms of origin or belongingness to a particular trend or concept) from the perspective of tools assessment and search for universal and (relatively) timeless solutions that shape the general, widely accepted principles

of strategy development and implementation. The presumption behind this, is that it is important to conduct a discussion on the universal and timeless principles, methods and tools for creating and implementing a strategy that takes into account different approaches, but at the same time it should be carried over those (often subjective) beliefs about the correctness of specific ideas (defining the general principles of designing and implementing strategy and the principles of the strategic management process organisation)¹². This does not mean, however, that the discussion on the different approaches and the ensuing consequences, and often different principles for strategy development (and deliberately chosen tools) is unnecessary – on the contrary. However, this is not the aim of this study.

Due to the fact that indicated earlier general areas of strategic management process, i.e. both the area of analysis and evaluation of the strategy itself and the area of analysis and evaluation of the context of the strategy are a very wide field of classification, strategy tools can be further classified not only from the perspective of the same strategies, but also from the perspective of methods of conditions for strategy development analysis. As it was noted, the tools directly linked to the strategies can either allow an assessment of the strategies and their content (e.g. portfolio analysis method, key success factors, competitive profiles, strategy canvas method, benchmarking competitors, etc.), or be an executive instrument (value chain deconstruction, core competencies, mergers and acquisitions, strategic alliances, network companies, etc.). Regardless of the above division, strategy tools (analysis tools or executive tools) are usually assigned to specific types of strategies (for their more general classifications, e.g. as an analysis, or growth and development strategy implementation tools, or competition strategy). In many cases it is also possible to classify them into more specific areas (such as specific types, or areas of strategy, for example shaping the image, relationships, reputation). Classical division of strategies according to levels of strategic management in the first place, and its further division into various types (e.g. the directions of expansion in strategies for

¹² The issue the author refers here to mainly concerns broader concepts and trends of strategic management, such as planning, positional, resources and evolutionary strategies (another section: mechanistic and organic approaches), although these trends are not always internally consistent and one can further classify both the whole management concepts and individual strategies or their tools in more specific terms (e.g. the concepts of capabilities and dynamic capabilities, distinctive competencies, core competencies, learning organisation, relational concepts, etc.). Cf. e.g. B. Godziszewski, *Zasobowe uwarunkowania strategii*, UMK, Toruń 2001, pp. 23–48; Z. Pięrcionek, *Zarządzanie strategiczne*, op.cit., pp. 28–33, 62–69.

growth and development, methods of expansion, further classification criteria of competitive strategies, etc.) can be a general classification criterion. Currently, due to the growing importance of the issue of the network enterprises creation and development (and new organisational forms of enterprises) one distinguishes four levels of strategic management, i.e. 1) strategies for creation and development of networks of enterprises (including network enterprises) – network's level, 2) growth and development strategies – corporations' level, 3) strategies of competition – the level of specialised companies and individual business units of diversified companies, and 4) the level of functional strategies (operational)¹³. The issues of cooperation, strategic alliances and the development of new organisational forms of enterprises were perceived as significant already in the past (both from the perspective of corporate strategy and competitive strategy), nonetheless defining this area as a new perspective (new level of strategy and at the same time new perspective of research) seems to be, for a number of reasons, one of the most important new development directions of strategic management. Despite the large convergence of classically recognised cooperation and current issues of creation and development of networks and network companies, one increasingly often points to the need of further refining the principles of creation and development of new organisational forms of companies, the principles of cooperation, strategy implementation, and especially all the principles of actions' coordination in the network enterprise from the perspective of the network orchestrator, i.e. from the perspective of the dominant companies that coordinate directions and methods of development of such companies (principles of strategic management at the network level¹⁴). Considering, however, that dedicated analysis tools are not always available (e.g. in relation to the new strategy concepts), and methodology of analyses cannot keep up fully with the need for new tools and new rules for the development and implementation of the strategy, it is worth paying attention to the fact that not always there will be a need of completely new tools and rules for the development and implementation of the strategy, but often one will require only new procedures that will allow a better use of existing (often most complex in relation to the different areas) analysis tools. The key problem with this

¹³ Z. Pierścionek, *Zarządzanie strategiczne*, op.cit., p. 17.

¹⁴ Cf. e.g. S. Łobejko, *Przedsiębiorstwo sieciowe. Zmiany uwarunkowań i strategii w XXI wieku*, Warsaw School of Economics Press, Warsaw 2010, p.71, M. Błaszczyk, *Zasobowe przesłanki decyzji strategicznych w tworzeniu i rozwijaniu przedsiębiorstw sieciowych*, in: *Przedsiębiorstwa sieciowe i inne formy współpracy sieciowej*, ed. S. Łobejko, Warsaw School of Economics Press, Warsaw 2011, pp. 148–152.

perspective is to evaluate existing tools of strategic analysis and to assess existing tools for implementation of the strategy in the context of changing conditions (assessment of the possibilities, conditions and rules for the use of classic strategy tools in the new conditions).

Classifying strategies according to management levels is widely accepted and shared in the literature. However, it may be a source of confusion, mainly due to: 1) the difficulty of a clear separation between the problems of growth and development, cooperation and competition (the problem concerns mainly specialised companies, which largely implement a single strategy, being at the same time a development and competition strategy, and increasingly also a cooperation strategy), 2) due to the strong connections and penetration of strategies (e.g. marketing strategies, logistics strategies and competitive strategies), and 3) due to the same hierarchical structure of the strategy that when improperly interpreted, may depreciate strategies of lower levels in relation to the strategy of the higher levels of management (such a situation, of course, should not happen).

The main strong reasons for hierarchical order of strategies, apart from formal ways to systematise strategies, include a) perceiving diversity of strategy (mainly at the network, corporate and competition levels), b) different rules and criteria for strategic decisions concerning the selection and implementation of strategies of different levels and different types (e.g. directions and scope of the expansion of the company and competing methods are assessed using different methods and criteria, different are also motives and decision criteria in relation to the horizontal and vertical direction of expansion), c) both a different range of analyses, as well as different strategy, its determinants, development and implementation analysis tools (mainly at corporate and competition level) d) the consistency of the strategy (internal compliance) – hierarchical structure of a strategy enables coordination of lower level strategies from a higher level of management. The aim of this discussion is not to present all the relevant arguments and counterarguments related to the perception of the strategy and its levels in the company, but only to draw attention to the fundamental dilemmas, which can in many cases hinder a clear classification of strategy tools (e.g. when a certain tool can be used in analysis, or in implementation of strategies at multiple levels, e.g. the deconstruction of the value chain can be not only a tool for implementation of the strategy to create and develop network enterprises, or disintegrate vertically large corporations, but also a tool for the implementation of competitive strategy in specialised enterprises, or at the same time a tool of internationalisation and gaining access to competitive resources).

Classifying strategy tools – both analytical tools, as well as executive instruments – from the perspective of strategy levels, allows primarily a general assignment of tools to the strategy level, drawing attention to the different nature of strategic issues, and may constitute the first phase of the further classification of these tools and assigning them (if possible) to specific types of strategies: networking, growth and development and competitive strategies. Further division of tools concerning different levels of strategies, is shown in Table 1.1 (e.g. in the framework of the strategy for growth and development one can talk about the sectoral and geographical expansion, vertical and horizontal direction of expansion, about alternative tools used in growth strategy, or development of core competencies).

Because the strategy tools are not always attributed directly to specific levels, or types of strategies, which primarily concerns the selected analytical tools (e.g. the analysis method of the macro-environment in the strategic analyses may be directly or indirectly used in the development of any kind of strategy, and at every strategy level/stage), area of strategic analyses can be considered for the second key criterion of tools classification. Selected strategy tools are applicable from both the perspective of a company as well as from the perspective of the analysis of the entire sector, the national economy, or wider economic systems, as well as in expertises and research, and therefore the area of the use of tools can be broadly defined (from the perspective of strategic analyses of enterprises or sectors, from the perspective of expertises and researches).

Analytical tools, such as e.g. strategic analyses methods are usually classified according to the criterion of the area (internal and external environment), though they may be also classified on the basis of the strategy level criterion (e.g. portfolio analyses methods; sectors' attractiveness and potential assessment methods for diversified companies. i.e. at the corporate level; sectors' and competitors' analyses methods at competitive strategy level), but such possibilities of tools' classification have been already mentioned in the previous section. This division cannot be applied in all cases.

Classifying tools on the areas basis provides additional possibilities for specifying tools purpose both for the assessment of the macroeconomic and microeconomic, sectoral and market determinants, as well as for the assessment of the resources determinants – strategy implementation. Although these areas are classified similarly in different sources, one can notice that strategic analyses principles recorded in literature are not sufficiently precise about them and dedicated analysis methods. Particularly noteworthy is the lack of explicit

importance indication of the division of the microeconomic determinants into demand and competitive factors and drawing attention to the relatively high possibilities of strategies development, resulting from the possibilities to confront these determinants in the sector's analyses. When assessing, for example, a proposed by M.E. Porter method of sector and competitors analysis, comprehensive from the structure of the sector and competition point of view, one can observe the lack of full confrontation of the results of these analyses with the demand determinants (the scale assessment, dynamics, but above all the structure of demand)¹⁵. In the literature, this problem is not always sufficiently articulated, which results in development of competitive strategies based only on the analyses of the sector and competitors, or market and final consumers, while the comprehensive analysis and context assessment requires analyses and results confrontation in both areas. Also, resources analysis area is not always interpreted unambiguously. The traditional division into internal and external analyses still seems to affect the limited perception of resources analyses. It is associated with excessive concentration on internal resources, without taking into account the wider resources determinants – mainly external resources, which increasingly affect the companies' competitiveness ("internal" analysis versus "resources" analysis). Despite the development of the companies' resource theory, "a static" approach is still a dominant one. It allows the assessment of all available resources and skills, but not desirable directions for further resources development (while the key role is played by the identification and evaluation of resources, which will have the greatest potential in the future, i.e. which are neither owned by the company, nor its competitors). Key issues related to this problem were highlighted in the previous stage of the research (cf. Chapter 2).

Given the growing importance of external forms and methods of strategy implementation (and tools for the implementation of these strategies), as well as the important role of the cooperation and strategic alliances, mergers and acquisitions strategies and new organisational forms of enterprises, including in particular the network companies, special attention should be paid to the tools (and the entire procedures for their selection and use) used in the analyses of competitors and business partners. These tools and procedures of their use, however, will vary depending on the nature of the problem and the purpose of such an analysis. The main areas of analyses, studies or research, allowing for a more direct strategy tools classification are presented in last rows of Table 1.1.

¹⁵ Based on the analyses conducted on the previous level of statutory research.

Table 1.1. Criteria for Classification and Assessment of Strategy Tools

Criteria for classification of strategy tools			
(k-1) Area of the tool's use in the PROCESS of strategic management		1.2. Direct analysis of the STRATEGY and its CONTENT	
1.1. Analysis of strategy internal and external CONTEX			
Specific areas of tool's use or impact:			
Vision: intuition, informal (implicit) methods of assessing internal and external conditions. Formal assessment tools of internal and external conditions.	Mission and objectives: organisational culture, key values, aspirations, needs of the environment.	Strategic analysis: Analyses of environment, enterprise and strategic resources (internal and external).	Development and selection of a strategy: presentation and summary of the results, development of different variants, strategy selection.
Strategy implementation: analysis of a strategy, its content, executive tools, operational methods and implementation tools.		Strategy control and verification: implemented strategy control and verification methods.	
(k-2) Levels and areas of a STRATEGY (Areas of tools use or impact):			
2.1. Corporate and network level:			
<ul style="list-style-type: none"> - network creation and development strategies, - sectoral expansion strategies – horizontal and vertical expansion (or reduction) direction: specialisation, diversification, vertical integration, disintegration, reduction, - geographical expansion strategies – horizontal or/and vertical direction: markets, supply, production, - core competencies creation and development, internal and external development methods, - technology, project, business model portfolios. 			
2.2. Sector's and competitive strategy (business strategy) level:			
<ul style="list-style-type: none"> - market competitive strategies (instruments), - resources competitive strategies (sources), • value chain (analytical, sequential approach), • the balance of strategic resources (critical factors and parametric approach), - alternative and integrated approach business model 			
2.3. Functional/operational level:			
<ul style="list-style-type: none"> - key management functions strategies: - marketing strategies and their instruments (M), - logistic and operational strategies (L+O), - research and development strategies (R+D), - human resources strategies (HR), - financing strategies – financing methods and sources (F), - organisational learning and knowledge management strategies (OL+KM). 			
another functions and functional strategies			
(k-3) Strategic analyses, research, or expertise AREAS			
3.1. Macro-environment analyses:			
forecasting methods, expert methods, scenario methods, areas: PEST, PESTEL.	3.2. Micro-environment analyses: MARKET analyses COMPETITION analyses	3.3. Enterprise analyses: Objectives, mission, implemented strategy, position, competitive advantages and potential.	
3.3.1 Resources OWN (current and desired)		3.3.2. Resources analyses EXTERNAL (available and unavailable)	
3.4.1. business partners analyses (cooperation and competition)		3.4.2. mergers and acquisitions analyses	

Source: based on own research.

On the basis of the described criteria it is possible to conduct a preliminary assessment of the different strategy tools, their nature, areas of application and impact. Paying attention both to the most used and best rated (in terms of utility) strategy tools that were described (on the basis of Bain & Company) in Chapter 5 (Fig. 5.2), one can see that they include tools used to assess the conditions of the development and implementation of the strategy, such as value chain, core competencies, balanced scorecard, customer segmentation, as well as executive tools (methods and instruments for strategy implementation that define its meaning), i.e. mission and vision declarations, change management, outsourcing, mergers and acquisitions, customer relationship management, strategic alliances, digitisation, supply chain management.

Strategy tools analyses carried out within the framework of this research mainly concern executive tools, i.e. mergers and acquisitions, the deconstruction of the value chain (international dimension), customer relationship management (including tools to assess customer satisfaction), informal relationships management, regulatory tools and compliance as the methods of company's security, risk reduction or organisational culture improvement. Although the customer relationship management systems are tools of competition strategy (marketing strategies precisely), cloud computing model is a tool for the analysis of the strategy implementation conditions. Similarly, one can talk about the value chain deconstruction as an strategy implementation instrument, while the same value chain model is already a strategy implementation conditions analysis tool (in this case the resources determinants analysis) used to evaluate its implementation.

The tools described in studies by Bain & Company and shown in Table 1.1. can be also classified according to different strategic management processes, i.e. vision, mission and goals definitions, strategic analysis (market segmentation, Big Data analytics, value chain, key competencies), as well as strategy implementation, control and verification (balanced scorecard). It is worth mentioning that strategic analysis processes should have a constant, repetitive character. It means that every strategy analysis method, not only a balanced scorecard, which allows for the assessment of reality before and during the strategy implementation may be classified simultaneously to the analysis, control and verification areas (it includes majority of strategy analysis methods, which are not a subject of a detailed study here). Analysis includes a variety of analysis areas, e.g. own and external resources analysis (value chain, core competencies), market and competition analyses (inter alia segmentation, CRM tools involving cloud

computing, Big Data), as well as integrated methods (balanced scorecard). The tools can be also classified according to strategy level and type. Mergers & acquisitions, strategic Alliance, value chain deconstruction are mostly recognised for growth and development strategies at corporate level (today also at network level), no matter if they are defined as independent strategy type, or as strategy implementation tool (growth and development). These strategies differ depending on the implementation motives, scale, scope and potential results, which makes it difficult to describe them as strategy implementation tools of the strategic management system of the highest level. Outsourcing is an example. It can enable a full reorganisation of processes (intelligent enterprises, virtual companies and the so-called "empty enterprises"), leading to a substantial changes of organisational forms, or it can become a corporate strategy (outsourcing of a single, but crucial process), as well as a competitive strategy (it is difficult sometimes to predict its consequences). At the same time outsourcing can be an operational strategy (functional), as long as its scope and effects do not exceed enterprise's activities optimisation in the less important processes area (e.g. according to the value in client's opinion) and supportive functions in the organisation (e.g. cleaning and protection services on the university).

One is evaluating under this studies only strategy tools, mainly executive strategy tools, i.e. methods and instruments that define strategy in many aspects. Due to the character and goals of the research, one has closely described especially three crucial strategy implementation instruments, referring to the highest level of strategic management (i.e. mergers & acquisitions, value chain deconstruction in the international dimension and outsourcing), competitive strategy instruments (outsourcing can be also indicated here depending on the strategy scope and effects), and also operational strategy instruments (mainly marketing strategies, but not only), which among others include CRM tools, client's satisfaction assessment tools and CRM in the cloud.

A precise classification of selected strategy tools is very often not unambiguous, which can result from difficulties in scope and effects of the tools assessment, as well as from unclear interpretations of the tools. For example, core competencies, whose evaluation determines implementation of different types of strategies (mergers & acquisitions, value chain deconstruction, competitive strategies) can be considered for a context of strategy implementation (i.e. as a strategic analysis method based on specific competencies identification criteria). Furthermore core competencies can be treated as direct strategy's and its parts instruments (used for strategic analyses based on specific criteria of competencies identification).

Apart from that, core competencies can be used as direct instrument of a strategy or its content (assessing the direction of competencies development). Do the core competencies define content of the corporate strategy, or the competitive strategy? Are they a part of strategic resources, or methods of organisational learning (and ability to create specific types of resources)? Table 1.1 presents the most important analytical and executive strategy classification criteria and most often used strategy tools and areas of their use, or impact.

1.3. Strategy Tools and New Strategic Thinking

Due to a large variety of strategy tools, their creation or implementation, comprising both strategy determinants assessment tools, same strategy assessment tools, as well as strategy executive tools, a complex evaluation even of a selected tools dedicated for a most important areas of this process, is not possible. It is even difficult to justify a selection of specific tools, or their narrow spectrum in such an analysis, while the main theses of new thinking include, among others complex and integrated approach to strategy development and implementation. Criteria described in the previous point, however, can be a starting point to a further strategy tools assessment, their systemisation, and in the first place, for finding areas of use and impact of different strategy tools. Explained classification criteria allow one to make a general assessment, position or establish preliminary rules or conditions for the use of particular tools and to identify tools gap areas, but they do not allow for a more detailed tools analysis and assessment. This perspective allows one not only to classify the strategy tools, but also to evaluate their usefulness in the different areas of the whole strategy development and implementation process. They can be also assessed using more precise evaluation criteria, such as universality, flexibility, complexity (in a given dedicated area, or in a broader approach), as well as due to easiness of integrating or confronting different knowledge streams (which concerns mainly integrated methods). Possibilities of evaluation of analytical and executive tools are not equal, because criteria used in the development and assessment stages differ from each other (e.g. evaluation criteria mentioned before), and different criteria are used for strategy executive tools (influence of strategy development tools on the relationship of expenditure and effects, influence on strategy implementation costs, influence on strategy implementation pace, influence on development or growth rate, possibilities of achieving

economies of scale and synergies, influence on different market and competition risks, etc.). Classification criteria allow mainly systemising in the basic range the tools and knowledge about them (initial available and unavailable tools assessment). Possibilities of systemising tools are however much more complex, and criteria for their evaluation can be much more precise. One can discuss both the tools' broad spectrum, but also the broad spectrum of features, which can be used for classifying or tools assessment.

Concentrating attention on research objectives a question should be asked of how to assess strategy tools in the context of new strategic thinking development and connected challenges, what strategy tools are a part of new strategic thinking and what characteristics they should possess. In order to do that one should describe the new strategic thinking and tools connected with it.

As a side note, it can be added that every action, method and instrument, which brings us closer, or that facilitates strategy development may play a crucial role in management practice, while the lack of tools hinders the strategy development and implementation processes. After taking into account this specific context, the significance of tools in determining strategy development and implementation should be appreciated. This problem seems to be particularly important due to the gap, which is often created as a consequence of a fast development of new management concepts of a cognitive character without having available practical implementation tools and methods (including conditions). Another result is the importance of not only the same tools, or the description of their desirable features, but also the broader specification of selection and use principles of different tools.

The new strategic thinking aspects are present on a few plains. Their key characteristics include complex (holistic, systemic) and integrated (integrating) approach to both the strategy, as well as to the methods of its development. Similar strategy development and implementation conditions can be also established based on other studies, concerning, e.g. identification of criteria for enterprise's strategic management quality assessment¹⁶. These features seems not only to characterise new strategic thinking, but are also a necessary condition for methodological correctness of the same strategy development and implementation process in a present, increasingly complex and dynamic conditions of enterprises'

¹⁶ Cf. Z. Pierścionek, *Kryteria zastosowania zarządzania strategicznego w przedsiębiorstwie* and *Dodatkowe kryteria oceny zarządzania strategicznego w przedsiębiorstwie*, in: *Zarządzanie strategiczne w praktyce polskich przedsiębiorstw*, eds. S. Łobejko, Z. Pierścionek, Warsaw School of Economics Press, Warsaw 2011, pp. 232–236, 253–255.

functioning. These conditions involve both the strategy (complex, consistent and integrated), as well as the methods of its development (conditions' and strategic management process evaluation, which is a complex and integrated task).

Further, new strategic thinking includes more precise elements, such as simultaneous orientation towards strategic resources of a greatest potential (towards their creation, development, acquiring and effective use) and a value for a client. Resources, market and competitive approaches do not exclude each other, although different priorities can be accepted here (strategy's context and strategy instruments' orientation) – resources allow however for a creation of effective competitive strategies and allow offering value for the customers. At the same time clients and their preferences are one of the major reference points for the strategic resources significance evaluation. In this way strategic actions in both areas need to be connected, because these are complementary strategy areas (it is also one of the important areas of strategy integration). Integrated approach also means a higher orientation towards business models (or alternatively towards complex competitive strategies) and towards complex business models management. New strategic thinking in the competitive methods area is about ability and ways of creating broadly understood innovations, while methods of creation, development, acquiring and effective strategic resources utilisation are linked with organisational learning processes and knowledge management (competences development in an enterprise or in cooperation), as well as with new organisational forms growth of importance among enterprises and rising significance of strategies implemented in this area. New organisational forms also limit the strategic assets' scope of control for the reduction of less effective resources (or alternatively looking for more effective resources outside the organisation), which is directly connected not only to deconstruction, but also to the value chain internationalisation. Ability to change and flexibility (of the strategy, or the enterprise and its organisational structures), which are increasingly becoming a condition and not just the specific features of the strategy implementation, are particularly important parts of new strategic thinking from the perspective of competitive processes dynamics. Organisation's flexibility can be a result of the strategy development method, as well as of the flexibility of the strategy itself, its instruments, strategic resources (internal and external), effects of different activity areas diversification, or it can be a product of organisational forms directly.

Summing up, key characteristics of modern strategic thinking comprise:
1) complex and integrated approach to the strategy and its development,

2) simultaneous focus on strategic resources (of a highest potential) and on customer value, 3) broadly understood focus on business models (or complex and integrated approach to development and implementation of competitive strategies), 4) focus on innovation and methods of its creation, 5) focus on organisational learning processes and knowledge management, 6) focus on enterprises' new organisational forms (point 5 and 6 in are the methods of finding, developing and utilisation of resources, including reduction).

Taking into account such a wide spectrum of new strategic thinking and making an attempt to assess the strategy tools from this perspective, it can be noticed that it is not always possible to use the mentioned features in the valuation of all tools, because they mainly allow characterising the strategy, its content strategy executive tools, while in turn these features characterise analytical tools to a much smaller extent. Therefore, it will be essential to further distinguish strategy tools – into the ones of analytical character, related to examining strategy implementation conditions (e.g. strategic analyses methods), and executive instruments and strategy implementation methods. Because all indicated new strategic thinking characteristics concern the strategy's content, its interpretation and executive instruments, one should primarily focus on finding the desired characteristics of analytical strategy tools, or on principles for their selection.

Complex and integrated approaches may be deemed particularly universal features, both in relation to strategies, as well as to the analytical tools for their implementation conditions. As it was mentioned before, research conducted during the previous stage has shown that the implemented strategy (its various instruments) and the strategy development method (development process and evaluation context) should be complex, consistent and integrated. As far as the selected analytical tools can have more universal, or complex, or on the other hand, narrow and dedicated character, it is difficult to assess the role and significance of single tools, because there are no fully complex, or integrated tools and conduction of complex analyses requires many analytical methods, which allow one to comprehensively recognise conditions of the strategy development and implementation. Noticeable is also the phenomenon of tools supplementing each other and the important role of universal and integrated tools (often synthetic, parametric) from the perspective of a broader strategy implementation conditions assessment (e.g. portfolio analysis methods, sectors' attractiveness and geographical markets assessment methods), while different areas will need dedicated analysis tools, allowing for a deepened conditions assessment (e.g. sector's structural analyses, resources analyses, demand structure and

customers preferences analyses etc.). Thus, proper selection of methods and tools will be crucial. It should be conducted in a manner that would allow: a) analyses focused on solving specific problems, b) complex analyses of conditions in a given problem area. However, in order to make a purposeful selection of different tools possible (research method), a full characteristic of particular strategy implementation tools is needed (area and conditions of use, possible limitations etc.), which means that such a complex method of tools assessment should co-create the canon of these tools description. Complex and integrated approach to strategy development and implementation from the level of analytical tools (i.e. from the perspective of the strategy implementation process) includes also complex macro- and microenvironment analyses, and among others, ways of evaluating the macroeconomic impact on demand conditions in the sector, on competitive conditions and the enterprise alone. Complex and integrated analyses mean the ability to evaluate the influence of macroeconomic determinants on the sector and the enterprise, as well as the ability to confront demand and competitive determinants in the sector and to confront resources determinants with the previously indicated conditions. Important part is played by both complex approach to analysis and assessment of individual areas and the capacity of confronting analyses results from various planes and stages. Again, the importance of methodology is visible, which in turn helps one to select appropriate tools and knowledge on interpreting, confronting and utilising results stemming from different research methods. The demand for integrated tools accompanied by high complexity of strategy development and implementation increases, although creation of fully complex and universal tools, that would solve simultaneously a multitude of strategic issues is not possible. More realistically, these tools (or procedures using standard tools) will be developed in order to solve narrowly defined problems. As practice shows, specialised and dedicated tools provide best analytical possibilities, although strategy development and implementation often require use of broader tools and methods spectrum. Thus, the demand for integrated tools increases parallel with the need for dedicated ones.

Characteristics of new strategic thinking described earlier (new business models, creation or acquisition and effective utilisation of resources, providing value to clients, innovations, core competencies, new organisational forms, ability to change and flexibility) are based on features of specific strategy executive tools and do not indicate directly the features that should be a part of analytical tools. It has been noticed that selection of appropriate tools and proper conduction of analysis in order to implement strategies in accordance

with clearly defined rules and criteria are of high importance. In each case the choice of research methods, analyses scope, their sequence and gravity points can be different and the final purpose of these studies can vary. Thus, it is hard to determine (in general) the desirable characteristics of analytical tools combined with given strategies and their executive instruments. Surely, they need to be dedicated, carefully selected, directed at solving specific types of problems. Although the tools are important in the processes of strategy development and implementation, it would be hard to agree on the fact that the tools alone are crucial and of key importance and that crucial is the knowledge on the criteria of their selection, purpose, terms of utilisation (including their limitations) and interpretation principles.

Conclusions

Strategy tools enable, or facilitate strategy development and implementation processes in the enterprise. As a result they determine in practice, to a large extent, the use of different strategic management concepts and of strategy itself. The concept of the strategy tools is very wide, because it comprises analytical tools related to strategy development processes (including strategy external and internal context analyses and evaluation), strategy analysis tools (including strategy content analyses and evaluation), and strategy executive tools (in practice it means that strategies and their variants also belong to this group, because they are methods of objectives' implementation). Strategy tools can be classified and systemised, which enables, among others, not only their positioning, purpose's and role's assessment, evaluation of area and scope of use, or impact, but also the specifying of preliminary principles and conditions of their use in practice. Strategy tools can be classified due to the area of their use in the context of the whole strategic management process (development, implementation and strategy assessment and verification), and also in a more specific approach – from the perspective of levels and types (including areas) of strategies and from the strategic analyses area point of view (alternatively expertise areas, or empirical research). Analytical tools, connected with the process of strategy implementation conditions evaluation may be classified from the perspective of all three classification systems, while the strategy implementation tools are grouped mainly considered two areas: strategic management process and strategy levels and types (and areas). Because of the specifics, strategy

executive tools not always can be classified in the analysis area, as the use of specific strategy instruments types (creation and development of core competencies, value chain deconstruction, or mergers and acquisitions) requires a wide spectrum of strategic analyses, which most often are not related to a specific analysis area (e.g. core competencies analysis area exceeds resources analysis area, for example due to the necessity to evaluate the impact of analyses tools on the values important for the customer). The assessment of the broader scope of the strategy tools from the mentioned tools perspective allows one to identify areas and strategic problems, where strategy tools are underdeveloped and unable to support the decision-making process. The wider utilisation of the tools in the strategy development and implementation processes not only enables the higher level of strategy development and selection procedures formalisation (which has its pros and cons), but also increases the clarity of strategic decisions and criteria, based on which the decisions are taken in practice, which on the other hand allows explaining substantially the strategic choices in the enterprise.

The main features of new strategic thinking, based on conducted research, include, among others: 1) complex and integrated approach to the strategy and principles for its development, 2) creating, developing or acquiring and effective utilisation of strategic resources (internal and external), with a simultaneous focus on providing value for the clients (integrated approach to strategy and higher level of resources and market strategies integration), 3) orientation on business models (strategy as an integrated system of actions and instruments) and managing various business models (higher level of strategy integration and its potential transfer to new sectors), 4) orientation on innovation and methods of its creation, 5) orientation on new organisational forms of enterprises (perceived, among others, as tools of effective development, acquisition and commercialisation, as well as tools for reducing strategic resources and increasing flexibility of strategy and organisational structures) and 6) orientation on organisational learning processes and knowledge management processes (manifested as operational knowledge development or acquisition tools).

Indicated features of new strategic thinking concern directly mainly executive strategy tools (they include, i.e. value chain deconstruction, core competencies, strategic alliances, mergers and acquisitions, relations management, image creation etc.), because they define the strategy's content and instruments and it is possible do link directly to specific features of new strategic thinking. A common denominator can be found here, where most characteristics of new strategic

thinking can be achieved simultaneously, as long as they are considered from a broader perspective in strategy development and implementation processes.

Tools of an analytical character (conditions assessment methods, methods of strategic analyses) have a different nature and not all mentioned features of new strategic thinking can be explicitly and unequivocally defined in relation to these tools. Analytical tools should primarily allow a complex assessment of strategy development and implementation context (including the changes in determinants and in the reality during the strategy implementation how the implanted strategies shape the new reality), however it does not mean that they have to be integrated and flexible (universal?) only. As a strategic management practice shows, strategy development and implementation processes require a wide spectrum of tools, dedicated both to narrow and specific analyses, as well to broader ones (often comparative analyses). Thus, a spectrum of tools that would allow for a complex assessment of strategy implementation conditions requires an appropriate, purposeful selection of these tools according to the problem's character and the advanced methodological knowledge on principles for conduction of such analyses, as well as knowledge on particular tools used in strategy development and implementation processes. A thesis can be formulated in this context that these are not the tools alone, but knowledge and abilities of their intentional selection and skilful use that can play a relatively more important role in the strategy development processes based on new strategic thinking. Keeping this in mind, it should be noticed that equally important are the development of new analytical tools, that will allow putting in practice novel strategy concepts, as well as developing knowledge on broader understood strategy development principles in relation to specific problem areas (such as, e.g. value chain deconstruction, developing core competencies etc.), where standard strategy development procedures not always fully cope with all the challenges (especially in connection to new problem areas). Asking questions about new principles of strategy development and implementation is not only about creating new methods and new procedures for strategy development, but also about shaping new strategy development procedures for classical methods and tools, which can be with success used in strategy development processes (based on new concepts, among others on new strategic thinking concepts). Creating new strategy tools and new procedures is based also on evaluation and verification of presently used classical tools, as well as assessment and verification of new, not necessarily fully proven strategy tools. Every strategy, even most effective one, can bring chances and threats.

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Institutional Factors and the Effectiveness of Strategic Tools in the Process of Effective Strategy Development in an Enterprise

Mariusz Sagan

Introduction

Selection of the appropriate management tools, aimed at realisation of an effective strategy in an enterprise is one of the most important challenges that are face by modern business organisations. This task becomes even harder when one becomes aware of how turbulent and unpredictable the conditions are, in which the companies operate, given a multitude of external and internal factors and institutional, market, economic, demographic and political issues. Development of management tools, which are strongly influenced by information technologies (especially *open data* and *Big Data*) allows for a faster and more effective reactions to the changes in the environment. This in turn favours companies, which are not afraid to use these new solutions and thus win the competition implementing effective strategies on different business and organisational levels. On the other hand institutional conditions of a highly context character influence the selection of management tools by enterprises from different parts of the world and sectors. Given the above, the institutions, also informal ones, have an direct and indirect impact on the way the strategies are formulated and implemented in the enterprise. Institutions affect the scope of use and effectiveness of individual strategic tools also from the perspective of new processes in the strategic thinking.

Keeping in mind the rank of above issues, this chapter focuses on two aspects, or problems related to new strategic thinking concept:

Firstly, an attempt has been made to classify single, previously chosen strategic tools into 4 studied areas connected to new strategic thinking concept and conditioning implementation of an effective strategy in the enterprise.

As M. Błaszczuk noticed in the previous chapter, although objective difficulties in empirical verification and assessment, strategy implementation tools can be classified and thus closer characterised and systemised.

Secondly, an attempt has been made to analyse the impact of institutional factors on the strategy tools effectiveness, which facilitate implementation of an effective strategy in the enterprise (in the context and within four previously defined areas of new strategic thinking).

Main assumptions of this chapter, thus implement the most important objective of the monograph, i.e. indication of the interdependencies between strategic tools and key – from the perspective of new strategic thinking – processes (preparing organisation to changes, systematical innovation creation, networking, creation of various business models within a single organisation). After completion of the intended research objectives, established even before the preparation of this development, one will be able to achieve following scientific and practical effects:

1. Identification of institutional factors that influence a good match of management tools with four processes/areas in the new strategic thinking (good match of management tools with selected enterprise strategies).
2. Defining tendencies within the use of tools in strategic management in the context of four selected processes in new strategic thinking, also in the geographical and effectiveness aspects.
3. Formulating preliminary recommendations for enterprises concerning premises and possibilities to use selected management tools.

Second chapter has a conceptual character. A world literature with reports and analyses on contemporary management tools applied in the international business have been used here. Especially helpful were the works of Bain & Company advisory company. As an effect of the conducted considerations an attempt to create a conceptual interdependency model of three research categories has been made. They include: institutional factors, strategic tools and key processes in new strategic thinking.

2.1. Strategic Tools and Key Processes in New Strategic Thinking

One of the main objectives of this chapter, as it was outlined before, is an attempt to indicate the interdependencies between strategic tools and key – from the perspective of new strategic thinking – processes (preparing organisation to changes, systematical innovation creation, networking, creation of various business models within a single organisation). It will allow for a more comprehensive tendency specification within the utilisation of tools in strategic management both in the tools context, as well as in sectoral and regional contexts. It will be also possible to qualify individual strategic tools into four indicated areas/processes related to new strategic thinking concept.

These processes include:

1. Preparing the organisation to changes, which is connected to the changes in their organisational structure. Modern enterprise should be at least partially flexible, because it's a necessary condition to deal with uncertainty.
2. Regrouping of enterprises, which is a manifestation of organisational innovativeness. As a consequence functional-spatial fragmentation of activity occurs, as well as the increasingly present, more external than organic, companies' development based on access to external resources.
3. Network relational abilities. They are necessary for the cooperation with business partners and should be perceived as an important source of competitive advantage and one of the key competencies of the enterprise.
4. Creation of various business models in a single enterprise, which is connected to necessary business models portfolio management, perceived increasingly often by enterprises.

Selection of appropriate management tools (strategic tools, strategy implementation tools) is a very important aspect of taking and implementing business decisions. Managers should be aware of having both some advantage, as well as of weaknesses of particular strategic tools and have necessary knowledge on business conditions and stages of strategy implementation that will be perfect for the use of a given tool. It is crucial, from the perspective of preparing the enterprise to the aware participation in four studied processes of new strategic thinking, to decide which tools are to be used in which processes, in order to be most effective, which in turn will allow building effective strategy on different levels.

The literature distinguishes many strategy tools classification criteria (cf. Chapter 1 by M. Błaszczuk). Classification proposed and developed by Bain & Company¹ seems to be the most attractive from the current study perspective. It consists 25 proven and widely used management tools, which in most cases can be classified into functional-operational strategy tools classification level. Part of management tools used for the purpose of the study can be found in the group of instruments related to strategic analysis of the enterprise and strategy analysis during its implementation stage.

In order to classify the particular management tools into four previously defined areas of new strategic thinking, one has undertaken a conceptual attempt to specify key dependencies between each of 25 separated strategy implementation tools and the processes on the border of enterprise and its environment (four processes in new strategic thinking). The submitted classification is an original work of an author and does not exhaust the subject, relating, among others to alternative strategy tools classification methods. The results of the study have been aggregated in Table 2.1.

In the result of the conducted analysis, tools to processes/areas and separated three groups of tools have been assigned:

1. Unique management tools (strategic, applied individually in each of four new strategic thinking areas).
2. Common management tools (strategic, used during the strategy implementation of the whole enterprise, independently of the new strategic thinking area, which does not mean that they are used in every business situation related to a given process of new strategic thinking).
3. Other management tools (strategic, of a niche and dedicated character, are not applied systematically during the strategy implementation in the four areas of new strategic thinking, but individually depending on the specific needs of the organisation).

Due to a very technical and specialised character of tools classified as “other”, they were not covered by the additional analysis. One did not also describe the impact of accepted management tools on all processes/areas of new strategic thinking, showing only chosen, most evident and significant, according to the author, interdependencies. They will be the subject of further research and analyses in the future. Given the different translations of English terms of management tools present in Polish literature, one is using their original names.

¹ D. Rigby, *Management Tools 2013, An executive's guide*, Bain & Company, Boston 2013, pp. 1–61.

Ad. 1. Preparing Organisation to Changes

In the conditions of growing instability and complexity of the international business environment, the ability to prepare the organisation to changes and, in a consequence, to transform it into a flexible unit, is becoming one of the enterprises' core competencies. Representative global studies conducted by Bain & Company in 2014² as much as 75% of survived managers from the whole world indicated that the ability of the enterprise to adjust to changes in the environment is one of the main factors conditioning achieving a major competitive advantage³. Growing complexity of business operations and value chain configuration increases, according to 60% of respondents, the costs of organisation's functioning and impedes entering the path of sustainable growth⁴. The proper selection of management tools is becoming extremely important in such conditions.

In the case of first area functioning within the scope of new strategic thinking, e.g. preparing organisation to changes, 11 management tools in total (10 unique and 1 common) have been separated, which, according to the author, in the best way support and allow implementation of an effective strategy in this strictly defined area (see Table 2.1).

Big Data Analytics is one of the more important management tools in this group. It enables one to acquire information from large, integrated, global market data bases and to find unknown earlier correlations between international business parameters (e.g. client and his loyalty, customer retention and marketing tools effectiveness, etc.) As a consequence enterprises can faster identify new market opportunities, which precedes management decisions concerning organisational adjustment changes in the enterprise. *Business Process Reengineering* is another important tool. Introducing it to the organisation remodels key business processes, enabling one to make organisational structures flexible. It is very important from the organisation's adjustment to changes point of view, because it allows the shift from functional organisation model (relatively inflexible) to organisation model based on inter-functional teams to react faster to new challenges and market opportunities. Similar effects are provided by the tool *Change Management Programme*. It allows enterprises to better control

² The study involved 13000 managers representing 70 countries from around all over the world and from most of sectors and industries. See: D. Rigby, B. Bilodeau, *Management Tools and Trends 2015*, Bain & Company, Boston 2015, p. 2.

³ Ibidem, p. 3.

⁴ Ibidem.

implemented processes, especially inside the organisation. In turn *Complexity Reduction* helps managers to simplify strategies and processes in the organisation, and in consequence also organisational structures, which enables not only greater flexibility of such an organisation, but also the concentration on most profitable products and clients. *Downsizing* is practically identical tool and it's also effective in this area of new strategic thinking. *Outsourcing* is another very important tool. Transferring processes to an external entity gives an enterprise freedom from unnecessary and ineffective actions, and as a consequence it slims down also organisational structures and allows the enterprise to focus on key competencies and most important streams of income.

Table 2.1. Management Tools: Classification Attempt

PROCESSES IN NEW STRATEGIC THINKING	PREPARING ORGANISATION TO CHANGES	UNIQUE STRATEGIC TOOLS	
	REGROUPING OF ENTERPRISES		←
	RELATIONAL NETWORK ABILITIES		←
	BUSINESS MODELS DEVELOPMENT		←
			COMMON STRATEGIC TOOLS
			1. <i>Balanced Scorecard</i> 2. <i>Benchmarking</i> 3. <i>Strategic Planning</i>
			OTHER STRATEGIC TOOLS
			1. <i>Employee Engagement Surveys</i> 2. <i>Price Optimization Models</i> 3. <i>Total Quality Management</i> 4. <i>Zero-Based Budgeting</i>

Source: own research.

Ad. 2. Regrouping of Enterprises

Preparing the organisation to changes enables, in the next stage of strategy implementation, the functional-spatial fragmentation of enterprises' activity, which is also an organisational innovativeness manifestation. Characteristic is the development of enterprises based on external resources, which requires the use of adequate management tools. It seems that among 11 management tools described in the table (10 unique tools and 1 common, identical in the number, as in the case of "preparing organisation to changes" area), the following are the most important ones: *Mergers and Acquisitions*, *Open Innovation*, *Outsourcing*, *Strategic Alliances* and *Supply Chain Management*.

While the role of *Mergers and Acquisitions*, *Outsourcing*, or *Strategic Alliances* in the process of enterprises' regrouping is obvious, the relations of the other two tools require a comment. *Open Innovation* facilitates acquiring innovative ideas from the environment, boosting their technological development. It encourages companies on the one hand to growth based on own resources, and on the other hand to reconfigure their value chain (i.e. locating parts of the chains in the places, from where innovations were acquired, with the use of various business partnership forms: joint-venture, licensing, or strategic alliance). It changes geography of the enterprises' value chain and accelerates the ability to react faster to changes in the global environment. Similar relationships occur on the edge of *Outsourcing* – regrouping of enterprises. When considering *Supply Chain Management* tool, its main goal is to synchronise efforts of different business partners – suppliers, producers, distributors, clients and others, in order to meet expectations of final consumers⁵. Creation of trust between value chain participants is another important aspect of this process. Regrouping of companies and their functional-spatial fragmentation are thus becoming a function of effective supply chain management, enabling it directly, inter alia through the possibility to manage one complex process, instead of tens independent operations. Thereby, fragmentation of companies' operations can be "manageable" as a whole process, without the risk of lack of control over new, and to a large extent independent from the enterprise, business arrangements (branches, partners, alliances, NEMS, etc.)

⁵ D. Rigby, op.cit., p. 56.

Ad. 3. Network Relational Abilities

Network relational abilities should be perceived as an important source of competitive advantage and one of the enterprise's key competencies. Informal institutions have an important role in creating relational potential, which, among others, through an impact on shaping and implementing processes of management tools, such as involvement of employees, enable forming network relational abilities. In the author's original proposal, strategic tools interdependent with shaping enterprise's relational abilities include 6 from 25 analysed management tools. Customer Relationship Management is among the most crucial. It helps an enterprise to improve sales indicators and customer retention through better designing loyalty programmes for the final customer. It's conducted through elimination of "painful spots" in the life cycle of relationship with a customer and through a development of technological platform for communication with a customer. Thanks to CRM organisation learns faster to start relationships with segments of clients, which can be connected with the creation of more developed and sophisticated network relationships with other business partners: contract partners, business environment institutions, or from the perspective of the same organisation, with own groups of workers. Similar interdependencies can be observed between network relational abilities and tools enhancing them: Mission and Vision Statements. Although the declaration of the company's values expressed in its vision and mission, has mainly an internal influence, literature points to the fact that it has an essential importance in creating stronger relationships and better communication with clients, suppliers and strategic alliances partners⁶. Satisfaction and Loyalty Management tool is extremely important in developing enterprise's network competencies. It is aimed at improving income and profit indicators in the company through bettering client and employee retention. As a result, well-designed and implemented SLM tools allow one to strategically combine interests and energy of employees, clients, suppliers and investors into a self-supportive cooperation and relationships network⁷. The last of the described tools, relatively youngest in the world's business practice, are the Social Media Programmes. They favour relations' virtualisation with a simultaneous improvement of their potential, thanks to a more comprehensive interactions with partners, clients

⁶ Ibidem, p. 38.

⁷ Ibidem, p. 46.

and employees. Although communication with a client and sales of goods and services in the Internet becomes a major role of this tool, building and maintaining social network around a company has an essential influence on relational abilities. These competencies can be later transferred on the above-virtual cooperation network level.

Ad. 4. Business Models Development

Business model portfolio development and management by the enterprise requires a systemised thinking system used in the organisation and its management. It is also strictly connected with the ability to use much more "technical" management tools, similar anyway as in the case described before areas of preparing organisation to changes and enterprises regrouping. In the analysed area, the tools influencing the ability to professionally develop management system in the organisation based on the business model (and business models portfolio management) include Big Data Analytics, Complexity Reduction, Core Competencies, Customer Segmentation (unique tools) and Balanced Scorecard, Benchmarking and Strategic Planning (common tools). Customer Segmentation has an elemental meaning for the success of business models development within a single organisation. Applying in the enterprise strictly defined clients segments and assigning them remaining business models elements is a main way to constitute this strategic process. Without a primary business model block, i.e. client segment, it's impossible to create following blocks that create this model (such as income sources, cost structure), and ipso facto manage organisation through a business model (or to manage portfolios of few business models in the single organisation). In turn, thanks to benchmarking, which identifies, describes and allows implementing best market practices, it is possible to copy both business models development technologies, as well as moving already proven, existing models. Balanced Scorecard helps to operationalise enterprise's strategy, use indices to describe income streams, profits, return rates on capital, profitability and clients' loyalty and in the next stage, to classify them into particular elements constituting business model (i.e. to 9 blocks of business model according to Osterwalder)⁸.

⁸ See more: M. Duczowska-Piasecka, *Model biznesu – nowe podejście do zarządzania strategicznego*, in: *Model biznesu. Nowe myślenie strategiczne*, eds. M. Duczowska-Piasecka, M. Poniatowska-Jaksch, K. Duczowska-Małysz, Difin, Warsaw 2013, pp. 132-142; M. Sagan, *Modele biznesu w epoce*

Summarising considerations presented in this part of the study, some patterns can be noticed. Firstly, tools that support strategy implementation in the preparing organisation to changes, regrouping enterprises and building variety of business models within a single organisation areas, have a more technical character, as in the opposition to the third area, i.e. relational network abilities development, where technical-relational tools have a dominant role, which should be of no surprise. Secondly, not all management tools within a one group jointly support all four areas connected with new strategic thinking, which is a result of the fact that they are usually implemented on the whole corporation or network levels. However it is evident that the analysed management tools from the “common” group are used entirely in the business models development area. It justifies the common thesis in the literature that management based on business model is the area/level of the strategy of the whole enterprise, and even, as some researchers claim, business model is identical with the company’s strategy. Thirdly, management tools present in the four processes of new strategic thinking in some cases repeat oneself and are partly common in particular groups.

This observation encouraged the author to conduct additional analyses in this field. Thus the six combinations of four new strategic thinking areas have been measured – from the perspective of similarities within strategic tools between each of these areas.

1. Strategic tools similarities in the areas of preparing organisation to changes and enterprises regrouping,
2. Strategic tools similarities in the areas of preparing organisation to changes and various business models development,
3. Strategic tools similarities in the areas of enterprises’ regrouping and various business models development,
4. Strategic tools similarities in the areas of preparing organisation to changes and relational network abilities,
5. Strategic tools similarities in the areas of enterprises’ regrouping and relational network abilities,
6. Strategic tools similarities in the areas of relational network abilities and various business models development.

It has been observed that most similarities among used management tools occur between the first and second functioning area in new strategic thinking (preparing organisation to changes, regrouping of enterprises). Each of these groups uses as much as 8 same unique tools and one common tool – which amounts to over 70% of all tools in both areas. It's a visible tendency, which is explained by the fact that practically the same management tools influence the processes of preparing organisation to changes and regrouping of enterprises. It might be result of the fact that these two strategic processes are strictly combined: most often preparing organisation to changes precedes processes of its regrouping and fragmentation, which further accompanied by faster internal development. It also indicates the necessity of the joint analysing the above processes in the context of their interdependency with strategic tools. Some similarities within the used strategic tools can be seen between the first area (preparing organisation to changes) and the fourth one (various business models development) and between second area (regrouping enterprises) and the fourth one. In the case of first comparison 3 tools can be jointly used, just as in the case of second comparison. As it comes to the common for the areas 1 and 2 tools of relational network abilities area, they include in both cases two tools (Strategic Alliances and Supply Chain Management). Definitely third (relational network abilities) and fourth (various business model development) areas have least in common in the context of the utilised strategic tools. No common strategic tools have been found in this case.

The conducted analysis allows formulating some conceptual conclusions. In the case of third and fourth areas functioning within new strategic thinking, the selection of management tools in each of them is unique and to a large adaptive. It also means that sectoral analyses and regional effectiveness of utilisation of particular management tools can be conducted in such formulated unique areas, similar as institutional factors analysis impacting the selection of tools separately in the third and fourth areas.

In the case of first and second areas, given their character and very high probabilities within the scope of used management tools, it is advisable to combine them for the further analysis. Thanks to such a step it will be possible to identify institutional factors, influencing a good match of particular tools with a specific strategy in a one entire area (preparing organisation to changes with regrouping of enterprises). It would be impossible or difficult in another situation, because earlier one has assumed studying the influence of institutions on tools (which are similar in this case) and further – through the prism

of these tools on the effectiveness of strategy implementation in its four areas. In the relation to the above, in the next part of the research one will analyse the effect of institutional factors on selection of strategic tools for the 3 areas of new strategic thinking (including the combined 1 and 2 areas), also in the context of management tools effectiveness.

2.2. Institutional Factors and the Effectiveness of Strategic Tools

Institutional environment is a multidimensional system of regulations, customs, practices and norms, which directly, or indirectly (or jointly) influence the actions of enterprises. In most classifications concerning institutions one can distinguish formal institutions of a regulatory character, taking the form of sanctions and obligations, and informal institutions, i.e. practices and characteristic behaviours for the given environment (state, organisation), often uncodified, but commonly used. J.H. Dunning defines institutions as “incentives” defining attitudes and actions of the units and organisations owning resources, which allow maximising development goals. The New Development Paradigm by J.H. Dunning describes key institution entities having the power of impact on business and shaping its development (which translates into increase of wealth on the international level), such as the government, society, market, international organisations and local entities⁹.

In the institutional trend in the theory on organisation much attention is paid to examining the issue of how the varying institutional systems in the world influenced enterprises functioning on their territories. According to R. Whitley, there are three typical domestic economic systems, which have a direct impact on companies’ actions¹⁰:

1. Particularistic environment, which is characterised by the lack of institutions encouraging to cooperation and creating social trust between different sides of the market transaction (the state is weak, or is a plunderer).

⁹ J.H. Dunning, *Towards a new paradigm of development: Implications for determinants of international business*, “Transnational Corporations” 2006, vol. 6, no. 1, pp. 175–181. In Polish literature see further: T. Pakulska, M. Poniatowska-Jaksch, *Korporacje transnarodowe a globalne pozyskiwanie zasobów*, Warsaw School of Economics, Warsaw 2009, pp. 195–204.

¹⁰ Described after: B. Stępień, *Instytucjonalne uwarunkowania działalności przedsiębiorstw międzynarodowych*, University of Economics Publishing in Poznań, Poznań 2009, pp. 201–205.

It affects companies' organisational practices, which usually don't last and are not complex (due to the unexpected tomorrow and lack of trust), non-standard and nonprocedural. It is reflected, as can be guessed, in the use of management tools, which can have a little relational character and no technocratic, which eliminates from the pool of possible management tools practically almost all of them.

2. Environment of cooperation where institutions encouraging to cooperation and sanctioning good business relations are developed, but access to such a market is impeded (the state is partly a guard and cooperation guarantor). In such conditions, companies guarded against excessive external competition think in a long term perspective, start long term relations and develop complex organisational relations (of a permanent, network, cooperation or horizontal character). In the context of the analysed 25 management tools it can be assumed that in the analysed here institutional model one will use not only management tools related to relational network abilities, but also tools of a highly technical character, characteristic to the preparing organisation to changes and regrouping of enterprises areas.
3. Arm's length environment with a full access to such a market and limited impact of informal institutions. In the conditions of such a market model, stable and complicated organisational forms are created, but relations with the environment are described by limited trust principle. Free access to market translates into rivalry and competition, which hinders relations' development based on higher level of trust, but facilitates starting business relations, where securing one's own business is crucial.

Hard strategic tools, grouped in the relational network abilities (Strategic Alliances, Supply Chain Management), may have a greater meaning in a context of the here analysed tools. It is supported by the, among others the USA example, an open market with thousands of enterprises with strategic and technological alliances.

In the literature an analysis of the institutions' influence on the enterprises' organisational structures and their organisational practices have been also analysed. A deepened research on this subject was presented in the work of B. Stępień¹¹. Institutional factors that substantially influence the transplantation barriers for individual types of organisational practices in the international markets include mainly education system, labour law and the role of labour

¹¹ See: *ibidem*, pp. 229–253.

unions, barriers to the market entry and different technological standards of the products¹². The development of education system, including mathematics, information solutions and engineering can have an essential role in adaptation ability of tools that to a large extent are based on IT and mathematic algorithms, such as Big Data Analytics, Scenario and Contingency Planning etc. Similar situation is present in the analyses of organisational practices related to human resources management and its operational management tools. Strong orientation on acquiring useful knowledge during the education process (closely connected with an education model in a given country) favours the utilisation of motivation methods based on material incentives. Also national culture, understood as institution, has a large impact on organisational practices and enterprises' strategies, making impossible or hindering their standardisation. Further studies on the institutional impact on organisational practices in a long run bring interesting results. G. Spraakman noticed that in a long time horizon accountancy practices are affected by not only regulations on accountancy standards, but also, primarily the significance of accountancy in the organisation's model. The author stated that the influence of institutional factors was strongest when accountancy was a functional part of the organisation. Later, accountancy was affected to a larger extent by new accountancy technics and not only by legal-tax regulations¹³.

Although the existence of the rich literature resources on relations between institutions and enterprises' strategies, studies on the impact of institutions on the utilisation of modern management tools are scarce. They have a fragmentary character and usually concern limited number of tools. In the last part of this chapter an attempt has been made to demonstrate, which tools can be effective for the previously defined areas of the new strategic thinking. Having in mind the presented here research results, it is worth trying to make an conceptual indication of how the institutional factors increase the effectiveness of tools (seen through the prism of the three areas of the new strategic thinking). It will allow finding answers for the objectives of this study, including the question of which institutional factors can affect the good match of management tools and selected areas/strategies in the new strategic thinking. The analysis takes

¹² Ibidem, p. 243.

¹³ G. Spraakman, *The impact of institutions on management accounting changes at the Hudson's Bay Company, 1670 to 2005*, "Journal of Accounting and Organizational Change" 2006, vol. 2, no. 2, pp. 119–120.

into account the following institutions (independent of methods of their classification), which can influence the selection of studied management methods to a highest extent:

1. Type of a national economic system – particularistic environment, cooperation environment, arm's length environment (parent market or a host market institutions example).
2. Education system – specialist or general (host market institution example).
3. National culture – collectivistic or individualistic (parent market or a host market institutions example).
4. Business standards – unified or varied (international market or an industry institutions example).
5. Management style – egalitarian or paternalistic (parent market institution example).

The results of the considerations are presented as a proposal of a conceptual model shown on Table 2.2.

In the case of the first analysed process in new strategic thinking (preparing organisation to changes and regrouping of enterprises, a following system of institutional factors has been proposed influencing the selection of management tools qualified earlier to this group. First, both the cooperation environment, as well as arm's length favour the selection of this tools, which support preparing organisation to changes and regrouping of enterprises processes. Similar is the situation in the case of specialist education, guarantying and facilitating the use of technical and based on IT tools, to a large extent unique for the first (combined) area of new strategic thinking (example of India). Collectivistic culture also fosters the utilisation of mentioned tools. Studies on popularity of strategic tools in the geographical perspective clearly indicate that enterprises from collectivistic China or India more often, than the enterprises from the other parts of the world, use tools such as Big Data Analytics, Digital Transformation or Complexity Reduction¹⁴. It is worth mentioning that the tools from the first area of new strategic thinking have an innovative character and the innovation development is easier and faster in a collectivistic culture based on cooperation. The increase of management tools effectiveness in this area will be also promoted by unified business standards and egalitarian management style (as it has been mentioned, management tools from this group have a highly "technical" character).

¹⁴ D. Rigby, B. Bilodeau, op.cit., p.11.

Table 2.2. Institutions, Strategic Tools and Key Processes in New Strategic Thinking: a Model Approach Attempt

INSTYTUCJE	→	<p>TYPE OF INSTITUTION AFFECTING THE EFFECTIVENESS OF TOOLS FROM AREAS 1 AND 2</p> <ol style="list-style-type: none"> 1. Cooperation environment or <i>arm's length</i> environment 2. Specialist education 3. Collectivistic culture 4. Unified business standards 5. Egalitarian management style 	→	<p style="writing-mode: vertical-rl; transform: rotate(180deg); text-align: center;">PREPARING ORGANISATION TO CHANGES AND REGROUPING OF ENTERPRISES</p> <p>MANAGEMENT TOOLS</p> <ol style="list-style-type: none"> 1. Big Data Analytics 2. Business Process Reengineering 3. Change Management Programmes 4. Complexity Reduction 5. Decision Rights Tools 6. Downsizing 7. Open Innovation 8. Outsourcing 9. Scenario and Contingency Planning 10. Supply Chain Management 11. Mergers and acquisitions 12. Strategic Alliances 13. Benchmarking
	→	<p>TYPE OF INSTITUTION AFFECTING THE EFFECTIVENESS OF TOOLS FROM AREA 3</p> <ol style="list-style-type: none"> 1. Cooperation environment or <i>arm's length</i> environment 2. Specialist or general education 3. Collectivistic culture 4. Varied business standards 5. Egalitarian management style 	→	<p style="writing-mode: vertical-rl; transform: rotate(180deg); text-align: center;">RELATIONAL NETWORK ABILITIES</p> <p>MANAGEMENT TOOLS</p> <ol style="list-style-type: none"> 1. Customer Relationship Management 2. Mission and Vision Statements 3. Satisfaction and Loyalty Management 4. Social Media Programmes 5. Strategic Alliances 6. Supply Chain Management
	→	<p>TYPE OF INSTITUTION AFFECTING THE EFFECTIVENESS OF TOOLS FROM AREA 4</p> <ol style="list-style-type: none"> 1. Cooperation environment or <i>arm's length</i> environment 2. Specialist or general education 3. Collectivistic or individualistic culture 4. Unified business standards 5. Paternalistic management style 	→	<p style="writing-mode: vertical-rl; transform: rotate(180deg); text-align: center;">BUSINESS MODEL DEVELOPMENT</p> <p>MANAGEMENT TOOLS</p> <ol style="list-style-type: none"> 1. Big Data Analytics 2. Complexity Reduction 3. Core Competencies 4. Customer Segmentation 5. Benchmarking 6. Balanced Scorecard 7. Strategic Planning

Source: own study.

In the relational network abilities, similarly as in the preparing organisation to changes and regrouping of enterprises areas, the management tools selection (which have a naturally relational character and relational character supported by technology) is supported by, among others, cooperation environment, and by *arm's length* environment in the case of more "hard tools". The role of an education system as an institutional factor is not obvious in this case: general education also can develop relational competencies, but on the other hand preparing *arm's length* management tools for the development of network of relations will

require an evolution specialist education (information, engineering etc.) National collectivistic culture of course supports relational network abilities. If we look closer into the use of CRM tools in the world, we will see that they have gained the biggest popularity in collectivistic countries of Latin America (i.e. Mexico) and Asia (mentioned earlier India and China)¹⁵. It is also worth stressing the fact that national culture has a crucial impact, mainly through informal institutions, on relational network abilities development (help to, among others, Satisfaction and Loyalty Management). It seems that varied business standards, to a greater extent than unified ones, play an important role in management tools selection for the relational network abilities. The last of discussed institutional factors, management style, in this group of tools and in this new strategic thinking process is egalitarian in its nature. Dependence of occupied high positions in the enterprise from the owned competencies is strictly connected with the use of relational tools (Mission and Vision Statements, Satisfaction and Loyalty Management), in contrast to paternalistic style, where a position in hierarchy results directly not from relational competencies, but rather from seniority in the organisation. Confrontational behaviours are characteristic for egalitarian management, strength of which is regulated/smoothed by the relational competencies.

The last area of the new strategic thinking (business models development) due to its specific nature (hybridity and multidimensionality of used tools) cannot be easily classified. It seems that it is favoured by both the cooperation environment and arm's length environment from the reasons that were shown in the case of two previously analysed areas. The concept of management based on the business model is clearly supported by the system of specialist education and by unified business standards (which favours the use of tools such as, for example, balanced scorecard). It can be assumed that the paternalistic style, which requires continuous improvement as an essential element of building a career in the enterprise and generally high prioritisation of actions will better assist the competences of the company within the management based on the business model, which by definition is structured and involves many repetitive procedures¹⁶. What's more, strategic planning tool, which can significantly support the development of business models in the organisation, is also often used in paternalistic organisations, with long and repetitive horizons of planning for

¹⁵ Ibidem, p. 13.

¹⁶ See: B. Stępień, *op. cit.*, p. 256–257.

the future. The last of the institutional factors in this group – the national culture – indirectly affects the competences within the construction of business models and their management in the organisation. Customer Segmentation tool, one of the key ones in the business models development process, is used by organisations around the world, regardless of whether they operate in a collectivistic or individualistic culture.

The proposed model does not exhaust, which is obvious, other approaches to the examined issues. It also requires further theoretical modifications (for example, extending the catalogue of explanatory variables from the group of institutions themselves), and above all empirical verification. On the basis of the conducted research it should be assumed that indicated institutional factors have a different impact on particular areas from the point of view of development of a new strategic thinking. It can be assumed however that the effectiveness of an increasing number of examined management tools is correlated positively with their technologically conditioned character, which is not surprising in a situation of a growing complexity of markets and behaviour of buyers. These tools, using IT and Big Data analyses, provide an advantage to companies employing them over the competition, as well as allow generating more innovative solutions. Above all, one common factor, deciding on the effectiveness of most strategic tools, is responsible for that: an institution of education, more precisely – the system of specialist education (engineering-mathematics-information technology).

Conclusions

The enterprises that want to gain both new customers and foreign markets, catch up with global competition or create a new areas of competitive advantage, should use the new strategic tools. This will allow them to support faster implementation of the new processes of strategic thinking, increasingly often noticed in business practice by international players. Today, in comparison with the world's business, Polish companies negligibly resort to the use of tools such as CRM, Big Data Analytics, Open Innovation, not to mention more sophisticated tools such as Balanced Scorecard, which is virtually absent in Polish enterprises. The top five most common currently used strategic tools in the world (so it can be assumed that these are also the most effective tools) are: CRM, Benchmarking, Employee Engagement Surveys, Strategic Planning and Outsourcing. This

shows the course of action that could be taken by Polish companies. Scenario and Contingency Planning tools also have good perspectives¹⁷.

When planning the tools' selection, Polish companies, apart from the simple transfer of solutions applied in the world, should consider the possibility to consciously choose a new strategic thinking area and equip them with the best management tools (classification prepared in this study may be helpful in that). In addition, it is worth choosing the most effective tools by analysing the institutional context. Unfortunately, looking at the institutional environment of our country, it should be noted that it is still not conducive, not only to the ambitious international expansion strategies in the trend of the new strategic thinking, but also to the appropriate selection of strategic tools, especially those with a technological base. This is due to a previously dysfunctional education system, educating in a too general manner, individualistic rite of Polish national culture or a paternalistic management style still dominant in many companies (especially large ones).

Looking at the issue through the prism of three-four strategic thinking areas, which could be increasingly taken into account by the Polish companies, it is worth noting Polish organisations will be able to relatively easier implement management through business model (it is favoured by, among others, management style). Only education system may be a some limitation in our country. It will be defiantly harder for Polish business to prepare for the organisational changes and regroupings and for developing relational network abilities – both of these areas are, unfortunately, crucial to the success of the company. It seems that the companies could seek solutions to this situation by escaping from domestic, often unfavourable institutional environment, to new host markets, where they could find stronger institutional support, which in turn would lead to obtaining new competencies and competitive advantage, including institutional advantage. Polish companies could reproduce such acquired experiences on the next markets, while steadily and knowingly, directly and indirectly affecting the parent market institutions and shaping them towards the best world's practices.

¹⁷ D. Rigby, B. Bilodeau, op.cit., pp. 14–15.

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Financial Market as the Element of New Strategic Thinking

Włodzimierz Szpringer

Introduction

The aim of the study is to examine, in the context of the compliance significance, the regulations as a strategic tool and as an element of the new strategic thinking. Elimination of the regulations is not the problem, because they play an essential part in the diversity reduction. It is rather important to use the law in a more innovative manner, taking into account synergies with other social norms. Not only normative, but also the cognitive aspect of the law is important. Procedural mechanisms are needed in order to enable the use of the knowledge, whose progress is often ahead of legislation. Such an approach is consistent with the new thinking functioning in the strategic management – a holistic and systemic approach. In fact integrated management is the key to the success of the company. It covers all business components necessary for achieving the objective, vision and mission of the company. In light of the extensive list of strategic tools – according to Bain Management Tools Survey – regulation plays an important role.

The compliance concept is treated as an essential element of the proper functioning of the company. Compliance ensures the corporate structure, which will allow functioning without any irregularities resulting in legal sanctions or weakening of the company's image. The compliance enables not only to optimise risk management, but also to increase the company's organisational culture and is a factor increasing its competitiveness. Compliance issues are subjected for some time to scientific analysis, and the consultancy sector offers services help in the implementation and certification of CMS. These phenomena are examined on the example of the market of new technologies and intellectual property

rights on the Internet, as well as on the financial market – with reference to the achievements of the economic analysis of law and regulatory impact assessment.

Regulations cannot be regarded only as external restrictions. There are some feedbacks, e.g. lobbying during legislative process, between the legislator, authorities applying the law and the stakeholders. Companies and their trade associations have an impact also on the law interpretation mechanism, which may change in time even without recasting legislation acts. These entities pay attention to the irregularities taking place in the framework of the executive regulations and their incompatibility with the Constitution (cf. recently organised protest of telecom operators, Polish Chamber of Information Technology and Telecommunications and expert bodies against Maic regulation on the LTE frequency auction). Companies can anticipate changes in the turbulent environment by strengthening their market position through mergers and acquisitions, in terms of not only competition but also cooperation with competitors (strategic alliances)¹, creation of networks and internet platforms², or to taking into account a number of business models portfolio, giving a greater sense of security in changing market conditions³.

Institutional Determinants, especially regulation and compliance are an important tool for business success. In this context, attention should be paid to the opinion, which can facilitate the transition from the previously known strategy tools to new strategic thinking. There is a tendency to indulge in the fashion of some strategic concepts, overestimating opportunities, underestimating the risks and negative consequences of their implementation. The discussion about the new strategic thinking and new management concepts is incomplete if it does not take up research on methods and tools that enable the implementation of these concepts in practice. The importance of the strategy tools seems to be particularly important for practical reasons, as well as theoretical and methodological, i.e. the possibility of a wider use of new management concepts⁴.

The concept of institutional logic, derived from the neoinstitutional paradigm, is one of the most exciting and fastest growing trends in management

¹ Cf. T. Pakulska, M. Poniatowska-Jaksch, *Przegrupowania przedsiębiorstw w procesie internacjonalizacji*, in: *Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwem*, ed. M. Poniatowska-Jaksch, Warsaw School of Economics Press, Warsaw 2015, pp. 89 and further.

² Cf. S. Łobejko, *Relacje w gospodarce sieciowej*, in: *Nowe myślenie...*, op.cit., pp. 149 and further.

³ Cf. K. Duczkowska-Małysz, M. Duczkowska-Piasecka, P. Wójcik, *Zarządzanie strategiczne portfelem modeli biznesu* and M. Sagan, *Zarządzanie portfelem modeli biznesowych polskich przedsiębiorstw*, in: *Nowe myślenie...*, op.cit., pp. 209 and further and 267 and further.

⁴ Cf. M. Błaszczyk, *Krytyczna analiza narzędzi strategii*, chapter 1.

science. Interactions occur between different types of logic and they are important for the organisation strategy. Neoinstitutional theory did not consider enough changes occurring in the organisation. Friedland and Alford emphasised the impact of the environment on the decisions made in the organisation, pointing out also that the environment contains many, competing with each other, types of institutional logic. Members of the organisation often use the contradictions between these logics, in order to pursue their own goals and interests. Initially three types of logic were identified: the market, bureaucracy and democracy. Currently, following logics should be also taken into consideration: professional and corporate logic, as well as family, religion and community logic⁵.

In fact, integrated management, which in fact is the essence of the new strategic thinking, is a contemporary expression of a systemic approach, involving all the relevant factors and constraints of the company's efficient operations, centred both around the most important criteria (such as e.g. customer value management, quality, environment, safety management), and a full range of tools – including institutions and regulations. This concept leads in addition to rethinking the traditional management principles formulated in the nineteenth century, and the antinomy of an efficient operation (e.g. cunctation and anticipation)⁶.

3.1. Intellectual Property Rights in the Internet – Challenges for Compliance

The new technologies market development translates into a discussion about copyright protection. Attempt of an integral look on new technologies market regulations leads to the belief that even the problems seemingly distant from the intellectual property rights regulations (e.g. related to the business models of search engines, the phenomenon of cloud computing, electronic media, or the protection of competition, or of privacy) can influence the directions of thinking about the limits of this protection and the liability of operators (e.g. the blurred line between content protection as works protected by copyright in social

⁵ Cf. P. Hensel, *Wykorzystanie koncepcji konkurujących logik instytucjonalnych w badaniach organizacji*, "Organizacja i Kierowanie" 2015, no. 3.

⁶ Cf. K. Duczkowska-Małysz, M. Duczkowska-Piasecka, M. Poniatowska-Jaksch, *Nowe wyzwania stojące przed przedsiębiorstwem – implikacje dla zarządzania*, in: *Nowe myślenie...*, op.cit., pp. 15 and further.

networks and the protection of the users' privacy – in the context of freedom of speech; restrictive or permissive approach of competition authorities to implementing exclusive rights – copyright monopoly or patent; common broadband and mobile Internet access reducing digital exclusion)⁷.

Economic analysis of intellectual property rights should take into account not only the interests of developers and publishers, but also of the owners of online platforms and of users. The development of new, common forms of communication, e.g. mobile communications, social networks, and new forms of control over the utilisation of works is the catalyst of science, culture and education open model development. New technologies also affect the economic sense of copyright protection – more flexible approach to systems for the protection of these rights gains sense. The idea prevails that given the development of the Internet, excessive rigour, penalisation of intermediaries, or users are not in the interest of the stakeholders. One can recommend the legalisation of certain practices, whose effective control is not possible, but it must be done in such a way that it would not demotivate authors and would not block the diffusion of knowledge.

The degree and character of the user's contribution in the content of the work, the purpose of sharing works, as well as the number of people who can receive the shared content are crucial⁸. Problems can arise due to mixing different forms of works, with the permission of the original author. Adaptations and remixes have to be distinguished from the use of links, quotes and copying for personal use, for which the author's consent is not required. The legal assessment must take into account: the purpose of processing, giving a particular work a new artistic expression, recognising new knowledge etc. Small pieces of works that appear in the search results do not infringe copyrights. Electronic press reviews are not clearly assessed and have been recently challenged in many countries.

⁷ Cf. In the current legal situation the user has fewer rights to a digital copy of a song than to the analog one. In the case of sales the jurisdiction indicates a tendency to equal treatment of overall pool of rights to both analog and digital copies. In practice usually licensing is used, whose economic importance is still growing, affecting the transformation of e-business models, i.e. offering music in the cloud. W. Szpringer, *Wpływ nowych technologii na ochronę praw własności intelektualnej w internecie*, "e-mentor" 2015, no. 1(58).

⁸ Cf. P. S. Menell, B. Deporter, *Using Fee Shifting to Promote Fair Use and Fair Licensing*, "California Law Review" 2014, vol. 102; R. Calo, *Robotics and the Lessons of Cyberlaw*, "California Law Review" 2015, vol. 103; D. Leenheer Zimmerman, *Modern Technology, Leaky Copyrights, and Claims of Harm: Insights from the Curious History of Photocopying*, "Journal of Copyright Society of the USA" 2013, vol. 61, no. 1; P. S. Menell, *This American Copyright Life: Reflections on Re-equilibrating Copyright for the Internet Era*, "Journal of Copyright Society of the USA" 2014, vol. 61, no. 2.

There was even the amendment of the copyright law in Poland – to the benefit of authors. The EU programme – Digital Agenda is supposed to create a single market for digital content based on a multi-territorial licensing, broadband, high-speed Internet and software interoperability. This should maximise the social and economic potential of ICT technology.

The issue of regulations is not the only problem in the access to the content in the Internet in the Web 2.0 era – economic and technological factors regulating cyberspace must be also considered in this context. An attempt must therefore be made to answer two key questions: 1) what directions of copyright development and industrial property rights should be considered to have good perspectives and 2) how to reconcile the role of law and technology in designing protection limiting uncontrolled access to content.

Human behaviours are regulated in the process of interaction of four factors: law, market, social norms and technologies. The technology on the one hand makes available a number of protective mechanisms and on the other hand allows their extensive individualisation and adaptation to the given case. It can be assumed that in the future one will have to deal with a combination of protection through the legal regulations and technological safeguards. The key problem is to determine “the golden mean” between the strict enforcement of the laws and a permissive approach of the Internet users to the content under protection. On the occasion the providers of the content can use the users engagement in the promotion of their favourite works as a part of Web 2.0⁹.

Exclusive rights are the best incentive for the efficient allocation of resources and the management of intangible assets. A rational approach to the protection of the rights to the tangible and intangible assets should be adopted. The literature highlights the high cost and questionable effectiveness of intellectual property rights protection, including industrial property. A time comes to apply the economic analysis of the law tools also to the intellectual property rights, including copyright. These rights, traditionally identified with art and culture, are becoming of interest to companies. Companies and online community often produce a kind of a parallel regulatory system backed by the general contract law, for example licensing opposed to excessive, strict protection of these rights. Thus, within the framework of freedom of contract there may arise rules of the market game of a fairly wide range, correcting or replacing the law, which is not fully adapted to the reality (Order despite Law).

⁹ Cf. W. Szpringer, *Dostęp do treści w internecie – perspektywa regulacji*, “e-mentor” 2008, no. 5(27).

Open Source Software, Creative Commons, but also the, e.g. “patent pool”, which disturb law on competition system (e.g. cartel restriction – strict and far from the innovation, software and ICT technologies market realities). These phenomena can be treated as functional regulation equivalents. Antimonopoly law is also being adjusted to the realities (e.g. collective redundancies from the cartel restriction – Art. 101 TFUE for agreements within technology transfer). A dependence of user-generated content protection from the range and method of using works under protection and their character should be insisted. The Internet creates the counterweigh to traditional information distribution channels. Individual users’ participation, who are taking up the roles of authors, publishers and producers has led to the creation of Web 2.0 concept (user generated content).

Broadcasting works in the Internet, i.e. radio or television programmes by host-service-providers, initially aggressively questioned by the authors and broadcasters (Promusica/YouTube) is gradually becoming a subject of cooperation beneficial to all stakeholders, which are rather choosing out-of-court settlements. YouTube uses prevention filters checking the origin of works uploaded by the internet users, which need to register first. This filtering does not apply however to the content declared as user generated content, and registry form information are not, unfortunately, verified as to the age and identity of the user (they are based only on his statement). YouTube also implies the *notice and take down* procedure for removing content after receiving information about their illegal origin and then asking the internet user to remove them¹⁰.

Under the Web 2.0 Internet that is only “read” is evolving into Internet is often “written”. Most concerns are raised by user generated content. It is not obvious when they should be treated as works in the understanding of copyright. It should be remembered that even amateur can become a pro (i.e. the market will appreciate artistic values of the work and it will become an income source for the author)¹¹.

Does the author of the blog expect protection provided by law? When does the work become complete and can be reviewed or commented on? If it is still under development, can the others become its co-authors? If it is easily accessible

¹⁰ Cf. J. Verheijden, *Rechtsverletzungen auf YouTube und Facebook*, Verlag Dr. Kovac, Hamburg 2015; L. Schapiro, *Unterlassungsansprüche gegen die Betreiber von Internet-Auktionshäusern und Internetmeinungsforen*, Mohr & Siebeck, Tübingen 2011.

¹¹ Cf. W. Szpringer, *Treści tworzone przez użytkowników a utwory w świetle prawa autorskiego*, “e-mentor” 2009, no. 1(28).

in the Internet (i.e. without technical security), can anyone take it and publish it on his own website, using RSS software (mash-up), assuming the implied author's consent. RSS allows providers for a fast and effective distribution of content without problems connected with e-mail subscriptions or antispaam filters. Person using RSS risks, however that content generated by him will be taken and used beyond his control, maybe also for a commercial purpose. Unfortunately there is no fair use definition in this regard, the jurisdiction is varied.

Creative Commons idea assumes a wide scope of possible, non-commercial private access, providing at the same time some restrictions for the commercial use. Pursuing a too restrictive protection in fact restrains creativity and progress of science, education and culture. Commercialisation of human's creativity products is not conducive to ideas, opinions, assessments pluralism promotion. Ambiguities concern the issue of selecting the appropriate regulations for the CC license, because they are implemented in the network. In the unequivocally commercial sectors the CC role will remain probably small. The copyright is to a large extent not adjusted to new conditions, because it does not answer whether the specific file can be copied. It depends on the source, purpose, scope, medium, context, used protection, influence on the market and the jurisdiction.

The user can even not be aware that he violates the law, or uses illegal software, because he is not able to assess the essence and their source of origin. Web 2.0 websites store huge amounts of data and the demand to describe the legal status of a specific file, or the necessity to buy a license would be unrealistic. In regard to the costs connected with that, a business would be at large legal risk and the owner of such a website would go bankrupt fast. Web 2.0 websites do not have a functioning pattern like editorial press, or a TV schedule. As a result one cannot demand segregating materials according to the resources that infringe copyrights. The lack of knowledge on illegal character of content provided by the internet users limits the potential legal responsibility of the web site's owner.

It seems that methods of sharing intangible assets require a new approach and also a synthesis of two trends: restrictions coming from the above – from the state, directed mainly to dominant units who need to share their knowledge and information in the situations, when a lack of trust hinders, or makes it impossible for other companies to conduct their business activities (essential facility, obligatory patent licenses), as well as assets' sharing that comes from below, as a result of own initiative of the enterprise having at its disposal a market standard and who perceives in this strategy a long term benefits, mainly

related to development of services on the platform created around the value chain basing on the given market standard and related network effect. The market history of Microsoft is the best example of functioning of such tendencies¹².

Standardisation, interoperability of hardware and product compatibility are crucial on the new technology market. Disclosure and knowledge sharing accelerate the innovation formation. The next phases of the knowledge development follow one another, with reference to the previous phases. Access to the world's achievements in the given field is therefore very important for the progress. Exclusive rights are not only used in innovation competition, but also to create strategic entry barriers into the specific market for competitors. The existing model of closed innovation, which is based on the company's full control over IPR, is evolving towards an open innovation and crowdsourcing model. Information and knowledge gain characteristics of a public good. The diffusion of knowledge provides higher returns than under the IPR monopoly – due to positive network effects.

It is wise to indicate the collective nature of innovation, the growing role of cooperation in the high-tech sector's value chain, also among competitors. The

¹² The problem of free, unobligatory sharing assets is the result of two, contrary at the first look, tendencies:

- postulates addressed primarily to the dominant units, in order for them to share information and knowledge in situations where the lack of data makes it difficult or impossible for other companies to conduct business (essential facility). These demands are implemented through regulatory decisions of competition authorities (UOKiK) or sectoral regulators (UKE) – thanks to imitation or innovative competition, when another company manages to break the market standard. Attempts to enforce the sharing of confidential knowledge have a long history in the ICT markets and are very debatable (e.g. an attempt of forcing IBM in court by its three co-operators: Compaq, Digital, and Intergraph to share his latest technologies with them). The question arises then, how far the state should interfere in the intellectual and industrial property of the company, which with his own efforts came to leading solutions in the given field. This view then evolved towards more and wider usefulness and admissibility of forcing the dominant unit to share his confidential knowledge, e.g. in the provision of software interfaces and source code for Microsoft Windows).
- Sharing assets on the initiative of the company owning the market standard, which perceives in this strategy long-term benefits, primarily related to the development of services on the platform constructed in the value chain around a specific market standard and attracting – due to web effect and the mechanism of the so-called two- (multi-) sided markets, consisting of co-operators, intermediaries and end-users. It is about trying to meet the demands of regulators and competitors, on the surface good for consumers, but it raises new doubts and reservations, e.g. from a competition perspective. A situation may arise in which sharing intangible assets – on the surface favourable for the consumer – will have a negative impact on new entries into the market, which will protect dominant players from potential competitors. Dominant unit, which transfers its assets to the technological platform, can indeed displace independent suppliers out of the market. History of discussion on this topic is long – one can recall allegations of unfair competition, once issued against publishers of free newspapers. Cf. W. Szpringer, *Strategia dobrowolnego dzielenia się aktywami niematerialnymi na rynkach technologii ICT – nowe wyzwanie dla regulacji?*, "e-mentor" 2011, no. 5(42).

access rules and implemented by some providers combination of closed and open organisational elements can be an expression of the need of compromise between openness and covering the costs of organising the platform, but it happens, that they are also a part of the strategic efforts to increase market share. The competition authorities should instead attach great importance to the perspective of dynamic competition and innovation, giving the opportunity to market changes and improvement of consumers' welfare in the long run.

A common logic of the development of new knowledge infrastructure, hardware or software (Next Generation Networks) and the Open Access movement should be indicated, as together they are new opportunities created to share knowledge and to benefit from research in an innovative way or in new areas. The benefits arise not only from the diffusion of knowledge, but also from many services, products with added value for all stakeholders. Tragedy of the commons is opposed by the tragedy of anticommons. Authorities face the challenge of reconciling the two extreme models.

When analysing the literature on economic growth and the theory of property rights, the existence of two conflicting trends may be noticed. Researchers like Paul Romer argue that broad access to not competing goods and to goods that are not exclusive contributes to economic growth. On the other hand, the theory of property rights by Harold Demsetz suggests that limiting the access to goods through granting property rights is a source of investment and development. A community, which creates free and open source software is an unusual area of economic activity of man, where the collision of these two key, from the economic development perspective, economic theories can be observed¹³.

The theory of property rights by Demsetz, showing the market advantages of creating strong ownership framework, in a limited way relates to the noncompeting and nonexclusive goods. The existence of free and open source software and business models that allow companies that are engaged in expanding the public domain to gain, among others, on selling dependent commercial products, are the proof of this. At the same time the observed phenomena taking place in the software market are not without impact on economic growth and the endogenous growth model by P. Romer seems to be an appropriate theory explaining the impact mechanism of such phenomena as the OSS on economic growth.

¹³ Cf. T. Chełkowski, *Czy wolne i otwarte oprogramowanie może przyczynić się do wzrostu gospodarczego?*, "e-mentor" 2015, no. 2 (59).

Part of the economic phenomena associated with social software production has deeper roots, reaching philosophical and ethical reasons for economic and human activity and could lead to a revision of the role of self-interest as a motivation factor. Business models arise around the OSS. “Capturing” value from new technologies and the ability to “unlock” the hidden (potential) values, which technology brings, and offering on this basis new services is an interesting aspect of the development of e-business models. Innovative e-business models combine business strategy, organisation, technology and institutions and transform technology in services having a value for the customer¹⁴.

3.2. Regulation and Compliance on the IT Market as a Strategic Tool

Analysis of regulatory risk should be an important part of the Regulatory Impact Assessment (RIA), as the costs and benefits remain often unclear from this point of view and they tend to be the result of consultations with a large group of stakeholders. Regulatory risks are associated with, e.g. changes in the law, its application and interpretation, obtaining licenses or permits. This risk is a subject to calculation or estimation using the qualitative and quantitative methods¹⁵. The expanded concept of democracy – is not just a matter of elections, but it is also about taking into account other forms of control through diverse groups of stakeholders. Responsibility for policy's shape (policy making accountability) requires policies to reflect the public goals and interests¹⁶.

¹⁴ Cf. W. Szpringer, *Innowacyjne modele e-biznesu*, Difin, Warsaw 2012.

¹⁵ The new trend in research concerns very important, interdisciplinary, and so far poorly developed in the literature aspect of the studies on law: the economic analysis of law and regulatory impact assessment. Multifaceted, integrative approach to regulation is an essential issue for the economy, and should not be left solely in the interests of lawyers. It is important to support it with other social sciences. Optimisation of the legislative process needs to include knowledge of not only economics, but also the management sciences. S. Kasiewicz, W. Rogowski, *Investycje hybrydowe*, Warsaw School of Economics Press, Warsaw 2009. Cf. also: *Ocena skutków regulacji. Poradnik OSR, doświadczenia i perspektywy*, eds. W. Szpringer, W. Rogowski, C.H. Beck, Warsaw 2007; S. Kasiewicz, L. Kurkliński, W. Szpringer, *Zasada proporcjonalności. Przełom w ocenie regulacji*, Warsaw Institute of Banking, ALTERUM Centre for Research and Analysis of Financial System, Warsaw 2014.

¹⁶ Four main mechanisms of “complementary” democracy can be mentioned: the internal rules for actions of public officials, delegating authority to professionals, corporatist approach and co-deciding with stakeholders. Cf. S. Rose-Ackerman, *Od wyborów do demokracji*, Sejm Press, Warsaw 2008, p. 20 and further.

There are various economic theories of regulation, e.g. public and private, positive and normative. Defining and qualitative assessment of regulatory risk are the key categories in the economic approach to regulation. The more detailed regulatory projects' analysis concepts include: vertical-horizontal regulation, the responsive regulation and risk-based regulation. Present is also the concept of better-smart regulation, as well as self-regulation-co-regulation. Quite often, however, one can get the impression that economists and lawyers to the insufficient extent penetrate the interdisciplinary and requiring integrative approach essence of the regulation phenomenon¹⁷.

For example, the vertical regulation cannot be equated with the command-and-distribution system, because the orders and prohibitions backed by state's coercion, supervision in many areas of economic life from the public administration, or the judiciary are widely used also in a democratic state of law and a market economy. It is enough just to look at the volume of textbooks on public law, e.g. administrative, financial or criminal among the highly developed countries (Germany, France). Similarly, the horizontal regulation cannot be identified with the soft law (non-governing activities), since it concerns rather civil methods of legal regulation (contract law, which is based on freedom of contracts and parties' autonomy).

In turn, the risk based regulation (e.g. in the financial sector) assumes no regulatory risk, but the risk arising from activities undertaken in the financial market (e.g. in the field of banking, insurance and investment services). Studies on regulatory risk have a different goal – they assume the pursuit to specific regulation adequacy in relation to the objectives of the regulator and the nature of regulated social relations and the prospects for compliance with the regulations and the possibility of its effective enforcement (supervision and control).

In a knowledge based economy, legislation can be presented in terms of the risk management system. Regulation's system environment is characterised by complexity, probabilism and uncertainty. So one cannot diminish the importance of regulation to only one function – diversity reduction. An interdisciplinary perspective associating law as a public regulation with social regulation (e.g. social norms, market, organisational culture, ethics, Internet architecture) that influence behaviours indirectly and are to some extent irrespective of the law, is needed.

¹⁷ Cf. S. Kasiewicz, *Teoria i praktyka zarządzania ryzykiem regulacyjnym w sektorze finansowym*, WIB, ALTERUM Centre for Research and Analysis of Financial System, Warsaw 2016.

It's not about eliminating regulations, but about using the law in a more innovative manner, taking into account synergies with other social norms. Important is not only the normative, but also the cognitive aspect of the law. Procedural mechanisms are needed to enable the use of the knowledge, whose progress is often ahead of legislation¹⁸. Such an approach is consistent with the new thinking in strategic management – a holistic and systemic approach. Integrated management, which takes into account all business components necessary for the achievement of goals, vision and mission of the company, is in fact the key to its success¹⁹.

In light of the extensive list of strategic tools – according to Bain Management Tools Survey²⁰ – role of the regulation is important. For example, in CRM or in customer value management (e.g. in case of rebate systems' problems, loyalty problems) the law serves as the framework conditions (the company's environment), but also sets specific standards, having the compulsory rules character, which cannot be waived even by the contract (consumer law). Similar relations occur between employees and managers (labour law). Benchmarking or TQM is also based on certain standards (e.g. technical or quality standards). Open innovations or crowdsourcing theory and practice must include the right of intellectual and industrial property. This is because it often coexists with open innovations, for example within the meaning of certain communities operating in the Internet – just as it is in the case of commercial and free and open source software.

In turn, both Big Data Analytics and Cloud Computing face barriers in the form of protection provided by privacy systems (the right to protect personal data), or protection of other intangible assets, even those not protected by intellectual property rights and industrial property rights (the company's secret, know-how and good-will). Supply Chain Management and outsourcing (offshoring) cannot disregard the customs and tax systems, or other forms of domestic

¹⁸ Cf. W. Szpringer, *Innowacyjne modele e-biznesu. Aspekty instytucjonalne*, Difin, Warsaw 2012; W. Szpringer, *Nowe modele e-biznesu. Aspekty instytucjonalne* in: *Przedsiębiorczość nowych mediów. Analiza modeli biznesowych firm internetowych*, ed. I. Hejduk, Warsaw School of Economics Press, Warsaw 2013.

¹⁹ Cf. *Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwem*, ed. M. Poniatowska-Jaksch, Warsaw School of Economics Press, Warsaw 2015; M. Duczkowska-Piasecka, M. Poniatowska-Jaksch, K. Duczkowska-Małysz, *Model biznesu. Nowe myślenie strategiczne*, Difin, Warsaw 2013.

²⁰ Cf. D.K. Rigby, *Management Tools 2015. An Executive Guide*, Bain & Company Inc., Boston 2015, http://www.bain.com/Images/BAIN_GUIDE_Management_Tools_2015_executives_guide.pdf (1.01.2016); *A History of Bain's Management Trends and Tools Survey*, <http://www.bain.com/publications/articles/management-tools-about-the-survey.aspx> (1.01.2016); *Bain & Company's survey of global executives points to increased use of management tools to accelerate growth amid positive economic tailwinds*, <http://www.bain.com/about/press/press-releases/management-tools-and-trends-report-June-2015-press-release.aspx> (1.01.2016).

markets protection systems which have similar effect (quotas or other sectoral restrictions, e.g. in the context of the veterinary, food, pharmaceutical law).

It is also worth mentioning the new technologies law, Internet law and electronic media law on the one hand and financial sector law (banks, insurances, capital market) – on the other hand. Without this context it would be unreasonable to set the mission (vision) and the objectives and values (strategy) of the company. All these considerations tend to admit the possibility of separating the regulation as a tool for formulating and implementing the company's strategy. Every company in fact should care about its optimal positioning in the institutional system (compliance), what requires appropriate knowledge and skills in the field of RIA, and especially – in the economic analysis of law (Law and Economics).

The compliance concept is increasingly regarded as an essential element of the proper functioning of companies in the legal and economic environment. Compliance means ensuring the corporate structure, which will limit the broadly understood irregularities. It is therefore primarily about ensuring observance of the common law provisions. However, it can have a wider meaning, because it can also be extended to all kinds of company's internal regulations, which are a frequently used mechanism especially in large and complex cross-border corporations.

Compliance is also interested in generally accepted ethical standards, the violation of which in principle will not lead directly to legal sanctions, but it can cause far-reaching consequences, including violations of current law. Among the examples the admission by an employee of a crime while performing official duties (e.g. corruption) or not complying with the standards of the specified products (e.g. drugs, food, cosmetics, toys) can be mentioned. It may result in the sanctions for the employee or the company, as well as loss of reputation and customer's trust. It is therefore advised to introduce in the company the adequate compliance system, the aim of which is to minimise the risk of infringements, instead of just reactive behaviours²¹.

The role of compliance will increase. It allows not only optimising risk management, but also increases the organisational culture of the entrepreneur. Compliance implementation is also an important factor increasing the competitiveness of the company and building its market advantage. This problem

²¹ Cf. W. Szlowski, *O compliance słów kilka*, <https://www.portalprawait.com/entry/o-compliance-slow-kilka> (1.01.2016).

cannot however be brought down to the formal separation of department or team responsible for compliance. Essential are the merits of the problem, adequate knowledge of the law and the ability of its correct interpretation, as well as awareness of the consequences of non-compliance with the standards or evading them (arbitration)²².

Compliance concept issues cease to be the exclusive domain of enterprises seeking to ensure compliance of actions with the relevant regulations applicable to them. In Germany, draft laws providing real benefits for enterprises implementing compliance management systems (CMS) are currently being discussed. Compliance issues are subjected to a deepened scientific analysis, and the consultancy sector offers services supporting implementation and certification of CMS. These phenomena are closely interrelated and need to be jointly discussed.

The compliance function is a part of the organisation's internal control system, and its task is to take preventive measures against the potential consequences of organisation's non-compliance with laws, the regulators' requirements, recommendations and market standards and, in particular – the loss of reputation and trust of customers, partners and employees, the need pay fines, recompen-sations and other sanctions on the part of supervisors. Monitoring the risk of non-compliance results from the threat posed by a lack of such a process in the company. Unlike operational risk, the non-compliance risk is immeasurable, so its amount remains only hypothetical.

The high rank of the compliance issues is demonstrated not only by the adoption of good practices codes, but also by binding transparency standards, especially among the sectors susceptible to corruption (the pharmaceutical industry)²³. Much attention is paid to compliance instrument in the financial sector, because many old and new regulations meet there – from prudential standards to the consumers protection. Tax law, environmental and competition protection,

²² This was the case of an entrepreneur who ordered the expansion of the functionality of a web page, as he wanted to function as an e-shop and to sell on the Internet. But he forgot to publish the rules and policies, without which any conflict with the consumer would expose him to heavy fines. Cf. W. Szlowski, *Relacja – V Polsko-Niemieckie Forum Prawa i Gospodarki – Polska i Niemcy zjednoczone w compliance oraz Prawo IT a compliance – wybrane przykłady*, <https://www.portalprawait.com/entry/relacja-v-polsko-niemieckie-forum-prawa-i-gospodarki-polska-i-niemcy-zjednoczone-w-compliance> (1.01.2016); <https://www.portalprawait.com/entry/prawo-it-a-compliance-wybrane-przyklady> (1.01.2016).

²³ Cf. A. Marschlich, R. Paffen, S. Wetzel, *EFPIA Transparenz Kodex – Unternehmen stehen vor der Herausforderung steigender Transparenzanforderungen* "Corporate Compliance Zeitschrift" 2014, no. 3; M. Prudentino, *Das italienische Compliance-Gesetz 231/2001. Europas strengstes Compliance-Gesetz*, "Corporate Compliance Zeitschrift" 2014, no. 1; A. Dierlamm *Compliance-Anreiz Gesetz (compAG)*, "Corporate Compliance Zeitschrift" 2014, no. 5.

and new technologies, electronic media and intellectual property rights remain the permanent centre of research from the compliance perspective²⁴. From the compliance point of view one considers an unclear, in recent years, boundary between acceptable risk and actions to the detriment of the company (Business Judgment Rule), and examines the corporate governance²⁵.

3.3. Regulation and Compliance in the Internet

Apple is always trying to protect its products and inventions, and it often goes to court over patent infringement. Sometimes, however, the roles are reversed and Apple must defend itself against the charges from third parties for infringement of their patents. This is confirmed by a recent judgment of the federal court in Texas, which ordered the Apple to pay the compensation in an amount exceeding five hundred million US dollars for the company Smartflash LLC. The case began in 2013, when Smartflash LLC filed a lawsuit against Apple for unlawful use of technology previously patented by the company. Smartflash accused Apple of the unlawful use of three patents related to the data collection method and payment system management. These technological solutions were to be used in iTunes²⁶.

Smartflash, beyond the lawsuit against Apple, also sued, among others, Google, Samsung and Amazon. A federal court in Texas ruled that Apple is guilty of infringement of patent rights belonging to Smartflash. The judgment, however, started a discussion in US about the possibility of amendments to the patent law. According to the representatives of Apple, the law should be changed so that the protection should be granted only to those entities that actually use their patents and produce equipment or produce technology based on them. This would

²⁴ Cf. L. Jaeger, G. Maas, H.T. Renz, *Compliance bei geschlossenen Fonds. Ein Überblick*, "Corporate Compliance Zeitschrift" 2014, no. 2; H. Krause, *Kapitalmarktrechtliche Compliance: neue Pflichten und drastisch verschärfte Sanktionen nach der EU-Marktmissbrauchsverordnung*, "Corporate Compliance Zeitschrift" 2014, no. 6; A. Bernstein, C. Klein, *Auslagerung der Compliance-Funktion bei kleineren und mittleren Unternehmen am Beispiel eines Finanzdienstleistungsunternehmens*, "Corporate Compliance Zeitschrift" 2014, no. 6; D. Sandmann, *Die Compliance-Funktion unter Solvency II. Ein Überblick*, "Corporate Compliance Zeitschrift" 2014, no. 2; S. Schröder, *Die Entwicklung von Compliance-Management-Systemen hinsichtlich Kartellrechts-Compliance*, "Corporate Compliance Zeitschrift" 2015, no. 2.

²⁵ Cf. P.V. Kunz, *Business Judgment Rule (BJR) – Flucht oder Segen?*, "Schweizerische Zeitschrift für Wirtschafts- und Bankrecht" 2014, no. 3; D. Gericke, O. Baum, *Corporate Governance: Wer ist Governor?*, "Schweizerische Zeitschrift für Wirtschafts- und Bankrecht" 2014, no. 4.

²⁶ Cf. M. Godyń, *Apple przegrywa proces patentowy. Odszkodowanie wysokie*, <https://www.portalprawait.com/entry/apple-przegrywa-proces-patentowy-odszkodowanie-wysokie> (1.01.2016).

prevent the use of patent law by entities that are only holders of patents, and their activity is reduced to licensing or suing others. Undoubtedly, such a concept is a new approach to patent law and appears to be contrary to its spirit²⁷.

Megaupload Internet portal was established in 2005 and focused primarily on hosting multimedia content and making it available to Internet users. Then new variants of the portal were created, such as Megapix.com (images photos hosting), Megavideo.com (video files hosting), Megalive.com (allowing one to watch “live” shows), Megabox.com (for storing audio files). On average, Megaupload and its subsidiaries were visited by 50 million people a day, and the number of registered users amounted to about 180 million. In 2012, the US Department of Justice has closed the sites. Criminal proceedings against the authors of the portal were then initiated.

The basic charges launched by the American justice system concerned repeated copyright infringement. Closing Megaupload coincided with the debate over the US draft bill Stop Online Piracy Act (SOPA), which was supposed to protect artists against copyright infringement in the Internet. The project involved obtaining, by the US Department of Justice and copyright owners, injunctions against the operators of websites accused of facilitating copyright infringement²⁸.

Currently, the debate takes place on extending the so-called reprographic fee for smartphones and tablets. The ongoing works in the Ministry of Culture and National Heritage on amending the Law on Copyright and Related Rights are accompanied by the debate on reprographic fees, popularly called “tax on smartphones and tablets”. It is a controversial idea, because these devices are used mainly for communication purposes rather than collection of copyrighted content.

In this context it is worth recalling a judgment of the Court of Justice of the EU on Copydan Båndkopi against Nokia Danmark A / S (C-463/12). The EU Court of Justice confirmed that under the European law, it is possible to impose the reprographic fee also on multi-media data carriers, such as memory cards for mobile phones, regardless of whether their primary function is – or is not – to make copies for private use. It does not matter whether playing and copying works is a primary (as in the case of xerographic devices or blank CDs), or only a secondary function of these data carriers²⁹.

²⁷ Ibidem.

²⁸ Cf. M. Godyń, *Zapadł pierwszy wyrok skazujący w sprawie portalu Megaupload*, <https://www.portalprawait.com/entry/zapadl-pierwszy-wyrok-skazujacy-w-sprawie-portalu-megaupload> (1.01.2016).

²⁹ Cf. N. Zawadzka, *Wyrok TSUE w sprawie Copydan Båndkopi przeciwko Nokia Danmark A/S, czyli ciąg dalszy dyskusji o opłacie reprograficznej*, <https://www.portalprawait.com/entry/wyrok-tsue-w-sprawie->

Reprographic fee is intended to compensate developers' losses associated with the use of their works in the so-called fair use, in practice, in particular in the framework of the private fair use. Generally speaking, the fee compensates creators the fact that the buyer of the song instead of purchasing another copy of it, makes copies of the original item (for example to use it in another location or to share it with a family member). Reprographic fee (European law calls it fair compensation) is a special type of remuneration for the creators for the use of their works within the framework of fair use. Economically, fee is charged to the purchaser, and formally to the manufacturer of equipment used for copying.

From time to time Internet is informing the society about the closure of The Pirate Bay, the biggest internet portal that allows downloading movies, games and music. The Pirate Bay allows searching files on peer to peer networks. Officially servers belonging to the creators of TPB do not store any files (particularly those, whose dissemination could infringe copyrights) – they only provide links to the given resources (in the torrent format). Nevertheless, from the beginning it has been controversial due to the facilitation of access to content that infringes copyrights. First steps against the creators of the portal were undertaken by Swedish police in May 2006, confiscating servers, which hosted the Pirate Bay. Service was restored fairly quickly, moving it to the Dutch servers and then moving back to Sweden. In 2008, the portal's managers Frederik Neij and Peter Sunde Kolmisoppi were accused of complicity in the violation of copyrights. Numerous companies in the entertainment industry joined in the accusations, pressing private charges³⁰.

The defendants filed a complaint with the European Court of Human Rights, arguing that they cannot be responsible for the way the site "The Pirate Bay" is used by other users. The initial aim of the provided service was primarily to facilitate the exchange of (legal) data over the Internet. The offense was committed

copydan-bandkopi-przeciwko-nokia-danmark-a-s-czyli-ciag-dalszy-dyskusji-o-oplacie-reprograficznej (1.01.2016).

³⁰ Despite the conviction of the creators, web portal has continued its functioning without major disruptions until December 2014, when it was closed by the Swedish police. Instantly copies of the page has emerged (the so-called mirrors). The concept of the Open Bay was also created – anyone could start their own "bay of pirates". For this purpose, the creators have provided a special web site where one had to register and be verified. Then, they obtained an access to the software that had to be put on your server. The next step was to download the current torrent database containing about 8 million records. It was not a secret that the main idea of Open Bay was to create so many copies that law enforcement agencies would feel helpless and stopped the fight against piracy. Cf. N. Zawadzka, *Ściganie twórców The Pirate Bay*, <https://www.portalprawait.com/entry/sciganie-tworcow-the-pirate-bay> (1.01.2016).

only by those users who were illegally exchanging copyrighted material, and not by the creators and owners of the site. Therefore, their convicting for the complicity in crimes against copyright violated their freedom of expression. The Court held, however, that both the prosecution and punishment of users of websites enabling the exchange of digital files containing all sorts of “cultural goods”, as well as the founders and administrators of such services, constitutes an interference with the right to share and receive information³¹.

Despite concerns about the safety of business secrets, as well as problems related to the synchronisation of devices supported by various operating systems, more and more companies allow employees to work on their own hardware. As it is clearly visible in the conducted research, the use of BYOD model in the long term increases employees' productivity and allows savings on the equipment and investments in the information infrastructure. It also improves the company's image, which presents itself as a modern, mobile, open to the ideas and needs of employees.

This phenomenon, known as BYOD (Bring Your Own Device), however, raises legal problems. They can arise from labour law (analogy is present here, however, in the field of e.g. the use of private cars for business purposes), copyright (software used on your private device usually has limitations of home edition), tax law (how to settle the employer's income and the cost for the employee, which performs business tasks on the private device). The key issue when introducing BYOD is also a legal framework for seeking a balance between the interests of the employer, who bears the risk of adding the private user's device to the internal network and the employee's right to privacy³².

Regulation and compliance are examined in the payment systems context. The most innovative mobile payment systems form closed enclaves (“ecosystems”), because market players lack determination to break barriers and to develop a common, uniform standard, which in turn inhibits the market's development and does not inspire trust among customers³³. Efficient payment systems are the essential components of the well-functioning markets, making it easier to exchange goods, services and assets. The speed and ease of processing and making payments

³¹ Ibidem.

³² Cf. M. Kwiatkowska-Cylke, *Służbowe dane na prywatnym sprzęcie, czyli BYOD w praktyce*, <https://www.portalprawait.com/entry/sluzbowe-dane-na-prywatnym-sprzecie-czyli-byod-w-praktyce> (1.01.2016).

³³ Similar problems are present in the *Video on Demand* – VoD market. Cf. A. Kyzioł, *Netflix i inni: przybywa serwisów VoD*, “Polityka”, 22 September 2015.

have a major impact on economic activity, which is why it is important for the payment systems to meet the requirements of economic efficiency. Innovative payment services are the ones, which apply new technology solutions or standards changing in a qualitative way the current payment methods³⁴.

A large number of innovations appear in the payment services market. For now, only a few of them, however, have a significant impact on this market. There is an increased pressure to speed up the processing of payments – through faster processing, settlement or initiation of the payment. The integration of financial markets and the SEPA project are the driving force for innovations in many countries. Central banks, which are interested in promoting cashless transactions, contribute to this trend by, as well as business, which opens up to new opportunities of gaining market share and enabling subsequent links in the value chain. Because of the oligopolistic nature of the payment market regulators often soften the access requirements to that market, in order to encourage effective competition.

3.4. Regulation and Compliance on the Financial Market

As a part of welfare economics one seeks to answer the question of when the state should intervene in liberty or property. The attractiveness of the welfare theory is based on the consistency between the descriptive model of human behaviour and the conclusions and recommendations derived from this model. The assumption of the humans' rational choice allows considering its effects for optimum within the meaning of the Pareto's efficiency. They provide at the same time points of reference for normative assessments. Institutional Economics, however, goes beyond the science of economics. The circle of its interests includes the social determinants of human behaviours (behavioural economics).

³⁴ There are three areas of innovation in the field of retail payments: innovative payment instruments, innovative channels and payment methods, innovative forms of money. While so far the payment service providers have to work with banks, which traditionally provided most of the payment services, now a private, non-bank systems are created, whose technology enables the provision of services without the necessity of having a bank account. Banks on the other hand provide the infrastructure for the payment system. Factors affecting the market development include promoting cooperation and standardisation and secure infrastructure, which ensures reliability and continuity of payment services. Of particular importance is the rational approach of antitrust authorities, which should not question the forms of cooperation necessary for the functioning of the payment services market. Cf. W. Szpringer, *Elektroniczne instrumenty płatnicze – tendencje rozwojowe*, "e-mentor" 2013, no. 3(50).

Coercion and consensus are in the centre of the discussions on the issues related to the interference of state. State cannot make a commitment to always acquire consent of recipients. It also intervenes when it expects the positive effects of such an intervention, i.e. the advantage of benefits over costs. Recipients' preferences are also not always stable over time. The legally motivated choice and rational choice in the micro scale are not necessarily the same, since the regulation may impose "filters" purposely discouraging people from pursuing a Pareto optimum³⁵.

Regulation should be adequate for its purpose. The law should not be treated as a panacea for all problems, or should not unduly interfere with the freedom of economic activity. While the principle of subsidiarity refers to the regulations' level, i.e. whether something should be implemented on the level of the member states, or the EU itself, the principle of proportionality describes the intensity of regulation and its subjective and objective scope (appropriateness and necessity). A consistent adherence to certain rules, such as: the convergence of the powers, duties and responsibilities, transparency, harmony, subsidiarity and proportionality is one of the ways to rationalise the regulatory process. Banking regulations may encourage people to seek a balance in the system: regulation – compliance³⁶.

One of the causes of the crisis – in addition to global imbalances, e.g. between the US and China – was an excessive liberalisation (deregulation) of the financial market. It caused the excess debt among the countries of the Western world. The contagion effect triggered the actions of rescuing troubled banks. At the G-20 summit in 2009 it was decided to toughen regulations in order to restore financial stability. These plans have not been fully realised, and largely regulations

³⁵ In the case of purposes pluralism (and this is a very common situation), not all objectives can be easily reconstructed on the basis of welfare economics. Behavioural economics gives a much wider context of evaluations, which are not just limited to purely economic effects. The legitimacy (both objective and subjective) of interference of public authority carried out in the regulation form, and then its interpretation and execution, is much broader today than ever, because the reality is more complicated, which results in a more significant regulatory impact assessment. Cf. *What Makes Intervention Legitimate?*, 31st International Seminar on the New Institutional Economics, June 12–15, 2013, Weimar, Germany, "Journal of Institutional and Theoretical Economics" 2014, vol. 170, no. 1.

³⁶ The legal system is becoming more complex, which causes blurring of the boundaries between its various components, and the presence of ambiguities as to their extent. Lawmaking is showing a deficit of purposeful action. The law is adopted on a very ad hoc basis: the time limits to implement the EU law, the threat of external sanctions for negligence, political pressure. The courts also withdraw from the ambitions of systematisation, even their own jurisprudence, and the ambiguities of law interpretation are aggravated by the media, consulting firms, social networks and so on. Cf. E. Łętowska, *Prawo w "płynnej nowoczesności"*, "Państwo i Prawo" 2014, no. 3.

were substituted by irrational budget savings, which caused another wave of speculation and again led to instability.

Significant errors were found in relation to the so-called light-touch regulation and self-regulation. They were supposed to be market-friendly, of low-cost compliance, however, the banks were braking them in a clear way. This led ultimately to a situation in which the supervisory authorities or the courts imposed fines of up to 10% of Tier 1 capital of the largest banks. In this way the blind faith in the free market resulted in the fact that the financial sector has currently the smallest public confidence in the economy. Loss of confidence is highest in the developed countries. Especially a lot of outrage – in addition to the abuses and market scandals – is raised by a continuation of the tradition of the large bonuses payments for senior executives, described by an unpleasant, for the entire sector, term – *bangsters*.

The financial sector cannot exist just for itself, but it should create financial infrastructure and confidence in the sustainability of economic growth. Comparing the insufficient regulation of the financial sector after the last crisis with the experiences of the 30 s, it is clear that the lack of a strong, determined implementation mechanism – along the lines of the famous committee of the US Senate, under the guidance of a well-known lawyer and judge from the period of the Great Depression – Ferdinand Pecory. Perhaps the crisis has not particularly strong affected rich countries, which in most cases avoided the transformation of the recession into depression and allowed banks to easily restore the concept known as *business as usual*.

A discussion on restitution of the specialist banks system – applied in the US, takes place. In Germany, the prevailing view is, however, that this system does not fit the realities of the market and institutional order, where some of the effects associated with specialist banking are achieved through diversity (public banks, cooperative and private). Indeed diversity gives a certain resistance to crises. One can observe considerable pressure on micro-prudential supervision. Not always does it, however, satisfy the principle of proportionality, and also disrupts the balance between micro- and macro-prudential supervision. The fact that individual banks are safe, does not mean that the banking system is stable. It can be assumed that there are too many and too complex micro-prudential regulations and too little, and moreover of poor effectiveness – macro-prudential regulations. The relationship between competition and stability in the financial system is not entirely clear.

The Basel 3 concept adopted an implicate assumption that the great complexity of the financial markets must be corresponded by equally complex and detailed governance regulation. It cannot be fully effectively implemented. Internal ratings are a good example of that: too complex, with too many parameters, not fully observable and not always based on good models. Single Resolution Mechanism and relevant national laws on bank restructuring are aimed at effective crises combating, also in the big banks, so far “too big to fail” – without endangering the stability of the entire financial system. The European Union of Banking and the EU's new banking supervision exercised by the ECB are supposed to support this objective. The third dimension of supervision, in addition to micro- and macro-prudential, has emerged in many countries – consumer protection on the consumer finance market.

Counter-cyclical, macro-prudential policy assumes financial stability, and thus ensures the positive contribution of the financial sector to economic growth. Previous studies of costs and benefits, however, do not give the full knowledge that could become the basis for the counter-cyclical, macro-prudential standards. The studies refer basically to estimating costs and indirect benefits, expressed as a percentage of the long-term annual GDP. These analyses omit therefore direct effects, e.g. the implementation of the regulations in financial institutions under supervision, exercising regulations or benefits for the real economy. A relationship between liquidity crises and bank failures on the one hand and shortcomings or gaps in the accounting system, which is not always an adequate reflection of the economic situation of the bank on the other hand, are noticed³⁷. In addition, the costs and benefits of capital or liquidity regulations can be both underestimated and overestimated. Skipping the impact of other policies, e.g. monetary policy, which may reduce the negative effects of restrictive macro-prudential policy or reduce its benefits is also the disadvantage of the cost analysis in the long run. Monetary policy is the essential determinant influencing the risk that banks are willing to take, as well as the excessive procyclicality. The ECB's single monetary policy is not equally suited to the needs of each country in the euro zone. The effectiveness of the ECB's single monetary policy within shaping the macroeconomic situation is different in each country due to differences in their economic situation and the adaptive mechanisms efficiency. Observing the economic situation in both the euro zone as a whole,

³⁷ Cf. A. Aleszczyk, *The Banks' Financial Reporting and the Downfall of the Banking Sector*, “Journal of Management and Financial Sciences” 2015, vol. 8, no. 19.

as well as at the level of national economies should be the basis for a full assessment of the stabilising impact of this policy³⁸. The studies do not provide a clear guidance as to the scope of capital and liquidity regulation restrictiveness, limiting the likelihood of financial crises³⁹.

In the course of the studies four banks' business models were distinguished: retail diversified, retail focused, investment and wholesale oriented banks. Banks focused on traditional retail banking model proved to be more stable and resistant to crises. Structural reform of banking in the EU comes down to the renaissance of the division on commercial and investment banking concept, particularly in relation to the institutions systemically important⁴⁰. The development of the credit reference agencies is an important factor of responsible lending, improving the financial security of households and inclusion of people excluded socially and financially⁴¹.

Banks should take into account a wide range of financial market regulations, and not only the bank law. Banks provide increasingly more financial services, well beyond the circle of strictly banking activities (e.g. bank assurance). These entities also have a major share in the WSE's capitalisation, and they cooperate with other financial institutions, i.e. insurance companies and investment funds. Therefore also other directives or market regulations, such as MiFID, MiFIR, EMIR or consumer protection should be taken into account. From the application of the optimal strategy perspective (compliance) also good practises are becoming increasingly important. Banks should actively participate in the designing of new regulations, in order to co-create the atmosphere of understanding for the essential needs of the financial market and of the confidence

³⁸ Cf. Z. Urbanowicz, *Nieadekwatność polityki pieniężnej Europejskiego Banku Centralnego w procesie stabilizacji makroekonomicznej w strefie euro*, "Gospodarka Narodowa" 2015, no. 4; Z. Urbanowicz *Stabilizacja makroekonomiczna w strefie euro w latach: 1999–2013*, "Studia Oeconomica Posnaniensia" 2015, no. 3.

³⁹ Cf. M. Olszak, *O skuteczności i efektywności antycyklicznej polityki makroostrożnościowej*, "Bezpieczny Bank" 2015, no. 4.

⁴⁰ A draft Regulation of the European Parliament and of the Council of 29 January 2014 on the structural measures to increase the resilience of credit institutions, 2014/0020 (COD), COM(2014) 43 final, http://www.europarl.europa.eu/meetdocs/2014_2019/documents/com/com_com%282014%290043_/com_com%282014%290043_pl.pdf (1.01.2016).

⁴¹ Cf. E. Pyykkö, *Towards Better Use of Credit Reporting in Europe*, Centre for European Policy Studies, Brussels 2013, <http://www.ceps.eu/book/towards-better-use-credit-reporting-europe> (1.01.2016); R. Ayadi, W.P. de Groen, *Banking Business Models Monitor 2014: Europe*, Centre for European Policy Studies, Brussels 2014, <http://www.ceps.eu/book/banking-business-models-monitor-2014-europe> (1.01.2016); S. Bouyon, *The Impact of Banking Structural Reform on Retail Finance*, Centre for European Policy Studies, Brussels 2013, <http://www.ceps.eu/book/impact-banking-structural-reform-household-retail-finance> (1.01.2016).

between stakeholders and the banking sector, and to promote the concept of sustainable development⁴².

Many countries still lack transparency, standard and uniform presentation of the costs and benefits, as well as fair rules advertising consumer finance services, e.g. associating various financial services as a part of tying and bundling, and thus also the ability to compare loan offers⁴³. In some countries, the number of the population that uses banking services is still low. The development of mobile payments may significantly reduce the financial exclusion degree. Many people who are unable to use a computer or the Internet, however, have cell phones⁴⁴.

In this context, attention should be paid to the compliance function, which is used in the financial sector to formulate a number of guidelines. In terms of the compliance function in the companies that are not entities supervised by the KNF (and indirectly, which are not addressees of the positions of ESMA, EBA, EIOPA and the guidelines of the Basel Committee) it should be pointed out that even such entities (e.g. telecommunication companies) could benefit much, if they would agree – not waiting, e.g. for the implementation of ISO 19600 – to use appropriate guidelines provided by financial sector regulators on the organisation of the compliance function⁴⁵.

The Regulations' Effects Assessment – on the ICT Technology Market Example
Technology assessment is performed not only by the market, but also by the state's bodies. It involves the study of the consequences of the specific technologies development, which in turn helps to make certain political decisions. It is therefore a public authority's tool providing knowledge and supporting decision-making processes. The studies defined as technology assessment are carried out by parliamentary and governmental institutions or by independent research institutions. European Parliamentary Technology Assessment has been established for this purpose. Opportunities and risks of new technologies

⁴² In some areas the control is excessive, and the other are in dire need of such control e.g. securitisation, reverse mortgages, access to public databases, non-cash turnover, *shadow banking*. Cf. S. Kasiewicz, *Regulacje pokrzyżoswe a koncepcja zrównoważonego rozwoju w sektorze bankowym*, in: *Ku przyszłości*, ed. I. Hejduk, A. Herman, Difin, Warsaw 2014.

⁴³ *Responsible Lending. An International Landscape*, ed. J. Hubbard-Solli, November 2013, http://www.consumersinternational.org/media/1412472/ciresponsiblelending_finalreport_06-11-13.pdf (1.01.2016).

⁴⁴ *Mobile Payments and Consumer Protection*, http://www.consumersinternational.org/media/1439190/ci_mobilepaymentsbriefing_jan14_final.pdf (1.01.2016).

⁴⁵ Cf. G. Włodarczyk, *Co czeka polski rynek finansowy?* and G. Włodarczyk, *Norma ISO 19600 – próba standaryzacji zarządzania ryzykiem braku zgodności (compliance) – zagadnienia wstępne*, <https://compliancefid.wordpress.com/> (1.01.2016).

are being studied – in order to early enough identify the risks or potential social conflicts against the background of technologies development or to facilitate social learning processes of using new technologies⁴⁶.

State's influence on the M&A transactions remains interesting. There are many indications that interventions of this kind are not (although they should be) competitively neutral, as they can significantly hinder the entry and exit from the market, and thus affect the mobility of businesses. They can therefore be regarded as an example of industrial policy implementation. An example is the blocked in 2014 transaction of acquiring the British company Astra / Zeneca by the US Pfizer, or the case of Alstom's energy and electric grid divisions acquisition by General Electric, which has been conditionally approved by the European Commission, many years after it has blocked the Honeywell's acquisition by General Electric⁴⁷.

In the face of globalisation an attention should be paid to the trend of defining geographic markets in a more broader way. A new approach to new technologies markets analysis, which are defined as fast moving markets, where innovations emerge constantly and market development forecasts instead of status quo diagnoses play a key role, is crucial⁴⁸. Moreover, the wider recognition of product markets is characteristic, which is the result of media convergence and digitisation of content. For example, in the case of Facebook- WhatsApp

⁴⁶ Cf. *Technology Assessment. Problematyka oceny technologii*, eds. M. Gwiazdowicz, P. Stankiewicz, „Studia Biura Analiz Sejmowych Kancelarii Sejmu” 2015, no. 3; cf. also: K. Klincewicz, *Dyfuzja innowacji. Jak odnieść sukces w komercjalizacji nowych produktów i usług*, Faculty of Management of Warsaw University Press, Warsaw 2011.

⁴⁷ In particular, attention should be paid to the objections to the transaction raised by the European Commission and commitment proposals by General Electric, the differences in the approach to the matter between the EU's and the US' competition authorities and the experiences of the parties gained from the cooperation with the two bodies. General Electric / Alstom case is unique due to the huge volume of transaction, the consequences for the European and the global energy market, and also due to the political aspects (intervention of the French government) and the relationships between competitors (Siemens and MHI). The approach of the European Commission and of the President of the UOKiK to the highly complex concentrations is not clear yet and requires in-depth research. Cf. N. Petit, *State-Created Barriers to Exit? The Example of the Acquisition of Alstom by General Electric*, <https://orbi.ulg.ac.be/bitstream/2268/182220/1/State%20Created%20Barriers%20to%20Exit%20-%20The%20Example%20of%20the%20Acquisition%20of%20Alstom%20by%20General%20Electric%20%20%2812%2002%2015%29.pdf> (1.01.2016); cf. also: R. Molski, *Prawne i ekonomiczne aspekty polityki promowania narodowych czempionów*, Faculty of Management of Warsaw University Press, Warsaw 2015.

⁴⁸ Cf. *Market Definition in a Globalised World*, “Competition Policy Brief” 2015, issue 2, http://ec.europa.eu/competition/publications/cpb/2015/002_en.pdf (1.01.2016); *The Interchange Fees Regulation* “Competition Policy Brief” 2015, issue 3, http://ec.europa.eu/competition/publications/cpb/2015/003_en.pdf (1.01.2016); I. Mirabile, M.K. Pieber, L. Sauri, A. Stril, *Protecting the Drugs of Tomorrow: Competition and Innovation in Healthcare*, “Competition Merger Brief” 2015, issue 2, http://ec.europa.eu/competition/publications/cmb/2015/cmb2015_002_en.pdf (1.01.2016).

the attention was drawn to the new forms of competition, taking place, e.g. both between consumer communications apps – mobile telephones services and between consumer communications apps – social networking services⁴⁹.

The concept of a single economic entity can protect the companies against charges from the antitrust authorities. Its consistent interpretation by the parties is the needed condition. The postulate of economic approach to the single economic entity concept application is justified, but only as long as the functions and objectives of the given competition protection law standards do not grow out of the justification other than economic. Furthermore, in the context of legitimate “economisation” of competition law approach it can be noted that sometimes the above postulate results not from the need to take into account the economic assumptions of antitrust standards, but as an attempt to impose a certain (usually neoclassical and liberal) economic ideology⁵⁰. Modern economy appears to be for many people too often an intellectual game, not bringing practical benefits for the understanding of the economy⁵¹.

Ex ante regulation is justified when the lack of competition in a given market is relatively lasting. A requirement of far-reaching caution in creating and implementing competition law must be kept in mind. The situation of regulations and the lack of them is often not easily comparable in terms of cost, because it is not always possible to undertake a full cost estimation. Often the comparison of hypothetical situations and not actually existing ones is performed. The actual regulations' objectives tend to be different from the declared ones. The broad context of regulation, behavioural economics and apparent actions should be taken into account. Objectives of regulation's necessary flexibility and transactions' safety are often in opposition. In the case of competition law, it is typical to use assumptions, presumptions, and forecasts or circumstantial evidence instead of uncontested “hard” evidence. The status quo is therefore merely

⁴⁹ Por. E. Ocello, C. Sjödin, A. Subocs, *What's Up with Merger Control in the Digital Sector? Lessons from the Facebook/WhatsApp EU Merger Case*, “Competition Merger Brief” 2015, issue 1, http://ec.europa.eu/competition/publications/cmb/2015/cmb2015_001_en.pdf (1.01.2016); S. De Vita, S. Müller, V. Staykova, M. Zedler, *Convergence Meets Consolidation in the Spanish Telecom Sector*, Orange/Jazztel, “Competition Merger Brief” 2015, issue 3, http://ec.europa.eu/competition/publications/cmb/2015/cmb2015_003_en.pdf (1.01.2016).

⁵⁰ Cf. P. Semeniuk, *Koncepcja jednego organizmu gospodarczego w prawie ochrony konkurencji*, Faculty of Management of Warsaw University Press, Warsaw 2015; cf. also: K. Stolarski, *Zakaz nadużywania pozycji dominującej na rynkach telekomunikacyjnych w prawie Unii Europejskiej*, Faculty of Management of Warsaw University Press, Warsaw 2015.

⁵¹ Cf. *Competition Law as Regulation*, eds. J. Drexel, F. di Porto, Edward Elgar, Cheltenham – Northampton 2015; *Competition Policy and Economic Approach*, eds. J. Drexel, W. Kerber, R. Podszun, Edward Elgar, Cheltenham–Northampton 2011.

a starting point for the market structure assessment, behaviours (strategy) of market players and regulator's decisions⁵².

Devices' Convergence and the content's digitisation, blurring boundaries between traditional media (TV), telecommunications and the Internet, the mobile services and social networks' development, Cloud Computing and Big Data are new challenges faced by sectoral regulation, intellectual property law, law of electronic media and competition law. This is not just a matter of creating the independent, expert regulatory agencies (UKE), which would be a counterweight to the interests of dominant bodies and the investments in infrastructure driving force⁵³. The problems of artificial intelligence, automated expert systems, virtual education, the relationship between open access to content and the protection of copyright, as well as "the internet of things", especially in the case of responsibility of people for the automatic operations of machines and equipment, for example cars moving without a driver, remain in the centre of the discussion. One can analyse here liability in tort, dependant on guilt, as well as independent of fault – responsibility for a product. "Internet of things" creates new challenges for regulations (e.g. the protection of personal data), as physical objects within the "Internet of things" gain characteristics typical of other branches of law that go far beyond the property law⁵⁴.

The aim of the competition policy is to maximise consumer welfare. The market based, and not "the artificial" resource allocation is the condition of consumer sovereignty in this respect. The procedure of sectoral ex ante regulation (e.g. telecommunication) has become the subject of criticism from the perspective of the principles of good legislator. The proceedings were long-term, in many phases unclear, burdened with substantial costs. Interdependences in the extensive system of binding or non-binding acts of the Commission caused difficulties to the national regulatory authorities conducting the proceedings for market dominant position assessment. ICT markets⁵⁵ are characterised by strong net-

⁵² Cf. W. Szpringer, *Regulacja konkurencji a konkurencja regulacyjna*, POLTEXT, Warsaw 2010.

⁵³ Cf. S. Piątek, *Nowa strategia regulacyjna na rynku telekomunikacyjnym*, "iKAR" 2012, no. 1(6); R. Śliwa, *Zarys ekonomicznej analizy polityki regulacyjnej w sektorze telekomunikacyjnym*, "iKAR" 2013, no. 2(8), www.ikar.wz.uw.edu.pl (1.01.2016).

⁵⁴ Cf. O. Stiernerling, "Künstliche Intelligenz" – Automatisierung geistiger Arbeit, Big Data und das Internet der Dinge, "Computer und Recht" 2012, no. 12, and also: G. Spindler, *Roboter, Automation, künstliche Intelligenz, selbst-steuernde Kfz – Braucht das Recht neue Haftungskategorien?*, "Computer und Recht" 2015, no. 12.

⁵⁵ Competition policy is focused on maintaining freedom of competition, i.e. "how" to ensure freedom and "what" is to be made. It should not decide what structure of the market or the technology is "correct" or "right", but rather it must examine whether the impact of end users (consumers)

work effects. The high preparation costs of the first product, including the so-called sunk costs and low cost of its duplication are typical for them. Therefore in this case one faces a combination of economies of scale on the demand and the supply side, which means that the ICT markets tend to a high concentration. Market dominance of one company can be maintained for very long and new market entries are very difficult. The development of the market (e.g. the Internet) can lead to both strengthening the position of former leaders, as well as to challenging it – technological advantages, not traditionally understood rivalry between the products are decisive.

Having a dominant position in the infrastructure market – in the network sector – allows the dominant unit to transfer market dominance attributes to vertically related markets providing audiovisual services, broadband Internet access, VoIP and mobile telephony and internet television. As a result of combining connections triple service, which integrates innovative services with a standard voice service, the dominant unit owning infrastructure transfers its position to numerous innovative Internet services markets. Digitisation, media convergence are conducive to such a strategy. This allows the companies to retain customers and to block the expansion of competitors, e.g. cable TV operators. The dominant unit therefore leads to a creation of a chain of monopolies and interconnected markets, where one of them could be of a strategic importance for the development of the whole sector. Broadband internet access, which is related to the provision of multimedia services, is an example of such a market.

In order to prevent monopolisation of markets for innovative services located on the lower levels, one can promote competition at the infrastructural level – between the networks of telecom, cable, radio operators, etc. – or refer to the essential facilities doctrine, which in turn may facilitate the competition of other operators with the incumbent infrastructure holder⁵⁶. Key devices, to which one can legally allow access to at a reasonable price, include: the local loop, bit-stream, radio band, industrial property rights (source code). The advancement in technology allows the new players to enter the seemingly divided market

on this choice is sufficiently strong. Competition in the IT sector is characterised by longer periods of stable structures and standards, dashed from time to time by sudden changes, when companies engage strongly in the fierce race for new market standard, or a breakthrough innovation (“disruptive innovation”), being aware of the fact that the “winner takes all”. Cf. J. Hogan *Competition Policy for Computer Software Markets* “Journal of Information, Law and Technology” 2001, no. 2.

⁵⁶ Cf. J. Majcher, *Dostęp do urządzeń kluczowych w świetle orzecznictwa antymonopolowego*, WPiPG, Warsaw 2005.

and to compete with the insiders (Skype). The companies are looking to offset losses on the fixed telephony market thanks to online services (Netia)⁵⁷.

The proper assessment of market dynamics is essential when implementing competition law. The development of IT technology markets is a good example of dynamic competition within the definition of Schumpeter. As a result of ignoring the potential competition in dynamically competitive sectors, markets might be defined too narrowly, which in turn could lead to unfounded claims of domination. Then an increased risk of regulation error is present. The dynamics of the market is due to the rapid technological change and significant investments in research and development. Features of the network industries (network effect) mean that the competition has rather “competing for the market” and not just “competing on the market” characteristics.

The situation on the electronic communication market enables a gradual transition from sector-specific regulation to general competition law, under which the mere possession of a dominant position on the market is not a basis for taking a regulatory action against such an entity⁵⁸. Economic analysis of Monopolies' effects in cyberspace must take into account the type of goods and the characteristics of the market and the sector. The starting point for attempts to define the electronic market can be found in the beginning of the 90 s when a cyberspace definition has been formulated. It results in the existence of “a parallel world”, created and sustained by computers and computer networks. Cyberspace is also attributed with the destruction of time and physical space, describing it as an bio electronic environment, which can be regarded as a civilisational breakthrough.

The combination of the words market and cyberspace created the word market space. The term has been defined as a virtual sphere in which products and services exist as information in digital form and can be distributed through the technological channels. The authors drew attention to the fact that the market

⁵⁷ Access to the local loop and the bitstream can be considered complementary, e.g. in France and the UK the access to the local loop is used in the large cities, and the bitstream – in low urbanised areas (two-tier strategy). Regulatory policy is different in the member states, although the aim is to create a single market for electronic communications and the level playing field. Cf. P. Gruszecki, *Konkurencja rynkowa z wykorzystaniem elementu dźwigni (Internet)*, “CEO” 2006, no. 5, p. 36 and further; M. Jaślan, *Internet ratuje wyniki finansowe Nenii*, “The Wall Street Journal Polska” – supplement to “Dziennik”, 14–15 July 2007; cf. also: “Juconomy Newsletter” 2007, no. 48, Juni and *Wettbewerb im Internetzugangsmarkt*, Workshop der Regulierungsbehörde für Telekommunikation und Post, “Multimedia und Recht” 2003, no. 3 (Beilage).

⁵⁸ Cf. J. Haucap, *Wettbewerb und Regulierung im Mobilfunk aus Sicht der ökonomischen Theorie*, Institut für Wirtschaftspolitik, Universität der Bundeswehr Hamburg, März 2003; F. Kamiński, *Investycyjne aspekty regulacji konkurencji na rynku komunikacji elektronicznej w Unii Europejskiej*, “Telekomunikacja i Techniki Informacyjne 2005, no. 1–2.

– referred to now as a marketplace – has a new “shape”, which is defined by the electronic space and detachment from the physical space. The innovative nature of this definition indicates, however, changes in the exchange area. Here the accent falls on the intangible nature of the market and of the exchanged goods. Furthermore, this approach highlights the important role of information as the basic medium of the electronic market. On this basis, the electronic market is also referred to as a virtual trading place, where information and knowledge are its main goods⁵⁹.

It would be pointless for example to divide Microsoft, when the newly established companies would also benefit from the same technological standards, which are not available to third parties. Therefore, the actions of public authorities in relation to the newly developing phenomena cannot be based on the traditional analysis, which in turn is based on supply and demand, but must address the control over the dominant technology issue. Google's actions are increasingly found under the microscope of antitrust authorities. In the US one has questioned a personal union on the boards of Google and Apple – the manufacturer of the iPhone. In the Internet world, however, everything is competing with each other, so a thesis concerning mutual competition between companies can be formulated (e.g. Google created the Android operating system installed in mobile phones, which means that devices using this system are Apple's iPhone direct competition⁶⁰).

It should be noted that both patents and standards are of great importance for the innovation strategy. The combination of these two components as the standard (key) patents can cause problems. Standards are primarily intended for better interoperability, which in turn can help to maximise the benefits for businesses and consumers. Further development of existing systems and of new products takes place primarily in the field of ICT, the operation of which is difficult to imagine without the use of uniform standards. They allow the

⁵⁹ In cyberspace, some of the factors leading to the creation of a dominant position are less significant than in the real world. On the other hand, there are new phenomena that can lead to that very effect. These “new” monopolistic effects are related to the technology and standards and elude classical economic analysis of competition law. Traditional solutions related to the prevention of concentration or forcing deconcentration, as well as the control of prices and quality cannot be very effective in relation to these new phenomena. Cf. O. Filipowski, *Analiza ekonomiczna efektów monopolistycznych w cyberprzestrzeni*, www.cbke.uni.wroc.pl (1.01.2016).

⁶⁰ Cf. K. Kłincewicz, *Ekonomiczne i strategiczne wyzwania rynku informatycznego a przypadek firmy Microsoft*, in: *Sprawa Microsoft – studium przypadku. Prawo konkurencji na rynku nowych technologii*, eds. D. Miąsik, T. Skoczny, M. Surdek, Faculty of Management of Warsaw University Press, Warsaw 2008; T. Boguszewicz, *Google kontra urząd antymonopolowy*, “Rzeczpospolita”, 9–10 May 2009.

interaction of various components, using economies of scale, learning and reducing costs. On the other hand, standardisation decreases competition between the different, alternative technologies on the market. Alternative technologies are not implemented in certain circumstances, although they could better serve consumers. So the institutions granting patent licenses on reasonable terms (Fair Reasonable and Non-Discriminatory – FRAND), thus avoiding “patent ambush”, “patent thicket” and costly “patent wars” become crucial⁶¹. The ICT markets face also, however, new and difficult challenges for regulation and compliance⁶².

The state of investment uncertainty was present so far on the electronic communications market in the EU. It resulted from the unclear and vague provisions of the regulatory package for new investments, which did not preclude the imposition of an obligation to provide new network resources to competitors. This situation has limited the development of optical fiber access networks, intended for high-speed broadband Internet services and thus negatively affecting the development of the knowledge-based economy. In this context, the postulates have occurred to limit in time the obligation to provide the infrastructure and services by the incumbent operator, and the date of its expiry – predetermined.

⁶¹ Cf. M.A. Lemley, C. Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, “Berkeley Technology Law Journal” 2013, vol. 28, no. 2; R. Bekkers, R. Bongard, A. Nuvolari, *An Empirical Study on the Determinants of Essential Patents Claims in Compatibility Standards*, “Research Policy” 2011, vol. 40; C. Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools and Standard Setting*, in: *Innovation Policy and the Economy*, eds. A.B. Jaffe, J. Lerner, S. Stern, vol. 1, MIT Press, Cambridge Mass 2001; *Jones Day*, April, 2013, <http://www.jonesday.com/files/Publication/77a53dff-786c-442d-8028-906e1297060b/Presentation/PublicationAttachment/270fc132-6369-4063-951b-294ca647c5ed/Standards-Essential%20Patents.pdf> (1.01.2016); G. Sidak, *How Licensing Standard-Essential Patents is Like Buying a Car?*, WIPO, June, 2015, http://www.wipo.int/wipo_magazine/en/2015/03/article_0003.html (1.01.2016); *Why Standardized Technology Matters?*, FTC, <https://www.ftc.gov/sites/default/files/attachments/press-releases/google-agrees-change-its-business-practices-resolve-ftc-competition-concerns-markets-devices-smart/130103google-seps.pdf> (1.01.2016); *Standard Essential Patents: How Do They Fare?*, RPX Corp., 2014, <https://www.rpxcorp.com/wp-content/uploads/2014/01/Standard-Essential-Patents-How-Do-They-Fare.pdf> (1.01.2016); *Compulsory Licensing: Practical Experiences and Ways Forward*, eds. R. Hilty, K. Chung-Liu, Springer, Heidelberg–New York 2015; R. Hilty, P.R. Slowinski, *Standardessentielle Patente – Perspektiven auferhalb des Kartellrechts*, “Gewerblicher Rechtsschutz und Urheberrecht Int.” 2015, no. 9.

⁶² Cf. A. Whelan, *The Impact Assessment for the Proposed Regulation Concerning the Telecoms Single Market and to Achieve a Connected Continent*, IMCO Committee, Brussels 2013, <http://www.europarl.europa.eu/document/activities/cont/201310/20131021ATT73124/20131021ATT73124EN.pdf> (1.01.2016); I. Kawka, *Nowe technologie jako wyzwanie wspólnotowego prawa łączności elektronicznej*, “Problemy Współczesnego Prawa Międzynarodowego, Europejskiego i Porównawczego” 2008, vol. 6, <http://www.europeistyka.uj.edu.pl/documents/3458728/4b368d69-b9d4-4a84-9af2-b09d8ff67a98> (1.01.2016).

The issue of regulating competition in this area is therefore very complicated and hard to define⁶³.

The development of New Generation Access (NGA) became a part of the EU's competitiveness shaping, maintaining the position of national economies or preventing crises⁶⁴. The Europe 2020 Strategy and the European Digital Agenda stress the importance of taking into account the development of the overall new generation NGN communication technology techniques in the European regulatory policy formulation process. Due to the changing regulatory environment, in particular the abolition of monopolies and the opening of network access for new entities, NGA policy had a chance to be developed still at the stage of the new economic environment construction. Regulators' policy in this area has become predictable, allowing operators to incur less costs related to investments in optical fiber networks⁶⁵.

Regulatory instruments used in this regard should be based on the investment ladder concept both in the physical access to network infrastructure market and a wholesale broadband access. This concept involves changing communications environment through the introduction of new conditions of providing services and competition rules, as well as the introduction of distinctions in regulatory policy on the local geographic markets, where NGA investments are made. The EC stressed the importance of extending the knowledge with a database on a basic physical infrastructure and investment plans of dominant

⁶³ The current EU policy is aimed at further development of competition in the sector, and consequently – at the development of the European electronic communications market. During the preparation of the final regulatory package one indicated that the primary goal is to achieve compliance of sectoral legislation with legislation and practice of the EU competition law. Therefore currently a gradual elimination of sectoral regulations in the telecommunications sector and related areas in favour of the same competition regulations across the EU economy is implemented. Cf. F. Kamiński, *Inwestycyjne aspekty regulacji konkurencji na rynku komunikacji elektronicznej w Unii Europejskiej*, "Telekomunikacja i Techniki Informacyjne" 2005, no. 1–2.

⁶⁴ Cf. S. Piątek, *Polityka regulacyjna dotycząca sieci dostępowych nowej generacji*, "Telekomunikacja i Techniki Informacyjne" 2010, no. 3–4.

⁶⁵ The first recommendations on NGA appeared in the EU during the years 2007–2008. Then in 2009, under the amendment to the telecommunications package of directives, ERG's position was presented, and in September 2010 the most important document in this regard was published – Commission Recommendation on regulated access to next generation networks. EC assumes in it establishing regulations' methods and means heading in the direction of promoting the effective investments in NGA, while keeping competition rules and taking into account the investment risk. Some elements are introduced by a new regulatory package for electronic communications – they include factors improving legal certainty for suppliers, which should encourage them to investments in the Next Generation Networks (NGN) new infrastructures, concerning, for example market analyses and sectoral regulations and imposing new obligations on suppliers. The package clearly states that cutting off access to the Internet cannot be possible without the possibility of judicial control.

units in a given market. National regulations should be subject to the local environment and adopted variant of network modernisation or construction of new fiber optic networks⁶⁶. Introduction of the high-bandwidth networks into the NGN markets will translate into users' mobility, will connect fixed, mobile and nomadic networks' functionality, mobile and nomadic, and NGN will therefore become a highly converged network⁶⁷.

Next Generation Networks (NGN) regulation rises much uncertainty in the electronic communication sphere. The question is how to encourage operators to invest in a common (or alternative) infrastructure, and not only in new services based on the existing infrastructure, created mostly by the incumbent supplier. Investments in this area are capital-intensive and the costs incurred would be difficult to recover. Hence the importance of a stable, predictable and long-term regulation that stimulates competition in the sphere of infrastructure⁶⁸. This calls for innovation regulations, for example "sunset clause", "regulators holidays", and "the ladder of investment". Debatable is, however, the realisation practice of these concepts⁶⁹.

The ladder of investment idea assumes that operators initially naturally involved in services area innovations, will gradually decide to invest in infrastructure – in exchange for new opportunities and regulatory privileges⁷⁰.

⁶⁶ The EC has developed a ladder of investment for NGA networks, which is based on the ladder of investment in the copper network. Achieving successive levels by the investor on the ladder of telecommunications access services is associated with an increased infrastructural commitment, which on the ladder of products means reducing the share of the incumbent operator in favour of an alternative operator.

⁶⁷ *Mechanizmy systemu regulacyjnego dla sieci NGN/NGA*, UKE, Warsaw, November 2008.

⁶⁸ *An Assessment of the Regulatory Framework of Electronic Communications – Growth and Investment in the EU e-Communications Sector*, Report to the European Commission, London Economics and Price Waterhouse Coopers, London 2006.

⁶⁹ S. Piątek, *Investment and Regulation in Telecommunications*, "Yearbook of Antitrust and Regulatory Studies" 2008, vol. 1(1); R. Cadman, *Regulation and Investment in European Telecoms Markets*, Report for the European Competitive Telecoms Association, November, 2007; M. Cave, *Making the Ladder of Investment Operational*, www.ictregulationtoolkit.org (1.01.2016); M. Cave, I. Vogelsang, *How Access Pricing and Entry Interact*, "Telecommunications Policy" 2003, vol. 27; M. Cave, *Encouraging Infrastructure Competition via the Ladder of Investment*, "Telecommunications Policy" 2006, vol. 30; M. Cave, *Regulation and Competition Law in European Telecommunications*, Post-Och Terestyrelsen Report, June, 2006; Y. Chou, K.Ch. Liu, *Paradoxical Impact of Asymmetric Regulation in Taiwan's Telecommunications Industry: Restriction and Rent-Seeking*, "Telecommunications Policy" 2006, vol. 30.

⁷⁰ D. Elixmann, D. Ilic, K.H. Neumann, T. Plückerbaum, *The Economics of Next Generation Access – Final Report*, Study for the European Competitive Telecommunication Association (ECTA), WIK-Consult, Bad Hon-nef, September 10, 2008; M.J. Scott, D. Elixmann, *Regulatory Approaches to NGNs. An International Comparison*, "MPRA Working Paper" 2008, no. 8808, March, Munich; P. Helmes, J. Schoof, M. Geppert, *Herausforderungen der All-IP Netzmigration: zur Balance zwischen Effizienzgewinnen und Migrationsnachteilen*, "Computer und Recht" 2008, no.7.

It should be remembered that it is the users who, to a large extent, decide on the migration values in this sector and therefore the profitability of transition to new business models and the reasonableness of offering new forms of access to multimedia content⁷¹. Analysis of the situation on the electronic communications market in the EU shows that liberalisation and demonopolisation of the market policy, while promoting services competition (often in the form of regulatory competition), has led to a rapid services market growth while maintaining a substantial reduction in fees and tariffs. Stimulating the development of the market and competition by providing the material base of the incumbent operator to its competitors is, however, close to its limits, and spending on new material resources remain relatively modest – hence the growing importance of encouraging operators to invest in infrastructure.

3.5. Assessment of Regulations' Effects – on the Example of Financial Market

In the light of the findings in the field of literature describing the infrastructure of the financial market, the traditional financial economics, costs and effects analysis are not fully adequate to this dose of uncertainty and complexity with which one is dealing in relation to the modern financial market. A holistic perspective is proposed in this regard, which is derived from philosophy, sociology and behavioural and institutional economics. A diagnosis of the causes of the recent financial crisis and a qualitative estimation of the general social advantages in comparison to the losses resulting from the freedom restrictions of financial market participants are the arguments in favour of market regulation and the creation of new financial market infrastructure institutions (e.g. the central counterparty – CCP). Infrastructure, competition and the desirability of regulating the potentially negative aspects of monopolies and oligopolies theories should be added to this. A trade-off between competition and the risk is mitigated by ensuring equal access, increasing the number of participants,

⁷¹ Draft Commission Recommendation on regulated access to Next Generation Networks and Commission Staff Working Document, Brussels 2008, O.J.C. UKE's opinion on the process of building and exploitation of NGA infrastructure in Poland, Warsaw, 17 December 2008.

economies of scale and cutting costs. One can then simultaneously stimulate competition and reduce risk⁷².

The concept of network becomes useful in the analysis of the international legal system – in terms of both the vertical (between national law and the EU's), as well as the horizontal (between the increasingly intersecting public and private law) harmonisation. Convergence of rules, standards and interpretations would facilitate, e.g. decisions on the risk allocation in transnational corporations, value chains involved in crossing the boundaries of individual countries, supplies and investments. This requires reflection especially in terms of the subsidiarity, proportionality and equality of public burdens principles⁷³. It should be kept in mind that there are still big differences in the institutional environment, and therefore, e.g. some countries have an integrated financial market supervision, others rely on *sui generis* competition between different supervisory authorities, and apart from that, a superior supervision from the ECB has been created – under the Single Supervisory Mechanism – SMM, and a Single Resolution Mechanism – SRM, which poses new, yet difficult questions of legal protection means⁷⁴.

The principle of national treatment has a number of variants adapted to globalisation, e.g. The US Securities and Exchange Commission (SEC) experiments, ever since before the crisis, with principles facilitating the entry of foreign companies into the US capital market. First it was called modified national approach, involving the release of foreign companies from certain requirements redundant or conflicting in the light of the regulations in the country of origin. These exemptions were available, regardless of the assessment of the quality of supervision in the country of origin. They largely concerned only big transactions with institutional investors domiciled in the US. Since 2007, in the face of the crisis,

⁷² Cf. S. McNamara, *Financial Market Uncertainty and the Rawlsian Argument for Central Counterparty Clearing of OTC Derivatives*, "Notre Dame Journal of Law: Ethics and Public Policy" 2014, vol. 28, issue 1, May, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2210965 (1.01.2016); J.S. Fontaine, H.P. Saiz, J. Slive, *Access, Competition and Risk in Centrally Cleared Markets*, "Bank of Canada Review" 2012, Autumn, <http://www.bankofcanada.ca/wp-content/uploads/2012/11/bod-review-autumn12-fontaine.pdf> (1.01.2016).

⁷³ Cf. H. Muir Watt, *Governing Networks: A Global Challenge for Private International Law*, "Maastricht Journal of European and Comparative Law" 2015, no. 3; S. Lierman, *Laws as Complex Adaptive System. The Importance of Convergence in a Multi-Layered Legal Order*, "Maastricht Journal of European and Comparative Law" 2015, no. 4.

⁷⁴ Cf. L.J. White, *Consolidation or Competition for Financial Regulators*, <https://www.globalpolicy.org/empire/47141.html> (1.01.2016); A. Witte, *Standing and Judicial Review in the New EU Financial Markets Architecture*, "Journal of Financial Regulation" 2015, vol. 1, issue 2, <http://jfr.oxfordjournals.org/content/1/2/226> (1.01.2016).

the SEC however began to verify, if regulatory conditions in the country of the origin and in the US are comparable in fundamental terms. The SEC and other supervisors (Commodity Futures Trading Commission – CFTC) have developed a wide range of analytical tools, aimed at such comparison tests, in order to reduce the – inherently problematic – extraterritorial application of the Dodd-Frank Act (substituted compliance)⁷⁵.

The American Orderly Liquidation Authority example shows that even the establishment of a special body, whose task is to reform or liquidate financial institutions that create systemic risk, may not meet the expectations regarding the rehabilitation of banks “too big to fail” and replacing bail-outs, dividing their losses on taxpayers by rehabilitation of bail-in type, charging the owners, creditors and managers of institutions at risk. This does not mean that State aid should always be judged negatively. On the contrary, the systemic context can justify, e.g. public guarantees, which are an instrument for crisis prevention⁷⁶. Central banks in the EU and the United States take initiatives in order to gain independence from the ratings imposed by the rating agencies. As a rule – central banks assess the quality of such ratings positively. Therefore, these measures are aimed at not completely removing ratings, but rather at supplementing them, e.g. in the form of security policy redefinition⁷⁷.

A full quantitative impact assessment is not possible due to the information deficiencies, gradual implementation of the regulations, including executive acts, difficulties in separating the impact of individual legal acts on the market, complementarity and substitutability of the impact of the given regulations, the interdependencies (synergies or conflicts) between them, ever new possibilities of circumventing the law through financial innovations (law arbitration) or regulatory competition that occurs between national jurisdictions⁷⁸. A recently

⁷⁵ Cf. H.E. Jackson, *Substituted Compliance: The Emergence, Challenges, and Evolution of a New Regulatory Paradigm*, “Journal of Financial Regulation” 2015, vol. 1, issue 2, <http://jfr.oxfordjournals.org/content/1/2/169> (1.01.2016); A. Artamonov, *Cross-Border Application of OTC Derivatives Rules: Revisiting the Substituted Compliance Approach*, “Journal of Financial Regulation” 2015, vol. 1, issue 2, <http://jfr.oxfordjournals.org/content/1/2/206> (1.01.2016).

⁷⁶ Cf. J. Mitts, *Systemic Risk and Managerial Incentives in the Dodd-Frank Orderly Liquidation Authority*, “Journal of Financial Regulation” 2015, vol. 1, issue 1, <http://jfr.oxfordjournals.org/content/1/1/51> (1.01.2016); F. Allen, E. Carletti, I. Goldstein, A. Leonello, *Moral Hazard and Government Guarantees in the Banking Industry*, “Journal of Financial Regulation” 2015, vol. 1, issue 1, <http://jfr.oxfordjournals.org/content/1/1/30> (1.01.2016).

⁷⁷ Cf. P.L. Athanassiou, A. Theodosopoulou, *Reducing Over-Reliance on Credit Rating Agencies: State of Play and Challenges Ahead*, “Maastricht Journal of European and Comparative Law” 2015, no. 5.

⁷⁸ “The full impact of the financial reform agenda can in principle only be assessed in the years to come, as most rules have only been recently adopted, there are phasing-in periods and some rules

used innovative concept used to study the so-called principle of proportionality, consisting of 3 components (proportionality in the strict sense, the appropriateness and necessity) is an example of a qualitative approach, problematic in relation to the regulations' impact assessments⁷⁹.

Inability to quantify the costs and benefits leads to the qualitative research development. It stems not only from the difficulty to value humanistic values (such as dignity, health and people's lives), but also from the lack of full knowledge of the situation in the future. Since the public authorities need to make decisions, even in the areas of high uncertainty and complexity, methods of estimation and evaluation of the costs or effects in certain size ranges are proposed (e.g. through an expert or scenario methods), in order to see if the results will justify incurring the costs (Breakeven Analysis). This allows avoiding making decisions only on the basis of intuition or the officials' opinions, often subjected to the pressure of interest groups⁸⁰.

However, numerous analyses are carried out showing the costs and benefits to stakeholders, resulting, e.g. from a restrictive consumer protection in the market of consumer finance. Costs and benefits from the perspective of the whole financial market are estimated, where, for example tightening consumer protection causes a weaker credit availability for vulnerable consumers, more costly financial intermediation in the consumer finance sector, hinders the alleviation of financial exclusion, facilitates demanding attitudes and moral hazard on the side of consumers, undermines mutual loyalty and trust between the parties to the contract⁸¹.

still need to be complemented with delegated and implementing acts. Even then it will be difficult to isolate regulatory impacts from other factors, such as the direct consequences of the crisis (e.g. increased risk aversion, uncertain market conditions, monetary policy interventions and low interest rates) and wider macroeconomic, technological and demographic changes. Pre-crisis market conditions cannot serve as the relevant benchmark, as it is precisely the boom-bust experience which much of the financial reform agenda aims to avoid being repeated". Cf. *Economic review of the financial regulation agenda A Reformed Financial Sector for Europe*, Commission Staff Working Document, Brussels, May 15, 2014, COM(2014) 279 final, http://ec.europa.eu/internal_market/finances/docs/general/20140515-erfra-working-document_en.pdf (1.01.2016).

⁷⁹ Cf. S. Kasiewicz, L. Kurkliński, W. Szpringer, *Zasada proporcjonalności. Przełom w ocenie regulacji*, ALTERUM Centre for Research and Analysis of WIB Financial System, Warsaw 2014.

⁸⁰ Cf. C.R. Sunstein, *The Limits of Quantification*, R.L. Revesz, *Quantifying Regulatory Benefits*, D.A. Farber, *Breaking Bad? The Uneasy Case for Regulatory Breakeven Analysis*, L. Heinzerling, *Quality Control: A Reply to Professor Sunstein*, "California Law Review" 2014, vol. 102, no. 6.

⁸¹ Cf. *A Framework for Assessing the Benefits of Financial Regulation*, Report Prepared for Financial Services Authority, Oxera Consulting, September, 2006, <http://www.oxera.com/Oxera/media/Oxera/Framework-for-assessing-benefits-of-financial-regulation.pdf?ext=.pdf> (1.01.2016); R.H. Smith, *Global Systemic Risk Regulation since the Financial Crisis. A framework for*

Some countries (United Kingdom) invest in research on the benefits and costs of financial regulation in the EU membership context. The EU regulations are divided into those that are fully legitimate and pro-market and, therefore, regardless of the membership of Great Britain in the EU would be adopted under national law. In the light of these studies, more and more new EU financial market regulations are objectionable, because they are perceived as excessive and unreasonable. But if the United Kingdom is part of the EU, it must submit to the will of the majority and use given regulations, regardless of whether they voted for them or not. This may reduce the competitive advantage of London as a financial centre of the world, which leads to serious digressions about the EU membership. Until now, London benefited from regulatory competition in the EU, while globally it must reckon with the competition from new financial centres (Dubai, Hong Kong, South Africa)⁸².

Interesting in this regard is the polemic between Posner and Coates. The latter mixes two distinct issues: the desirability of Cost-Benefit analysis – CBA and the uncertainty of valuations in the context of the CBA. He argues that because until now scientists have not made a decision on the methodology of valuations, regulators should not get involved in the CBA. Difficulties in determining the valuations should not be, however, exaggerated. The current level of uncertainty justifies rather a further, in-depth research, and not abandoning the CBA. According to Coates, there is a number of theoretical arguments, in light of which the difficulties of valuation arise not only because of the lack of scientific research, but also due to the nature of the financial markets. J. Coats claims that financial markets are “central” in relation to the rest of the economy, too “unsteady”, complex and probabilistic – to the extent that they differ from other markets. These features justify an explanation of why the valuation problems in the financial markets cannot be fully overcome.

understanding the effectiveness, impacts and harmonization of macroprudential regulation, Deloitte, <http://www.rhsmith.umd.edu/files/Documents/News/2012/GlobalSystemicRiskRegulationStudy.pdf> (1.01.2016); *Understanding the Effects of Certain Deposit Regulations on Financial Institutions` Operations. Findings on Relative Costs on Systems, Personnel and Processes at Seven Institutions*, Consumer Financial Protection Bureau, November, 2013, http://files.consumerfinance.gov/f/201311_cfpb_report_findings-relative-costs.pdf (1.01.2016).

⁸² Cf. *Costs and Benefits to the UK of EU Setting of Financial Services Regulation*, Europe Economics, December, 2011, <http://www.europe-economics.com/publications/2011europeeconomics.pdf> (1.01.2016); S. Booth, Ch. Howarth, M. Persson, V. Scarpetta, *Continental Shift: Safeguarding the UK's financial trade in a changing Europe*, <http://archive.openeurope.org.uk/Content/Documents/Pdfs/continentalshift.pdf> (1.01.2016); *How EU-Wholesale Financial Regulation Differs from what the UK would choose for itself. A Report for Business for Britain*, Europe Economics, December, 2014, <http://forbritain.org/EUFinancialReg.pdf> (1.01.2016).

Similarly, J. Gordon writes that the CBA is not effective for financial regulations, because the financial markets are “artificial” in the sense that they are a regulation “construct”, but do not provide stable products, as it happens in the markets of goods or services. Moreover, financial markets generate huge amounts of data, and valuations are mostly of a financial nature. CBA methodology that works for the environmental, consumer or health and security regulations, where one deals with specific sizes and physical parameters, does not fit, according to Coates, the financial regulation. The author does not provide however reliable alternatives to the CBA, apart from solely the opinions of experts (conceptual CBA). According to the author, the courts could easily undermine the CBA valuations proposed for the financial sector.

Arguments, however, can be also raised in the opposite direction. Regulators should therefore use cost-benefit analysis (CBA) for the evaluation of financial regulations. Finance is the perfect field of research for the CBA, as direct costs and benefits of financial activity can be easily identified, individuals and companies are guided by a fairly narrow profit criterion, and the vast amount of data is available in order to conduct appropriate valuations.

J. Coates says that in reality, the valuations are too difficult to determine due to the unique features of financial markets, which distinguish them from other types of markets on which CBA is applied. This is not fully correct, since such features also apply to other markets and financial valuations are difficult to determine at the present time only because they need further research. In the case of the regulation of other markets, effects can be distributed also among different fields (for example environmental protection causes that maybe people will have to pay a higher price for goods or services, but they will spend less on health care, and their quality of life will be better).

Increasing the rigor of capital regulations for banks on the one hand improves safety and reduces systemic risk, and on the other hand reduces the availability of credit and deepens financial exclusion. Similarly, excessive consumer protection often turns against their economic interests. Unclear and changing nature of the financial market is not only the feature of the given market. Financial innovations are in fact often created in order to circumvent regulations. Such phenomena are also present on other markets (e.g. changes in the ingredients of the legal highs to bypass the ban on the sale of substances harmful to health). The problem of variability of products and markets must therefore be settled by the antitrust law and similar ones.

When using CBA in financial regulations, it is believed on the one hand that the costs and benefits are fairly easy to calculate, because everything has a monetary dimension. On the other hand, however, it is noted that the risk can be measured quantitatively only to a certain degree. The costs and benefits do not always have sufficient weight and the carried out comparisons often highlight, e.g. benefits while decreasing costs. Cost-benefit analysis is therefore a collective term for a variety of research methods: from qualitative, problem analysis of selected parameters to strictly quantitative, numerical models⁸³.

The existing European solutions contained in the CRD Directives (especially 2006/48 / EC and 2006/49 / EC) or in the Basel II have proven to be insufficient. Already even the underestimation of the role of liquidity risk when using complex financial instruments was a sufficient condition for intensifying, and even worse – to moving the negative consequences of the crisis not only within the sector but also between countries. Both the ECB and the EU authorities recognised the inadequacy of existing regulations, and even more – the lack of appropriate institutional solutions, which was a prerequisite for the establishment of the so-called de Larosière group and to prepare a series of solutions to, first, stop the functioning of the adverse phenomena in the financial markets and – second – to create defense mechanisms that would protect the economy against similar phenomena in the future⁸⁴.

⁸³ Cf. J. Coates, *Cost-Benefit Analysis of Financial Regulation: Case Studies and Implications*, Harvard Law School, 2014, http://www.law.harvard.edu/programs/olin_center/papers/pdf/Coates_757.pdf (1.01.2016); E. A. Posner, E. Glen Weyl, *Cost-Benefit Analysis of Financial Regulations: A Response to Criticisms*, <http://www.yalelawjournal.org/forum/cost-benefit-analysis-of-financial-regulations> (1.01.2016) or http://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=2347&context=law_and_economics (1.01.2016); A. Sechooler, *Foreword: The Costs and Benefits of Cost-Benefits-Analysis*, <http://www.yalelawjournal.org/forum/cost-benefit-analysis-of-financial-regulations> (1.01.2016); A. Sinden, *Costs-Benefits Analysis, Ben Franklin and the Supreme Court*, <http://www.law.uci.edu/lawreview/vol4/no4/Sinden.pdf> (1.01.2016); A. Rowell, *Time in Cost-Benefit Analysis* <http://www.law.uci.edu/lawreview/vol4/no4/Rowell.pdf> (1.01.2016); J. Sovern, *Can Cost-Benefit Analysis Help Consumer Protection Laws? Or at Least Benefit Analysis?*, <http://www.law.uci.edu/lawreview/vol4/no4/Sovern.pdf> (1.01.2016).

⁸⁴ The vision, which was presented by the de Larosière group and other groups of experts, and consequently the proposed solutions, unfortunately, not always proved to be effective in practice. The EU has taken further action within the financial market institutions and as a result a project of the European Banking Union was implemented. Macro-prudential supervision solutions developed existing institutions, and supplemented, in the legal sense, a broad understanding of systemic risk, pointing to specific areas where the macro-prudential supervision should particularly pursue its goals, i.e. capital buffers and counter-cyclical actions. Cf. P. Stanisławiszyn, *Nadzór makroostrożnościowy w Unii Europejskiej. Jak bardzo potrzebny? Jak bardzo skuteczny?*, in: *Nowe koncepcje i regulacje nadzoru finansowego*, ed. W. Rogowski, Institute of Allhand Press, Cracow–Warsaw 2014.

Conclusions

The study has verified the hypotheses concerning the importance of regulations – in the compliance context – as a strategic tool and an element of the new strategic thinking. It is not about eliminating regulations, which reduce diversity, but to use the law in a more innovative manner, taking into account synergies with other social norms. Such an approach is consistent with the new thinking in strategic management – a holistic and systemic approach and the concept of integrated management. The compliance concept should be treated as an essential element of the proper functioning of the company. The compliance function allows one not only to optimise the regulatory risk management, but also raises the company's organisational culture and increases the competitiveness of the company. The impact assessment of regulation compliance should be attributed to the economic analysis of law and new trends of institutional and behavioural economics, which in a complex, turbulent and probabilistic reality assume the use of not only quantitative methods, but also to an increasing extent – qualitative ones.

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Customer Satisfaction as a Main Objective of Business Activity

Maria Johann

Introduction

The changes associated with the development of modern technologies occurring in the external environment of enterprises have a significant impact on consumers' needs and existing consumption patterns, which require a flexible approach to the implemented strategy, to adapt quickly to changing conditions and the use of well-chosen research tools. Due to the importance of customer satisfaction as one of the important indicators of business activity, the appropriate measuring of satisfaction becomes particularly important. However, it should be borne in mind that the specificity of the company's market offer and the nature of services can have a significant impact on the selection of research techniques and tools for measuring satisfaction. It is therefore necessary to analyse the ongoing marketing activities in the context of changing customer needs and adapt satisfaction surveys to market realities.

In this paper the author intends to discuss models of customer satisfaction and their impact on customer loyalty and business performance, as well as methods and instruments of satisfaction measurement used in business practice. The observations relate to service companies, and the concept of this study is closely associated with the topics presented in the author's statutory research entitled *"New thinking in strategic management of the company from the previous years"* (*Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwem z lat ubiegłych*), where the issue of building positive relationships with business partners as one of the strategic fields of competing on the market was presented.

As in the previous studies, the author intends to use the example of tourism enterprises in order to present the specificity of tourism products and highlight

the need to adapt methods and tools for measuring satisfaction to the specific nature of the offered products and services. It is worth mentioning that the author's model of customer satisfaction relating to the factors influencing the tourists' satisfaction regarding tourist events offered by travel agencies is presented in this chapter.

4.1. Customer Satisfaction

In a market economy – regardless of the type of business run by the company – the customer, whose purchasing decisions have a direct impact on sales and thus the profits of the company, is the ultimate recipient of the products. Therefore, the correct diagnosis of the needs of customers, the ability to adapt the company's offer to changing market conditions and the current trends and the design of the products that meet customers' expectations are a prerequisite for market success of the company. Whereas satisfied customers not only make future purchases, but also recommend the brand to other potential buyers, it can be stated that the ability to achieve a high level of customer satisfaction is one of the key factors for market success of the company. It should be emphasised that all the management theories in recent years, such as Business Reengineering, Lean Management or Total Quality Management present customer satisfaction as an important factor in the success of the company. Therefore buyers' satisfaction should be treated as one of the key strategic objectives of the company, whose aim is to build long-term relationships with customers.

According to many authors, satisfaction is an emotional state that appears as a result of confrontation between the customer's expectations related to the purchase of the product with his experiences of using this product. Customer satisfaction combines with the satisfaction achieved through meeting the needs and desires of the customer, which occurs when the company's market offer meets its expectations, what largely depends on the assessment of the characteristics of a product or service¹. It should be noted, however, that personal factors such as mood, well-being, health and life satisfaction may also affect customer satisfaction, which means that the positive emotions of customers can favourably influence their feelings related to the evaluation of products and services, while the negative emotions may also affect the lower level of

¹ R.I. Oliver, *Satisfaction. A Behavioral Perspective on the Consumer*, McGraw-Hill, New York 1977.

satisfaction². Situational factors, including, for example, weather conditions, may also have an impact on customer satisfaction³. To sum up the foregoing, customer satisfaction is determined by a number of factors, nevertheless, factors that are shaped by the company are essential for the implemented strategy, which means that the main task of the company is to create products and services corresponding to the needs and requirements of customers in connection with other elements creating the value for the customer.

It is worth pausing to consider that the process of creating the value for the customer consists of several basic steps, which include the identification of customers' targets based on specifying their needs, understanding the sources of value for customers, planning the process of value creation, measuring the values, as well as communicating and delivering value to the customers⁴. Creating the value for the customers requires cooperation within organisation, which is connected with creating appropriate organisational culture which facilitates communication between the different departments of the company, as well as networking with business partners, which allows for additional benefits by combining the core competencies of network participants. Combining core competencies of entities co-creating the network allows one to create unique value for the customer, resulting in a high level of buyers' satisfaction. In the formulated strategy of the company one should therefore consider the importance of establishing, maintaining, and strengthening relationships with network participants, which requires the inclusion of the cooperation and the development of positive relations to the mission statement, designated purposes, as well as its inclusion in the plans and programmes implemented by the various departments of the company.

4.2. Models of Customer Satisfaction

On the basis of the literature currently available, it seems fair to suggest that there are different models of customer satisfaction measurement relating to service companies, which usually present dependencies occurring between

² L.L. Price, E.J. Arnould, S.L. Deibler, *Consumers' Emotional Responses to Service Encounters*, "International Journal of Service Industry Management" 1995, vol. 6, no. 3, pp. 34–63.

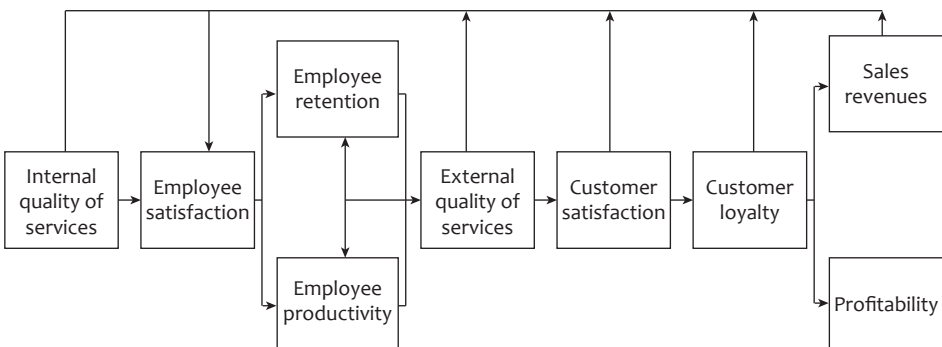
³ V.A. Zeithaml, M.J. Bitner, D.D. Gremler, *Services Marketing. Integrating Customer Focus Across the Firm*, McGrawHill, New York 2013, p. 79.

⁴ B. Dobiegała-Korona, *Istota i pomiar wartości klienta*, in: *Zarządzanie wartością klienta. Pomiar i strategie*, eds. B. Dobiegała-Korona, T. Doligalski, Poltext, Warsaw 2010, pp. 27–28.

the level of quality of offered services and products, as well as between the satisfaction and loyalty of the customer and the results of the company.

It is important to point out that the model by Heskett, Jones, Loveman, Jr Sasser. and Schlesinger presents the correlation between employee and customer satisfaction⁵. Relationships in the model are shown in Figure 4.1. The quality of providing services depends on employee satisfaction, which in turn is determined by factors such as the appropriate selection of personnel, providing good working conditions and opportunities for development, the use of an adequate system of motivation and training, as well as the delivery of materials and tools needed to do the job. This means that the ability to properly recognise and meet the needs of employees is essential for effective human resources management. Furthermore, the employee-oriented activities carried out under the implemented strategy have an impact on productivity and employees retention rates. It should be stressed that the low staff turnover allows one to limit both recruitment and staff training spending, which also helps to increase productivity. Satisfied employees perform their duties with greater commitment and have a better mood so that the level of provided services is higher. Moreover, the customers are more satisfied, and their loyalty is higher, which is reflected in further purchases, positive opinions about the company and provided recommendations. In addition to this, sales revenues and profits gained by an enterprise are increased too.

Figure 4.1. The Chain of Connections Between Service Quality and Customer Satisfaction

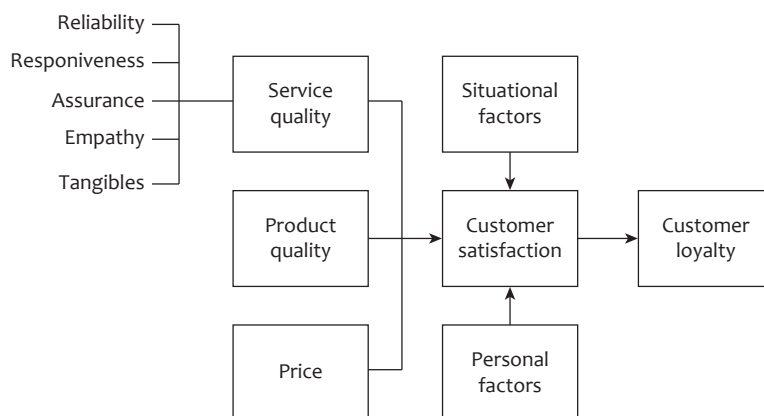


Source: J.L. Heskett, T.O. Jones, G.W. Loveman, W.E. Sasser Jr., L.A. Schlesinger, *Putting the Service-Profit Chain to Work*, "Harvard Business Review" 1994, March–April, pp. 164–174.

⁵ J.L. Heskett, T.O. Jones, G.W. Loveman, W.E. Sasser Jr., L.A. Schlesinger, *Putting the Service-Profit Chain to Work*, "Harvard Business Review" 1994, March–April, pp. 164–174.

The model presented by Zeithaml, Bitner and Gremler reflects the broader approach to satisfaction, taking into account the different groups of factors affecting customer satisfaction, i.e. the perceived quality of service, product quality and price, as well as both situational and personal factors⁶. Figure 4.2 presents factors influencing the perception of service quality and customer satisfaction. Tangibles are the main attributes of service quality. They are understood as the external and internal appearance of a commercial space, equipment, promotional materials and clothing, behaviour and the appearance of personnel; reliability which means the ability of service providers to perform services accurately, reliably and on time; empathy relating to a personalised approach to the client; assurance or knowledge, qualifications and credibility of the employees and responsiveness defined as the ability to respond quickly to customer expectations⁷. Apart from the quality of service, the quality of the product, the price of services, as well as personal factors, related to the, e.g. the well-being of the consumer and situational factors, such as weather conditions⁸ have a significant impact on customer satisfaction.

Figure 4.2. Factors Affecting the Perception of Service Quality and the Level of Customer Satisfaction



Source: V.A. Zeithaml, M.J. Bitner, D.D. Gremler, *Services Marketing. Integrating Customer Focus Across the Firm*, McGrawHill, New York 2013, p. 79.

⁶ V.A. Zeithaml, M.J. Bitner, D.D. Gremler, *Services Marketing. Integrating Customer Focus Across the Firm*, McGrawHill, New York 2013, p. 79.

⁷ A. Parasuraman, V.A., Zeithaml L.L. Berry, *SERVQUAL: A Multiple-Item Scale for Measuring Customer Perceptions of Service Quality*, "Journal of Retailing" 1988, no. 64, pp. 12–40.

⁸ M. Johann, *Badanie poziomu satysfakcji klientów z produktów turystycznych oferowanych przez touroperatorów*, "Marketing i Rynek" 2014, no. 12, pp. 23–30.

It is worth pausing to consider that the model, which is also important from the point of view of planning and implementing the strategy aimed at providing a high level of customer satisfaction, is the model proposed by Parasuraman, Zeithaml and Berry⁹. The model shown in Figure 4.3. appears to suggest that the quality gaps are visible and may affect the quality of provided services and customer satisfaction. The authors outlined four potential quality gaps that may arise within the company, which in turn leads to a gap of quality associated with the difference between customer expectations and obtainable service¹⁰.

Gap1 – the knowledge gap refers to the difference between customer expectations and perception of these expectations by management board. The size of the gap depends on many factors, such as, e.g. conducting marketing research, communication between employees and managers, the complexity of the organisational structure. This gap decreases when customer surveys are conducted regularly and the company's organisational structure along with its procedures allow good communication within the company.

Gap 2 – the standards gap refers to the difference between the perception of buyers' expectations by management board and accepted standards of provided services. In order to reduce this gap, management board should introduce procedures and guidelines related to the performance of specific tasks, so that employees know how to provide a high level of provided service quality. It should however be noted that this gap may be the result of cost savings and putting greater emphasis on operational efficiency.

Gap 3 – the delivery gap occurs when there are differences between the designated provided service standards and their implementation. The presence of this gap depends largely on the attitude of workers providing services and above all their commitment and willingness to perform assigned tasks in accordance with applicable standards. The appropriate human resources strategy is necessary, in which such elements as adequate staff recruitment, motivation, a good system of trainings and the control procedures play an important role.

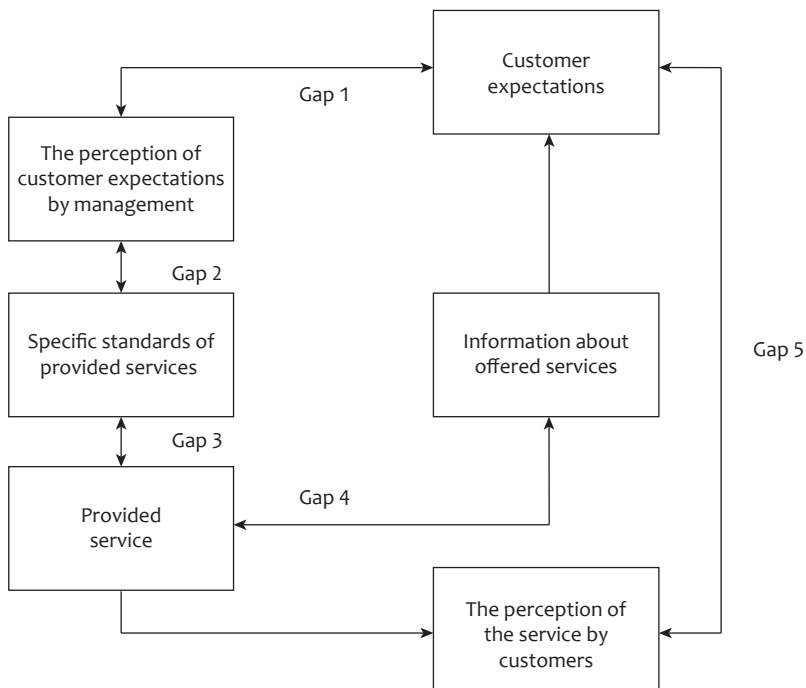
⁹ A. Parasuraman, V.A. Zeithaml, L.L. Berry, *A Conceptual Model of Service Quality and Its Implications for Future Research*, "Journal of Marketing" 1985, no. 49, pp. 41–50; V.A. Zeithaml, L.L. Berry, A. Parasuraman, *Communication and Control Processes in the Delivery of Services*, "Journal of Marketing" 1988, no. 52, pp. 36–58.

¹⁰ The model presented by A. Parasurama, V.A. Zeithaml, L.L. Berry has been extended with an additional 6 gap (The Perception Gap) by Ch. Lovelock Ch. Lovelock, J. Wirtz, *Services Marketing. People, Technology, Strategy*, Pearson Prentice Hall, New Jersey 2011, p. 387.

Gap 4 – the communications gap appears when there are differences between the quality of provided services and information that customers receive. This means that communication messages on the offered services do not adequately reflect the reality. Therefore, good cooperation between the managers of marketing and sales and representatives of advertising agencies, who create communication messages, should be clear and realistic.

Gap 5 – the service gap arises as a consequence of listed gaps and is the difference between customer expectations regarding the expected quality of service and their feelings related to the perceived quality of received services.

Figure 4.3. Conceptual Model of Service Quality



Źródło: A. Parasuraman, V.A. Zeithaml, L.L. Berry, *A Conceptual Model of Service Quality and Its Implications for Future Research*, "Journal of Marketing" 1985, no. 49, pp. 41–50.

It is important to point out after analysing above presented models that the issue of customer satisfaction is complex. Both factors controlled by the company, as well as factors beyond its control have an influence on customer satisfaction. Due to the significant impact of customer satisfaction on the business results one should, however, make every effort to ensure the highest level of

service by offering high quality products and services tailored to the needs of buyers, which in turn requires, among others, creating appropriate organisational structures and procedures, integrated management, which enables collaboration between different departments of the company, taking actions aimed at reducing the quality gaps, as well as market research and the use of well-chosen tools for measuring customer satisfaction.

4.3. Methods and Tools for Measuring Customer Satisfaction

Enterprises focused at providing buyers with high-quality products and services should, basing on the use of different methods and tools, implement a marketing information system in order to assess its operations. Such a system should include both regular customers and other market players surveys.

It is important to note that customer researches are conducted in order to obtain information on the perception of buyers regarding the quality of offered products and services and other activities of the enterprise. The most commonly used methods and measures for evaluating customer satisfaction are surveys, focus group interviews and complaints¹¹:

- Questionnaires – a typical method of data collection based on research designed questionnaire, which includes both close and open ended questions. The questions concern mostly the evaluation of basic product attributes based on the given scale. Information obtained as a result of the conducted research enables managers to make changes to the implemented marketing strategy in order to increase the level of customer satisfaction.
- Focus group interviews – a method which can be complementary to research conducted by using questionnaires. 8–12 customers, who respond to the questions asked by the moderator, take part in a focus group interview. Information obtained by this method is more detailed, but it should be confirmed by using other methods.
- Complaints – are an important tool for identifying weaknesses of marketing activities and the related areas of customer dissatisfaction. In the case of repeated complaints managers should take appropriate actions to resolve the problems and eliminate noticeable quality gaps.

¹¹ K.D. Hoffman, J.E.G. Bateson, E.H. Wood, A.J. Kenyon, *Services Marketing: Concepts, Strategies and Cases*, South-Western Cengage Learning, London 2009, pp. 410–422.

In the case of service companies it is also worth mentioning the research instruments, which are used to assess the quality of services and customer satisfaction, such as SERVQUAL, SERVPERF and IPA. SERVQUAL is used to measure the quality of services in the context of expectations and perceptions of customers in terms of five dimensions of quality, which are: material elements, reliability, response to customer expectations, competence and professionalism and empathy¹². SERVPERF is based solely on an assessment of perception of services, IPA allows the reading validity and performance of various product attributes¹³.

Other market participants research includes employees, as well as other companies within the same industry. The most common are: employee research, market research and “the mysterious customer” for the employee evaluation¹⁴.

- Employee research – is used to define the problems faced by employees in the process of providing services, as well as to determine their level of job satisfaction. Information obtained in such studies allow one to make the necessary changes in the part of marketing strategy in order to increase the quality of provided services.
- Mysterious customer – is a research method, which is used to evaluate employees serving customers. The observer acts as a client to gather information on the sales skills of the staff, customer service, knowledge of the product, conducting promotional activities in the context of existing standards. The research material collected by the observer enables the identification of existing quality gaps.
- Market research – is used to assess the quality of the products and services provided by firms competing in the sector, which allows to obtain a realistic assessment of activities conducted by the company and is the basis for implementing improvements.

¹² A. Parasuramann, L.L. Berry, V.A. Zeithaml, *SERVQUAL: a Multiple-Item Scale for Measuring Customer Perceptions of Service Quality*, “Journal of Retailing” 1988, no. 67, pp. 420–450.

¹³ J.A. Martilla, J.C. James, *Importance – Performance Analysis*, “Journal of Marketing” 1977, vol. 1, no. 41, pp. 77–79.

¹⁴ K.D. Hoffman, J.E.G. Bateson, E.H. Wood, A.J. Kenyon, *Services Marketing: Concepts, Strategies and Cases*, South-Western Cengage Learning, London 2009, pp. 410–422.

4.4. Customer Satisfaction Survey in a Travel Agency

It is worth pausing to consider that the nature and character of the offered products are extremely important for the research of customer satisfaction. Taking into account travel agencies, travelling programmes sold in the form of vacation packages including: transport, hotel, catering, organising, guiding and other services meeting the needs of tourists are the basic offers.

The tourism product is thus the complex one and its assessment depends on the attractiveness of the programme, good organisation, quality of services provided by the tour operator, as well as external factors related to various aspects of the stay in a given country or region¹⁵. It should be emphasised that the touristic attractiveness of a country or a region, referring both to natural resources, cultural heritage and tourism infrastructure, significantly affects the possibilities for shaping tourism products and increases their value.

It is important to note that the quality of provided services by tour operators to a significant extent depends on the partial services provided by suppliers, such as hotels, restaurants, transport companies, museums, as well as pilots and guides. It can be concluded that the ability to create attractive tourism products based on carefully selected business partners, with whom mutually beneficial cooperation is being developed, is a key competence for travel agencies, and what is more the unique value for tourists is formed by combining the core competencies of its co-creating entities. It is worth pausing to consider that companies organising tourist events should choose suppliers based on criteria relevant to the target audience, what is conditioned by a good understanding of the market and the characteristics and needs of the buyers¹⁶.

Over and above that the considerations regarding tourist satisfaction related to the participation in organised events should be start with so-called push and pull factors analysis relating to the motivation as well as to the traveling. Understanding the basic motives which dispose people to travel allows the design of appropriate marketing programmes whose aim is to encourage tourists to visit

¹⁵ M. Johann, *Badanie poziomu satysfakcji klientów z produktów turystycznych oferowanych przez touroperatorów*, "Marketing i Rynek" 2014, no. 12, pp. 23–30.

¹⁶ M. Johann, *Strategia budowania relacji z partnerami w sieci na przykładzie przedsiębiorstwa turystycznego*, in: *Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwem*, ed. M. Poniatowska-Jaksch, Warsaw School of Economics, Warsaw 2015.

a certain place. Furthermore, the theory of push and pull factors¹⁷ explains travel motivation. The push factors are understood as “pushing out” factors associated with the need to travel, such as the need to escape from the routine, the desire for adventure, the opportunity to spend time with loved ones and make new friends¹⁸.

The pull factors are understood as “pulling” to a particular country or region, as image, natural resources, cultural heritage, security, etc...¹⁹ The push factors give tourists a reason to travel, pull factors explain the choice of destination²⁰.

Analysing the process of tourist choice one should take into account both pull and push factors and consider them together²¹. In the case of organised tourism, tourist makes the choice of tour operator, taking into account, inter alia the brand credibility, the availability of the hotel which meets his expectations, attractive price, the availability of travel destination, professional seller’s advice and a good opinion of friends or family²².

After selecting a tour operator or buying the trip, a tourist participates in the chosen tourist event, which is associated with a certain experience of his satisfaction. Figure 4.4 presents the factors affecting the level of tourist satisfaction. Tourist experience is associated with both the perception of internal factors, including elements of the trip programme and services contained therein, as well as external factors relating to the tourist feelings on various aspects of his stay in a particular country.

Another key thing to remember is that the internal factors may include elements such as the attractiveness of the programme, trip’s organisation, hotels, restaurants, means of transport, guide, and a provided value for money. By contrast the external factors include tourist attractions, nature and landscapes, weather conditions, shopping opportunities, affordable prices, safety, cleanliness, tourist information, politeness towards foreigners, ability to communicate

¹⁷ G.M.S. Dann, *Anomie, ego-enhancement and tourism*, “Annals of Tourism Research” 1977, no. 4(4), pp. 184–194.

¹⁸ D.B. Klenosky, *The pull of tourism destinations: a means-end investigation*, “Journal of Travel Research” 2002, no. 40(4), pp. 385–395.

¹⁹ M. Uysal, C. Jurowski, *Testing the push and pull factors*, “Annals of Tourism Research” 1994, no. 21(4), pp. 844–846.

²⁰ J.L. Crompton, *Motivations for pleasure vacation*, “Annals of Tourism Research” 1979, no. 6(4), pp. 408–424.

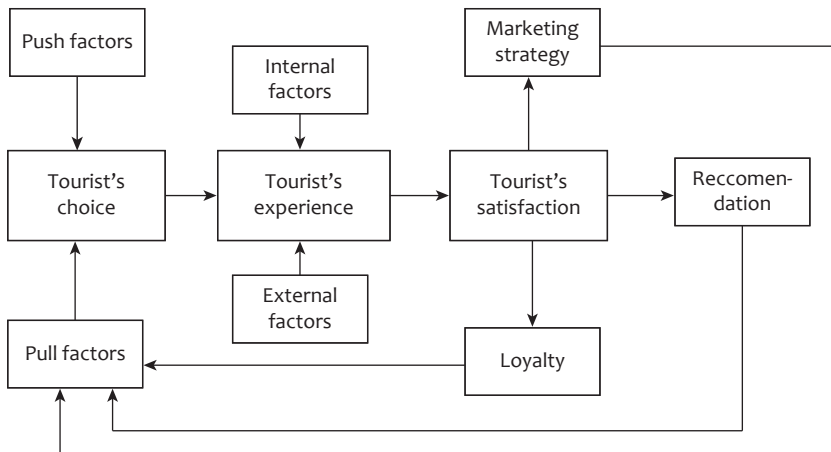
²¹ D.B. Klenosky, *The pull of tourism destinations: a means-end investigation*, “Journal of Travel Research” 2002, no. 40(4), pp. 385–395.

²² Customer satisfaction surveys were conducted from May to August 2014. The questionnaire was filled by 14 097 tourists whose holidays were organised by TUI. The participants of tourist events could choose up to 3 most important factors that have determined the choice of tour operator.

in English, the ability to meet new people, facilities for disabled people²³. It is important to point out that the selection of factors depends on the type of the tourist trip. In case of round trips one ought to consider these factors. As far as for the trips related to staying in one place the most important role is played by hotel location, room standard, customer service, food, entertainment, local attractions and beaches²⁴, as well as other factors related to the place of residence.

The mentioned factors influencing customer satisfaction relate primarily to the factors controlled by the tour operator and the factors related to the tourists' place of stay. The model does not specify personal factors that relate to the well being of a client, his state of health, satisfaction with life, etc. Situational factors, however, such as weather, or the opportunity to meet new people are qualified to the group of external factors. On the other hand, items such as quality of service, product quality and price have been replaced by various factors affecting the customer experience. It should be emphasised that the ability to recognise the factors affecting customer satisfaction is crucial to the success of the implemented marketing strategy, and in particular it is important for the research of customer satisfaction. In these studies one should take into account especially the areas that shape the customer experience and the associated satisfaction.

Figure 4.4. Factors Influencing Satisfaction Level of the Tourist



Source: own study.

²³ M. Johann, *Badanie poziomu satysfakcji klientów z produktów turystycznych oferowanych przez touroperatorów*, "Marketing i Rynek" 2014, no. 12, pp. 23–30.

²⁴ M. Johann, L. Anastassova, *The perception of tourism product quality and tourist satisfaction: the case of Polish tourists visiting Bulgaria*, "European Journal of Tourism Research" 2014, vol. 8, pp. 99–114.

Tourist's satisfaction associated with participation in a tourist event affects the loyalty to the tour operator, which in turn is associated with subsequent customer's purchasing decisions and influences the sales results of the company. Additionally, satisfied tourists recommend the tours, in which they participate, which encourages other tourists to use the offers of travel agencies, and also helps to increase sales and profits. As already mentioned, the results of customer satisfaction should be taken into account in the planning and implementation of the marketing strategy, as exemplified by adjusting market offers to the needs of customers by introducing new trends, destinations and new hotels, improving the quality of services, introducing new elements to the programme of tourist events and promoting areas highly rated by tourists.

Given the impact of tourists' satisfaction on the company's results and the substantial benefits resulting from the research of customer satisfaction, solutions should be created that would enable ongoing monitoring of the satisfaction level through the use of ad hoc measures, answering complaints and other comments concerning the organised tourist events. Additionally, research should be conducted that will evaluate the level of tourists' satisfaction. In the course of a tourist event, pilot or resident play an important role. He can, among others, help to solve problems, explain the different approach to the provided services, due to cultural differences, as well as improve mood and well-being of tourists. Tourism enterprises should also introduce clear procedures for the submission and processing of complaints, and also separate a division in a company's organisational structure responsible for the efficient customer service. Customer satisfaction surveys are an important element of the satisfaction and loyalty management system. They allow obtaining information on the quality of provided services as a basis for implementing changes in the marketing strategy.

Tourist companies use different customer satisfaction surveys methods, as well as they create their own research instruments for evaluating the quality of services. In the case of tour operators offering their own tourist products, a questionnaire can be standardised, which makes it possible to obtain information on the level of satisfaction of tourists from the ongoing tourist events, and it also allows comparing and evaluating individual products. Tour operators who are preparing tourist events on behalf of other businesses use mostly tools provided by companies contracting services.

Itaka travel agency is an example of a company, which uses a research instrument for measuring customer satisfaction. Participants of tourist events after returning from a trip receive an on-line questionnaire with a request to complete

it. Tourists participating in stationary trips assess on the 6-points elements, such as room, board, room service, entertainment, location, beach, attractions in the area and the value for money, while the participants of round trips evaluate the overall organisation, tours' programme, meals, comfort, standard of the bus, and value for money. Tourists also have the opportunity to present their opinion on the package. The advantage of using such a simple instrument is the large number of completed questionnaires. It allows obtaining information on the most important factors affecting customer satisfaction, which helps to identify the main quality gaps, and to know the detailed reviews on the trips, which in turn allows one to understand the reasons for tourists' satisfaction or dissatisfaction. The gathered information is the basis for making changes in the implemented strategy, in order to better adapt marketing efforts to the customer needs. Tourists' opinions are published on the website of travel agencies, which allows potential customers to familiarise themselves with it. In addition, each review includes the characteristics of a tourist who posted it. It may contain information, such as gender, age range and the way of travelling: with family, with a partner, with friends, so that potential customers can choose and read these ratings, which are consistent with their profile. Placing the results of customer satisfaction surveys on the website is a supplement of the communication actions on the Internet, as well as it is a reliable and valuable source of information for consumers²⁵.

Rainbow Tours travel agency uses a similar research instrument as Itaka, placing the survey form on its website. Tourists participating in stationary trips assess on the 6-points elements, such as room, board, room service, sports and entertainment, location, beach, attractions in the area resident, attractions for children. There is also the possibility to give both the detailed comments relating to the above areas, as well as expressing a general opinion on holidays, holiday photos, additional information and the pros and cons related to the stay. The questionnaire prepared for the participants of round trips is similar with the only difference that it evaluates elements such as the trip's programme, the pilot, transportation, accommodation, meals and intensity of the programme. The questionnaire also includes questions about gender, age range and way of travelling, which allows creating a profile of a tourist. As in the case of Itaka, the tourists' opinions are published on the company's website. In order to encourage the tours' participants to fill questionnaires a competition was organised

²⁵ Based on the information provided on www.itaka.pl (10.09.2015).

for them. Once a month the jury, which includes marketing staff, chooses the most interesting opinions and awards prizes in the form of holiday vouchers –3 in the amount of 750 PLN and 5 in the amount of 500 PLN. These actions bring many benefits, which include, among others obtaining information on the level of customer satisfaction, increase the credibility and image of the company, as well as customers' engagement and loyalty²⁶.

It should be added that both Itaka and Rainbow Tours apply the procedures for the submission and processing of complaints and the detailed information on filing complaints is placed in the general conditions and terms of participation in tourist events. Tour operators indicate the need to notify the pilot or resident of irregularities occurring in the course of events in order to remove them on the spot. Representatives of the company are obliged to take measures, in order to provide services to customers in line with the agreement and assistance in solving problems. Regardless of the notice of defects of the event, the customer can file a complaint in writing through registered mail. The complaint is examined by the customer service staff within 30 days of receipt of the letter by the travel agency²⁷.

Conclusions

Due to the significant impact of customer satisfaction on the financial results of the business, company's strategy should be focused on offering high quality products and services tailored to the needs of customers in conjunction with other elements creating the value for the customer. Consumer satisfaction should be regarded as one of the key strategic tasks of the company, which in turn requires, among others, creating a proper organisational structure with a separate customer service department, integrated management enabling collaboration between different departments of the company, conducting effective human resources management, creating and developing relationships with network partners, as well as conducting market research and the use of well-chosen tools for measuring customer satisfaction.

²⁶ Based on the information provided on www.raibowtours.pl (10.09.2015).

²⁷ Terms and conditions of participation in tourist events: www.itaka.pl, www.rainbowtours.pl (10.09.2015).

Analysis of the collected empirical material allows formulating following conclusions:

- 1) Selection of methods and tools for measuring customer satisfaction should be determined by the specific nature of the offered products that meet the needs and requirements of buyers.
- 2) The offered products are complex, meaning that they include transport, hotel, catering, organising, guiding and other services meeting the needs of tourists.
- 3) The assessment of a tourist event depends on internal factors including the services provided by the tour operator, as well as on external factors related to various aspects of the stay in a given country or region.
- 4) The satisfaction research may include a questionnaire, which should consist of both closed open ended questions, adapted to the nature of the package.
- 5) The results of satisfaction surveys can be used for implementing changes to the marketing strategy in order to improve the quality of provided services, as well as in company's communications.
- 6) Satisfaction surveys bring many benefits, which could include, among others, obtaining information allowing improving the quality of services, increasing reliability and improving the image of a travel agency, increasing customer engagement and loyalty, which in turn helps to improve business performance.

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Cloud Computing in Customer Relationship Management

Katarzyna Nowicka

Introduction

Relationship management and cooperation are in current conditions the major favoured areas among competing companies. A special group of stakeholders in this regard are the customers, being a reference point in building the philosophy and strategic management of not only individual companies, but also companies cooperating within the networks. Customer Relationship Management (CRM) is in the literature understood both as one of the main processes of integrated supply chain, as well as a tool to implement the strategy. It supports the protection of critical areas of organisation's investment, while remaining a creative solution reducing the level of costs. Despite the different approaches to CRM, the concepts share a common goal, i.e. creating value. In addition, in cooperation of the supply chain a tool is needed to support its strategy. In this perspective, it becomes an interesting analysis of using the properties of *cloud computing*, and therefore the flexibility, adaptability, networking or access to the functionality of external resources in Customer Relationship Management.

The aim of this chapter is to examine the role of cloud computing in customer relationship management in the context of conditions of the new thinking in strategic management with a particular emphasis on areas of ability to create a flexible organisation, enterprise development with the use of access to external resources, cooperation based on the networking relational capabilities and organisation with a potential of creating multiple business models. In order to prepare an analysis, direct interviews were conducted with vendor's representatives of the CRM tools in *the cloud computing* model from Microsoft and the director of the sales processes development in the B2B sector in Netia.

The interviews were conducted in July 2015, and based on them as well as using literature sources an analysis was developed of the impact of the cloud computing on the conditions of the new thinking in strategic management and the analysis of CRM implementations in *the cloud computing* model in the company of the telecommunication sector.

5.1. Customer Relationship Management – Process and Tool of Implementation Strategy

As a preliminary point it should emphasised the multiplicity of definitions and interpretations of the concept of customer relationship management due to different approaches of individual authors. They are shaped between a narrow, tactical understanding of CRM as an implementation of specialist technological solution, through CRM as the implementation of an integrated series of technological solutions focused on the customer, to the CRM defined broadly – as a holistic approach to customer relationship management in order to create value for stakeholders¹. The approach to understanding of CRM by individual organisations reflects the role and the importance of ascribed relations of the company with the environment, primarily with customers and, as a result, it determines own competitive position.

One of the most frequently quoted definitions in the literature is the one that has been created by R. Shaw: “CRM is an interactive process of obtaining an optimal balance between organisation's investments and the satisfaction of its customers in order to maximise profit. CRM includes: 1) measuring the cost of marketing, sales and services, as well as profits of individual customers, 2) acquisition and continuous updating of knowledge about the needs of clients, their motivations and behaviour, 3) the use of customer knowledge to continuously improve the organisation's performance in the learning process, 4) integration of activities of marketing, sales and service, in order to achieve common goals, 5) implementation of appropriate systems to support ownership, knowledge sharing about the client and measuring the effectiveness of CRM”². Another

¹ A. Payne, P. Frow, *Strategic Customer Management. Integrating Relationship Marketing and CRM*, Cambridge University Press, 2013, p. 25.

² R. Shaw, *CRM Definitions – Defining Customer Relationship Marketing and Management*, in: *Customer Relationship Management. The Ultimate Guide to the Efficient Use of CRM*, SCN Education B.V., the HOTT Guide Series, 1999, p. 23.

interesting definition of the concept is presented by B. Deszczyński, who said that “CRM should be seen as a programme/process of strategic management, whose aim is to implement and then to develop highly effective relational business model (...). This process is carried out in support of information technology and includes a multi-faceted process of change management”³. CRM is, therefore, a process of identification (knowledge and understanding) of the needs of individual clients, acceleration of responses to their expectations and building long-term relationships in order to maximise value. In this process a technology is used that supports the organisation, automation and synchronisation of activities related to sales, marketing and customer service which is a tool for the implementation of the strategy.

All companies interact with each other, and due to the development of different types of relationships and dependencies, as part of their cooperation, more and more is being said about the supply chains rather than individual chains. As a result, the supply chain is defined as “a network of involved organisations through linkages with suppliers and customers in different processes and activities that create value in the form of products and services supplied to final consumers”⁴. The aim of the management is such an organisation that can maximise the creation of value for customers. Supply chain management is, therefore, relationships management with suppliers and customers, up and down the chain, in order to deliver the highest quality for customers and at a lower cost, from the point of view of the supply chain as a whole⁵. Within the management of integrated supply chains there can be identified eight key processes⁶, among which is a customer relationship management. The first step towards an integrated management of the supply chain is to identify key customers or groups of customers, which indicate the organisation as critical in achieving the company's mission. Regarding the needs and expectations of these customer groups the level of service is determined. Subsequently, representatives of the company responsible for sales and customer service cooperate with clients to further identify the expectations and eliminate sources of variability in demand. In the final stage, the assessment of actions is taken in the form of,

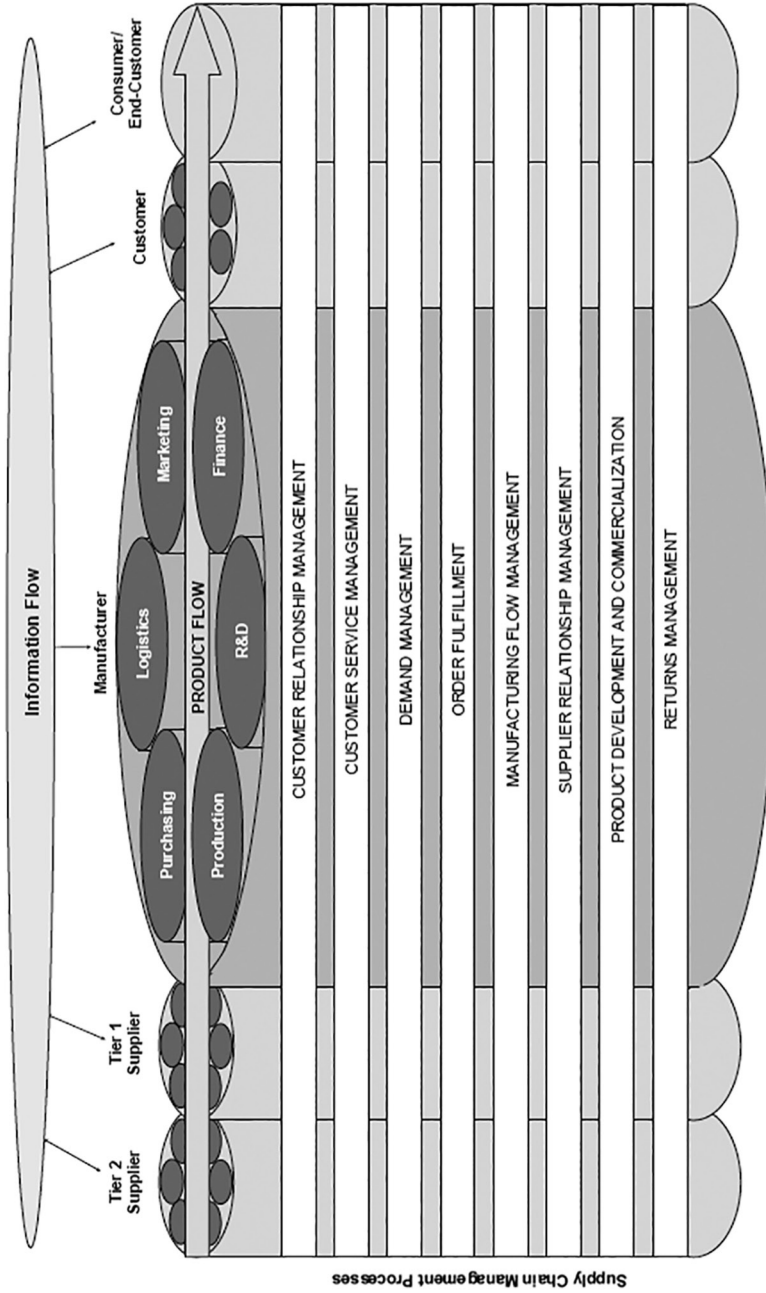
³ B. Deszczyński, *CRM. Strategia, system, zarządzanie zmianą*, Wolters Kluwer Poland, 2011.

⁴ M. Christopher, *Logistyka i zarządzanie łańcuchem dostaw, strategie obniżki kosztów i poprawy poziomu usług*, Edition II, PCDL, Warsaw 2000, p. 14.

⁵ Ibidem.

⁶ D.M. Lambert, M.C. Cooper, *Issues in Supply Chain Management*, “Industrial Marketing Management” 2000, vol. 29, pp. 72–74.

Figure 5.1. Key Processes of Integrated Supply Chain

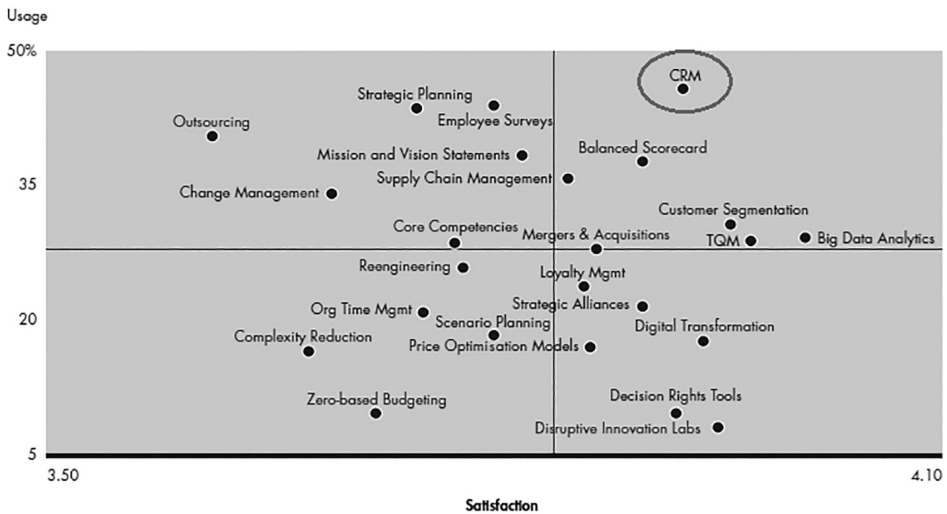


Source: M. C. Cooper, D.M. Lambert, J.D. Pagh, *Supply chain management: more than a new name for logistics*, "International Journal of Logistics Management" 1997, vol. 8, no. 2, pp. 1-14. fulfillment

among others, analysis of customer profitability. Other processes of integrated supply chain (network) are shown in Figure 5.1. It is worth noting that cooperation is an indispensable element of all indicated processes. Thus, the selection of suppliers and the quality of relationships held within the framework of the network is of particular importance, comprising of the competitive advantages of the whole group of companies⁷.

Simultaneously, Customer Relationship Management is a tool for implementation of strategy indicated by managers to be for years the most likely used and bringing the highest level of satisfaction from its use in management (Figure 5.2). commercialisation

Figure 5.2. Level of Use of Management Tools Versus Level of Satisfaction with Their Use in 2014



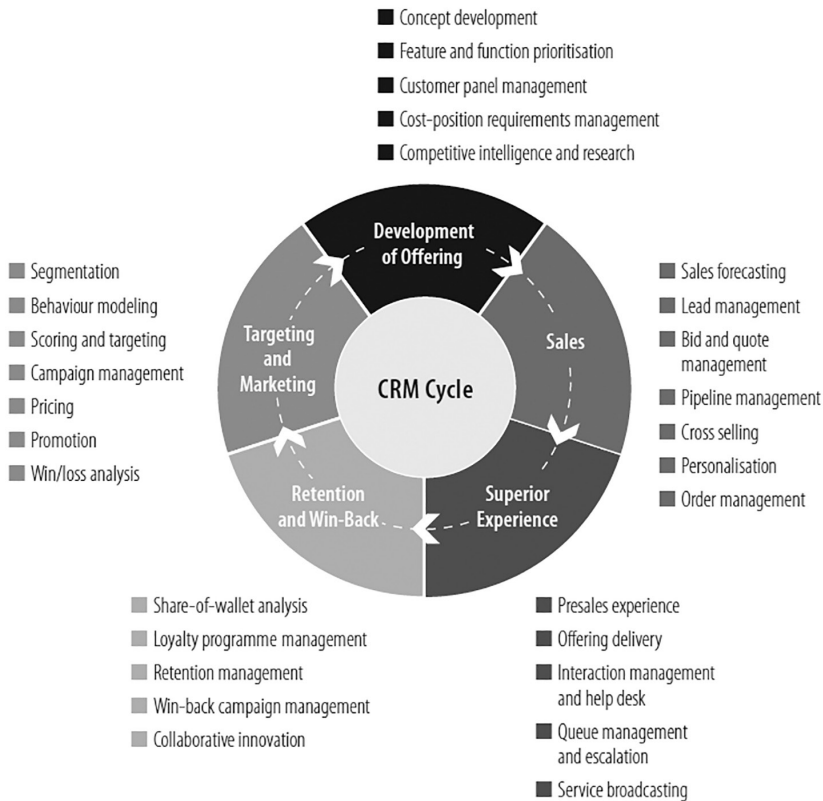
Source: D.K. Rigby, B. Bilodeau, *Management Tools 2015*, Bain & Company Inc., 2015, p. 14.

CRM technology allows companies to collect and manage large amounts of customer data, and then to implement the strategy based on this information. Data collected through CRM helps managers to focus their efforts on solving

⁷ For more regarding the relationship and partnership see.: K. Nowicka, *Współpraca partnerska w łańcuchu dostaw*, "Gospodarka Materiałowa i Logistyka" 2011, no. 6, www.praktycznateoria.pl/wspolpraca-partnerska/ (20.09.2015).

specific problems in the entire customer life cycle⁸. What is more, it is already possible during the preliminary stage, i.e. at the level of supporting the exploration of potential customers by the company, until the repetition of orders – customer's loyalty in a CRM series, which is shown in Figure 5.3.

Figure 5.3. Cycle of Customer Relationship Management



Source: D.K. Rigby, D. Ledingham, *CRM Done Right*, "Harvard Business Review" 2004, November, pp. 118–129.

Presented cycle serves as a model, and in practice, not all of its features are used in the selected sequence. The essence, however, is that the tool allows for the analysis of data, which will give companies the opportunity of a new

⁸ D.K. Rigby, *Management Tools 2013. An executive's guide*, Bain & Company Inc., 2013, p. 26. It should be emphasised that the cited authors combine the concept of "CRM process" and "CRM technology".

perspective on the needs and behaviour of customers, making it easier to adapt the products (goods and/or services) to targeted customer segments, that is their personalisation. This is a contribution to the protection of critical areas of investment being made in the field of cooperation and reducing unreasonable costs (e.g. mass costs).

The competitiveness of the company is combined with the uniqueness of elements' structure of its business model, and therefore, also the tools that match to the strategy of the organisation. Therefore, the company may have different expectations of CRM functionality and put emphasis on different "paths" analysis and the use of data which is collected in the system. They can e.g. use CRM to conduct market researches among customers, identify potential regions or markets, create more realistic sales forecasts, quicker coordinate information between departments of sales and customer service by improving their efficiency. They are also able to allow sales representatives to access cost analysis of various configuration elements of the company's offer before determining the final price for the customer, determine exactly the return on investment of various promotional programmes and the effects of marketing activities, by assigning costs appropriately. They can also adjust the structure of resources to the expectations and preferences of customers, stimulate the growth of sales through the systematic identification and management objectives, improve customer loyalty or to design effective programmes of customer service⁹. Therefore, CRM systems are often divided into three functional areas¹⁰:

- Operational (*front-office*) – responsible for automation of the core business processes (marketing, sales, customer service). Its mission is to collect and share all customer information, enabling the comprehensive and full service. They interact with further stages of cooperation with the customer, i.e. its acquisition, sale implementation and taking care of maintaining the relationship.
- Analytical (*back-office*) – responsible for analysing customer behaviour based on data collected in the operating element. The task of CRM analytical systems is to make a comprehensive analysis of customer data, such as multidimensional customer segmentation, customer value analysis, loyalty analysis, customer needs analysis, sales analysis and market basket analysis.

⁹ D.K. Rigby, *Management Tools 2013...*, op.cit., p. 27.

¹⁰ A. Payne, P. Frow, *Strategic Customer Management...*, op.cit., p. 27.

- Communication (interactive) – responsible for communication with customers, its mission is to support all possible channels of client's contact with organisation and to enable interaction between customers, organisation and its employees.

CRM is, therefore, “a customer-oriented” tool, allowing the formation of service in accordance with the reported customer needs, and building dedicated solutions through direct communication. It possesses functions associated with automatic management of sales (such as analyst promotion, tracking sales history and its forecasting, coordination of marketing activities, regional representatives, *call centres* and retail outlets), aggregation of information about sales in order to develop key performance indicators (*Key Performance Indicators*, KPI), opportunities management – emerging sales opportunities – (*Opportunities*) by integrating sales history with its forecasts and plans, measuring the effectiveness of marketing activities to the level of sales.

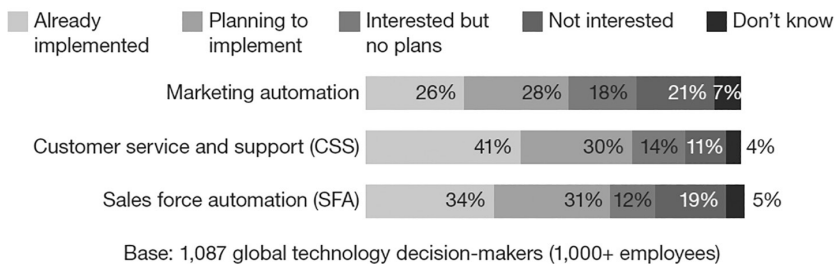
In this configuration modules of CRM system are usually offered, e.g. in case of Microsoft offer, which is focused on operational activities, the following functions are available¹¹:

- Sales: managing the sales process – registering contact with customer and tracking the sales cycle; optimisation of the sales pipeline – analytical tools that provide comprehensive information about potential customers and sales opportunities; create personalised offers using the defined catalogue of products; order management; management of sales staff, managing and distributing sales and marketing resources.
- Marketing: budgeting and planning of marketing campaigns; selection of recipients of marketing campaigns (creating and managing of marketing lists); automation of campaign execution (e.g. using mail merge); reporting on the effects of marketing – assessing the effectiveness and profitability of the campaign.
- Customer Service: a complete overview of customer information to better understand their needs and provide them with comprehensive services; service contracts – used to monitor quantitative or temporary limits; easy planning and management of services (service, post-warranty contracts, etc.); automatic queuing services using customised workflow rules; knowledge base with search function.

¹¹ www.bonair.com.pl/oferta/rozwiazania/crm.html (23.07.2015).

The results of the scope of CRM systems implementation in large enterprises (employing more than 1000 people), operating on a global scale is shown in Figure 5.4. The test was performed in 2014 on a sample of 1087 decision-makers for technology. The main objective of the system implementation among those surveyed was the service and customer support (41%), as well as the automation supporting the work of the team responsible for sales (34%). These two factors are also frequently indicated reasons for which it is planned to implement the CRM system in the future.

Figure 5.4. Scope of CRM Systems Implementation in the Companies



Source: Forrester's Business Technographics, Global Software Survey, 2014, in: *The Forrester Wave™: CRM Suites for Large Organizations*, ed. K. Leggett, Q1 2015, March 2015, p. 3.

The selected CRM can be also helpful in solving the enterprises' problems of strategic nature, which may include such events as e.g. the problem which is not obvious, hidden, but in practice with critical importance for satisfaction and loyalty for the most valuable customers; problem solving will affect a significant or sustainable competitive advantage; solution to the problem in a cost-effective manner requires a short time, accuracy and effectiveness of CRM technology; solution is crucial for the organisation; solution to the problem will create innovative possibilities which provide new opportunities for the company; solution to the problem will bring reimbursement of costs justifying the investment even in the high-risk business; solution to the problem will mean a big market success for the company¹². Defining the existing problem is the starting point for the selection of adequate resource configuration (system modules) of CRM and the basis for calculating the return that an organisation can receive from the use of this solution. Subsequently, it is followed by selecting the appropriate

¹² D.K. Rigby, D. Ledingham, *CRM Done Right*, "Harvard Business Review" 2004, November, pp. 118-129.

platform, the analysis of costs of its implementation, including the costs of trainings of various groups of employees, determining the total cost of its ownership (*Total Cost of Ownership, TCO*) and evaluating the rationality of purchase. Then, a programme of incentives for workers should be designed, to get their support in the introduction of new solutions in the organisation and monitor progress, as well as the impact of CRM on company's management. Monitoring refers to the quality of work of those involved in the use of the system and the changes in the level of sales process of customer involved in CRM, namely their profitability. In order to improve the level of involvement of staff, it is worth informing them about their benefits and expected results¹³. In the current conditions of competition, change is a permanent part of doing business, but it can cause controversy, arouse opposition and resistance among employees, especially those affected directly¹⁴.

It is worth mentioning that, due to growing use of functionality of customer relationship management, systems are created to support the extended relationship management (*Extended Relationship Management – XRM*)¹⁵. They give rise to a holistic management and compete in a previously unused way. In this framework, a combination of HRM (*Human Resources Management – HRM*) is used, resource relations (*Partner Relationship Management – RPM* or *Channel Relationship Management – ChRM*), or relations with suppliers (*Supplier Relationship Management – SRM*), which, based on current available information and communication technologies are an innovative tool, creating flexible and adaptive solutions.

5.2. Cloud Computing and Its Role in the Processes of New Thinking in Strategic Management

Cloud computing is a model that provides online shared resources (e.g. of the network, servers, storage, software), which are customisable, available “on demand”, can be quickly allocated and released with minimal user's interaction, enabling a flexible increase or decrease of resources depending on the current

¹³ D.K. Rigby, *Management Tools 2013...*, op.cit., pp. 26–27.

¹⁴ More about the obstacles in the implementation of CRM: B. Deszczyński, *CRM. Strategia, system...*, op.cit., p. 81 et seq.

¹⁵ D. Laney, *Application Delivery Strategies*, META Group, December, Stamford 2001.

needs of the organisation¹⁶. *Cloud computing* is based on centralisation and virtualisation of IT resources, and the processing speed is due to the computing power of the provider's server whose level of which is essentially unattainable for individual subjects in the traditional model of *on-premise*, so in case of own IT infrastructure. The main features of this tool is self-reliance in using the services "on demand", – users can install and configure the software on one's own; the omnipresence of the service through standard network devices; connecting resources and access to information regardless of their location; flexibility – users can freely increase or decrease the parameters; measurability of services – fees depending on the actually used computing power (*pay per use*), the Internet bandwidth and disk space.

There are three main types of services within the *cloud computing*: infrastructure as a service (*Infrastructure-as-a-Service*, IaaS) – renting an infrastructure to a recipient, i.e. servers, disk space or a specific memory resource and computing power; platform as a service (*Platform-as-a-Service* – PaaS) – renting to a recipient a virtual work environment located on servers of the providers in order for the customers to create own applications; software as a service (*Software-as-a-Service*, SaaS) – renting to a recipient needed functions of programmes running on the server and on the provider's environment. *Cloud computing* can be implemented in three basic ways: *Private Cloud* – the infrastructure is made available to one recipient; *Public Cloud* – the infrastructure is owned by a single provider and is made available to a number of independent recipients; *Hybrid Cloud* – uses both of these solutions at the same time. The selection of type and method of implementation has individualised and secondary character towards expectations that the entities want to achieve by applying solutions in this model.

An important aspect being the basis for the use of tools such as *cloud computing* in the organisation is the purpose of its use. In order to define it, an analysis may become helpful of the relationship of chosen strategy towards available technical possibilities. As a result, customers choose solutions focused on the operational efficiency of IT (*IT Efficiency*) or affecting the value of the business (*Business Value*) and the use of the level of available IT resources (*Resource Pool*) or the technological leadership (*Distinctive Technical Leadership*)¹⁷. In a broader

¹⁶ P. Mell, T. Grance, *The NIST Definition of Cloud Computing*, Recommendations of the National Institute of Standards and Technology, <http://csrc.nist.gov/publications/nistpubs/800-145/SP800-145.pdf> (20.08.2015).

¹⁷ L.P. Willcocks, S. Cullen, A. Craig, *The Outsourcing Enterprise: from cost management to collaborative innovation*, Palgrave Macmillan, 2011, pp. 52–53.

sense, the choice of approach to the understanding of IT and its location in the indicated matrix defines the meaning and the role of technology in the strategic management of the company. Thus, IT can only be a tool to support business or the driving force of its competitiveness, e.g. through innovation or the ability to adapt to the current needs of stakeholders.

When analysing the potential of *cloud computing* in the broader perspective of the new thinking in strategic management, one should think about the impact it has on the key areas of this concept¹⁸. The main ones are discussed below.

Modern company should be a flexible organisation, or at least have its signs – organisation that is ready to change its structures, as flexibility is a necessary condition to cope with uncertainty. When examining the role of *cloud computing*, it is worth mentioning that in the traditional (ownership) model each computer (or the owned server) has limited computing power, beyond which it cannot go, however, it is often not fully utilised and, therefore, not economically used. In the *cloud computing* model, computers are an interface to external server with tremendous computing power, being able to effectively use because it is a shared resource. On the user side, there is substantial freedom in the allocation of needed power, e.g. to implement new solutions, thus, improving flexibility. As a result, it shortens the time to take a decision because of the access to current data and information, and thus the implementation of new projects, carrying out actions that test new ideas or entering a new market without incurring significant expenditure on infrastructure. In this context, interesting may be the results of the study on Oracle Cloud Agility 2015, dedicated to business flexibility in the era of cloud. The study involved 2263 employees of global corporations, of which 64% acknowledged their company as flexible (able to quickly respond to business opportunities or the rapid introduction of new products on the market). In Poland, such an opinion expressed 71% of respondents (the highest among the surveyed European countries). At the same time, an average of 81% of the respondents (89% from Poland) said that the ability to quickly develop, test and implement new business applications is important or very important for the success of their company. It was considered that the competitive advantage, ensured by the flexibility, is critical for the company, and competitors' ability to accelerate the introduction of innovative services

¹⁸ See: *Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwem*, ed. M. Poniatowska-Jaksch, SGH Press, Warsaw 2015, pp. 289–294, [www.wydawnictwo.sgh.waw.pl/produkty/profilProduktu/id/769/PUBLIKACJE_DO_POBRANIA/NOWE_MYSLENIE_W_ZARZADZANIU_STRATEGICZNYM_PRZEDSIĘBIORSTWEM_Malgorzata_Poniatowska-Jaksch/\(20.08.2015\)](http://www.wydawnictwo.sgh.waw.pl/produkty/profilProduktu/id/769/PUBLIKACJE_DO_POBRANIA/NOWE_MYSLENIE_W_ZARZADZANIU_STRATEGICZNYM_PRZEDSIĘBIORSTWEM_Malgorzata_Poniatowska-Jaksch/(20.08.2015)).

to customers has been identified as the most important threat to the majority of companies (27%). Meanwhile, even 52% of the companies (50% in Poland) does not have the IT infrastructure enabling effective response to competitive threats. Moreover, almost half of the respondents (49%) cannot (or does not know whether it is able) to carry the load between the public, private and hybrid cloud and transfer local applications to the cloud. In addition, only half of the companies are able to develop, test and implement new business applications for mobile devices in six months (only 30% in a month)¹⁹. These results demonstrate both the gap between awareness of the importance of flexibility to improve competitiveness and the ability to use the potential of the *cloud computing* model, as well as limited usage of market opportunities that are connected with this situation.

A manifestation of organisational innovation are regrouping businesses, which result in functional and spatial fragmentation of their business and more and more widespread external than organic growth of the company, based on access to external resources. *Cloud computing* uses external resources through management of IT environment in the service model, which is based on virtualisation and centralisation of IT infrastructure. It involves moving the entire burden of IT services (data, software or computing power) to the server provider and allowing continuous access to data through customers computers (or other mobile devices) via the Internet. *Cloud computing* reduces the cost of operation and maintenance of IT infrastructure, enabling paying only for exhausted computing power at a given time of the service usage. Security of data increases due to the integration of protection and it usually lies on the supplier side (depending on the contract conditions, *Service Level Agreement – SLA*). Therefore, to some extent this is the transfer of the business risk to the service provider – as in the case of outsourcing. For these reasons, solutions using *cloud computing* can be compared to IT outsourcing. Outsourcing, however, is a broader concept than *cloud computing*. In case of outsourcing, it is in fact passing on to perform all the business processes outside of entire company. Meanwhile, in case of private cloud it is not the situation. The common feature is, however, lack of need to freeze capital into the fixed assets, accounting model for the used services in time and scale where it was needed, and the ability to focus on core competencies of a certain company and, in consequence, reduce costs. Moreover, lack

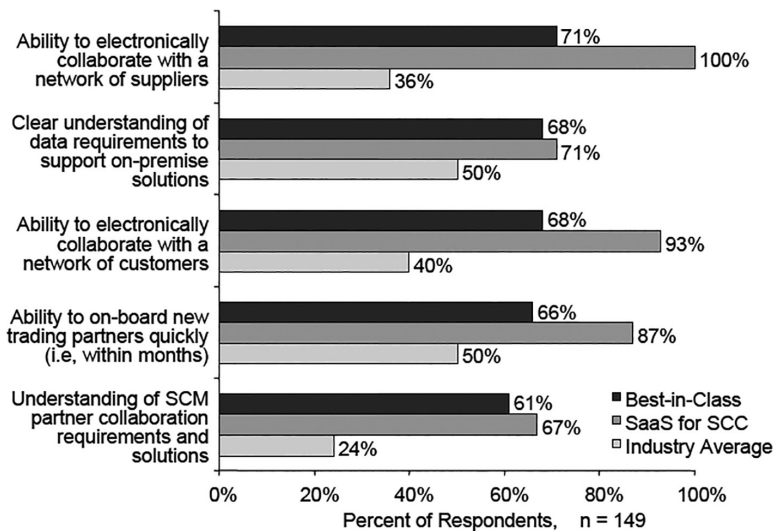
¹⁹ Oracle Cloud Agility, 2015, www.oracle.com/pl/corporate/pressrelease/oracle-cloud-agility-study-20150827.html (21.09.2015).

of need to freeze capital assets gives the possibility of their alternative investment into innovative activities stimulating competitiveness.

Network relational abilities are necessary to work with business partners and must be seen as an important source of competitive advantage, as well as a key competence of the company. *Cloud computing* responds to the needs arising from the growing number of connected devices, continuous streams of information and applications, i.e. open collaboration, teleconferencing, social networks and mobile solutions, etc. Therefore, it has an impact on both the communication and relationships within the organisation, so it can stimulate the growth of labour productivity, as well as communication with external stakeholders.

Figure 5.5 shows the application of cloud computing impact (in the SaaS model) on cooperation areas with selected stakeholder groups in the company. In the presented study the different effects achieved by enterprises using cloud computing were compared with the results of the market leaders (the companies that have the highest rate of customer service quality in the context of the accuracy of the order execution, delivery time, “cash – cash” cycle time and the time needed to collaborate with a new business partner) and the average in the analysed sector. Support from SaaS in the cooperation in the supply chain proved to be dominant both in the area of cooperation with the network of suppliers, as well as the network of clients.

Figure 5.5. Reasons for Selecting SaaS in the Network Model



Source: N. Viswanathan, *Enabling Supply Chain Visibility and Collaboration in the Cloud*, Aberdeen Group, 2010, p. 13.

Communication, access to data and information are the basis of relations in the situation of the need to share the benefits and the business risk. In the case of Big Data era management, the ability to store large data sets, to perform its analyses in order to have accurate forecasts and to identify the current changes in the business environment are extremely important. Due to the benefits of cloud computing model, the companies have the chance to collect, manage, protect and analyse data, turning their unstructured nature into the new value streams²⁰, as well as to manage data and process them in the most profitable way for the entire value chain of cooperating stakeholders. This will be possible through standardisation, virtualisation, interoperability and combining data from different units in the supply chain. In addition, in the situation of the rapid development of competing with the use of the Internet in various parts of the business model, enterprises should pay attention to their own strategy for the digitisation of communication and distribution channels, and so the relationships with different stakeholders especially through social media (McKinsey consultants call it Social Matrix)²¹. They become in fact a key part of the organisation's infrastructure, connecting and engaging employees, customers and suppliers. Social media appear to be a natural extension of a knowledge management system focused on the development of a sense of community and cooperation between employees²² and, in the case of the use of cloud computing, in the context of expanding these opportunities in order to maintain relationships with various stakeholder groups. As a result of sharing information in real time and coimplementation of processes using one's own mobile devices and social networks, the boundaries between the businesses are blurring. It is not only about the e-commerce solutions, or Internet marketing, but also about change, or diversification of the entire business model functioning.

Enterprises increasingly often recognise the need to build multiple business models within a single organisation, which is combined with the need for business models portfolio management. Assuming that the business model is the way to make money connecting external environment and internal capabilities

²⁰ L. Willcocks, W. Ventres, E.A. Whitley, *Moving to the Cloud Corporation*, Palgrave Macmillan, 2014, pp. 14–20.

²¹ B. Brown and others., *Ten IT-enabled business trends for the decade ahead*, McKinsey Global Institute, 2013, p. 3.

²² W. Venters, *Knowledge management technology-in-practice: a social constructionist analysis of the introduction and use of knowledge management systems*, "Knowledge Management Research and Practice" 2010, no. 8(2), pp. 161–172.

of the company²³, it is worth considering how much cloud computing, through the previously mentioned aspects, as well as outside of them, can support the creation of multiple business models within a single organisation. Reducing costs through the use of the economies of scale effects resulting from the unification and standardisation can take place within the organisation, or network of organisations jointly creating value for the customer, while the personalisation of these values is the result of being able to identify the needs of individual customers, analysis of their behaviours and preferences estimation, stimulating proactive actions. It is possible both at the retail level between consumer and retailer, as well as at any other level, e.g. producer-consumer. This provides the opportunity for the individual enterprises to expand multi-channel sales (Omnichannel, Multichannel), or to include consumers in the designing of products, or services, based on the crowdsourcing model which in turn allows the construction of multiple business models within a single organisation. It should be noted that the functioning of cloud computing also applies to those companies, which do not use this model by themselves, e.g. through the mentioned social networks, where consumers articulate their opinions, expectations, attitudes and needs. It is therefore an element of external conditions which cannot be directly influenced by the company, but which should be taken into account in their strategies. Cloud computing helps to simplify and shorten the duration of the processes within the entire supply chain, while the simultaneous potential of data accumulation on selected clients (or other stakeholder groups). Thus it gives the possibility of regrouping internal resources (and/or purchased), needed to satisfy personalised customer expectations, responding to the challenges of mass customisation. Such solutions can therefore have a short-lived character associated with the selected project or take a longer perspective and a form of repetitive processes, without affecting the increase in costs related to the investment in the information infrastructure and without freezing capital in projects with low return on investment or of high risk of project failure.

Of course, cloud computing is not a solution devoid of flaws and threats. The most frequently indicated include data security, continuity of access to information and the functioning of the organisation and compliance with the regulations of personal data protection²⁴.

²³ *Model biznesu. Nowe myślenie strategiczne*, ed. M. Duczkowska-Piasecka, Difin, Warsaw 2013, p. 135.

²⁴ Cf.: K. Nowicka, *Cloud computing – wyzwania przedsiębiorczości nowych mediów*, in: *Przedsiębiorczość nowych mediów. Analiza modeli biznesowych firm internetowych*, ed. I.K. Hejduk, Warsaw School of Economics Press, Warsaw 2013.

It is also worth mentioning that cloud computing, cited among the most important IT trends, changing way of managing organisations, is used in correlation with other major trends shaping the modern way of doing business, i.e. mobile internet, big data and advanced analytics, 3D printing, and the internet of things²⁵. Accumulation of these solutions is not irrelevant in the case of support for implementation of the main processes of the new strategic thinking in business management.

5.3. CRM in the Cloud Computing Model

5.3.1. CRM-as-a-Service

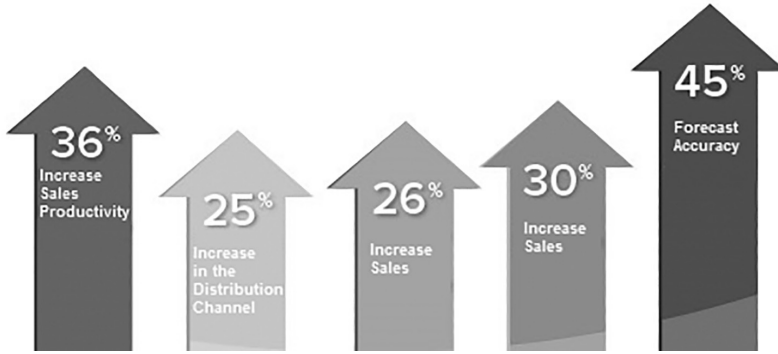
CRM has a significant influence on the sales results. Figure 5.6 shows the average changes in the selected elements of the sales process resulting from the use of the CRM system in the cloud computing model. The survey was conducted in March 2013 among 5200 users of CRM Sales System provided by Salesforce.com. It is worth paying attention to such variables as the 45% increase in forecasting accuracy, being the starting point in the process of preparing the organisation to changes, or increase in productivity of sales amounting to 36%. The described indicators can also be a starting point for the designing of the most important effectiveness measures of the CRM system in the enterprise, both in the case of comparing its impact in the short and long term and at, e.g. the ongoing effectiveness monitoring of regional representatives.

The global CRM market has grown by 13.3%, from 20.4 billion USD in 2013 to 23.2 billion in 2014. 47% of total revenues came from CRM SaaS applications, which were delivered in the cloud computing model. In 2013, this share stood at 41%²⁶. The global CRM suppliers include: Salesforce.com with a share of 18.4% in 2014 (recording 28.2% growth compared to 2013), SAP holding 12.1% share, Oracle – 9.1% and Microsoft – 6.2%. The most important competitors in the CRM market, both in the cloud computing model, as well as on-premise (that is, using their own IT resources) in terms of the vision's completeness of the offered solutions and the ability to meet customer's expectations were presented in Figure 5.7.

²⁵ B. Brown and others., *Ten IT-enabled business...*, op.cit.

²⁶ J. Rivera, R. van der Meulen, *Gartner Says Customer Relationship Management Software Market Grew 13.7 Percent in 2013*, Gartner, STAMFORD, Conn., May 6, 2014, <http://www.gartner.com/newsroom/id/2730317> (21.09.2015).

Figure 5.6. CRM Influence on the Sales Process



Source: www.salesforce.com/crm/ (25.07.2015).

Figure 5.7. Main CRM System Providers – Sales Management Automation Module



Source: R.P. Desisto, T. Travis, *Magic Quadrant for Sales Force Automation*, Gartner, July 2015.

The presented analysis focuses on the sales management process automation module, which also includes accountancy, relationships management and opportunities management, and thus also on improving the sales efficiency (productivity) among sales representatives. The second biggest company, which was ranked among the leaders with the ability to meet the needs of the customers and with the complete solution, was Microsoft with its Dynamic CRM Online system (in the cloud computing model). Functionality is undoubtedly an important aspect influencing the selection of a solution's supplier, however, the competencies of the partner who will implement the system are no less significant. Such a partner has a large impact on the quality of the effects of the implemented system. He should therefore have experience in implementations and the knowledge of the potential of the provided systems, as well as the specifics of the market in which the client operates, making it easy to match the solution to the real needs, supporting the competitiveness of the company or its strategy²⁷.

In the literature, there is also the definition of eCRM understood as an electronic CRM used in the networks – Internet, intranet and extranet, which is a system designed mainly for the needs of the entire enterprise, not just a single department. It has therefore standardised features offered by manufacturers in packages and is installed in one location (on one server).

CRM-as-a-Service model using the properties of cloud computing can be an important tool in the implementation of the strategy, supporting key processes of the organisation and its partners in the network economy.

5.3.2. Netia SA – Company's Profile

Netia SA is one of the largest telecommunications operators in Poland. The origins of the company date back to 1990. The first telecommunications services offered by the company were provided in Pila. In 2000, Netia made its debut on the Warsaw Stock Exchange, which coincided with the start of the business on the Warsaw market. The current shareholding structure as of April 20, 2015 is presented in Table 5.1.

²⁷ P.K. Isom, K. Holley, *Is Your Company Ready for Cloud?*, IBM Press, Pearson 2012, p. 140.

Table 5.1. Shareholder Structure of the Netia SA as of the 20.04.2015

Shareholder	Numer of stocks (mln)	% of shares	% of voices
Mennica Polska	55.3	15.88%	15.88%
SISU Capital	44.3	12.74%	12.74%
FIP 11 FIZAN	67.5	19.40%	19.40%
ING OFE	33.3	9.56%	9.56%
Aviva OFE	20.2	5.82%	5.82%
PZU OFE	19.3	5.53%	5.53%
Public rate GPW	108.2	31.07%	31.07%
Total	348.1	100%	100%

Source: company's materials. *Wiodący operator telekomunikacyjny w Polsce*, June 2015, Netia, p. 19.

Since 2007, Netia SA has become a nationwide operator, working on the basis of TP SA infrastructure. Netia was one of the founders of P4, operator of Play mobile. In 2008, the company sold its shares in Play for 132 million EUR, which allowed achieving the transaction's profitability of 66%. The money was used for the development of the broadband services. In the same year the company acquired Tele2 Poland for 34 million EUR. EBITDA of the acquired company amounted to 41 million PLN with 455 million PLN in revenues. Further acquisitions were conducted at the end of 2011 – Telefonía Dialog SA and Crowley Data Poland Sp. z o.o. contributed to the Netia group 1046 thousand services, 640 million PLN sales revenue and EBITDA of 156 million PLN per unit (for 2011). In addition, the coverage of the country by their network has increased. In 2011, Netia also presented a new strategy for 2012–2020 assuming becoming, in a profitable manner, no. 1 in the area of on-line services in Poland. In the B2B segment a strategy has involved a long-term growth by changing the structure of the product portfolio (i.e. reducing exposure to voice services, dynamic growth in the ICT segment – data centres, cloud services, potentially including selective acquisitions of competences/ infrastructure or partnerships in the field of convergent services), exploiting the potential of the wholesale market services, the reorganisation of the operating model in terms of sales forces and processes and the search for the optimal cost models. In the B2C segment (individuals and small firms) attention is focused on the defence of value (i.e. an intensive customer retention-based activities, reducing the costs of customer service, the acquisition of the customer on the basis of their own network while optimising the cost of their acquiring – “mix” of sales channels), in the medium term value

maximisation of their own networks without further intensive modernisation (i.e. increasing penetration of TV package and the use of mobile solutions for retention activities; increase the penetration of services on their own network through geo-marketing approach) and the search for the optimal cost models. The company has also planned to separate B2B from B2C (separation of B2C access infrastructure and cooperation on the SLA basis with B2B networks), simplification and modernisation of the network in order to reduce its maintenance costs and IT systems optimisation in order to support key commercial processes²⁸.

In 2013 the company bought a cable TV part from UPC. The seller, acquiring a competitive entity (Aster), was obliged by the Office of competition and customer protection to sell this part of the acquired infrastructure, which doubled in the same locations, i.e. in Warsaw and in Krakow, with approx. 446 thousand lines reaching the flats and commercial premises. With this transaction, Netia has expanded the range of its own network by 17%, reaching a potential access to approximately 2.8 million households.

In the third quarter of 2014 the company implemented short- and medium-term cost reduction programme under the name "Netia Lajt". The aim of the programme is to achieve 50 million PLN savings in 2015. The main areas of the savings programme implementation are associated with a reduction in the number of senior management positions, simplification of the organisational structure and reduction of discretionary spending. In January 2015, Netia launched the second phase of the programme (Netia Lajt 2.0), including the reduction of employment in the framework of collective redundancies. Ultimately, the company has to keep the employment at around 1300 people, which means the reduction by approximately 20%. The programme is aimed at achieving a more effective organisation thanks to faster decisions and more flexible structures at reduced cost base. The company plans further investments in new product groups. Table 5.2 shows the main financial indicators of Netia in years 2009–2014.

In 2014, the B2B segment was responsible for 42.0% of revenues, but accounted for as much as 56.7% of adjusted EBITDA and 63.0% of adjusted free operating cash flow. B2B segment margin was supported by higher share of services on its own network and higher capital expenditure than in the B2C segment (individuals and small businesses). Due to the lack of regulatory charges, the retail segment records on its own network a much higher share in EBITDA and

²⁸ More about the Netia's strategy until the year 2020: [inwestor.netia.pl/o_netii,tekst,5285, strategia.html](http://inwestor.netia.pl/o_netii,tekst,5285,strategia.html) (21.07.2015).

operating free cash flow than in revenues. The current structure of the number of customers (in thousand people) is shown in Figure 5.8.

Table 5.2. Main Financial Indicators of Netia SA in the Years 2009–2014

	2009	2010	Pro forma 2011 ¹	2011 ²	2012	2013	2014
Income (million PLN)	1506	1569	1593	1619	2121	1878	1674
Adjusted EBITDA (in million PLN) ³	304	359	403	408	591	551	493
Adjusted EBITDA margin (%)	20%	23%	25%	25%	28%	29%	30%
EBITDA (in million PLN)	313	586	607	611	461	533	581
EBIT (in million PLN)	14	286	304	303	109	93	157
Capital expenditures (in million PLN)	246	200	230	244	279	280	232
Number of broadband services users (in thousand)	559	690	750	912	875	849	790
Number of voice services users (in thousand)	1158	1218	1177	1745	1644	1489	1331
Number of services (in thousand)	nm	nm	1967	2789	2688	2526	2305

1 – Pro forma results do not include the impact of Telefonía Dialog SA and Crowley Data Poland Sp. z o.o. in December 2011 (2 weeks)

2 – Results include the impact of Telefonía Dialog SA and Data Poland Sp. z o.o. acquisition in December 2011 (2 weeks)

3 – Adjusted EBITDA for 2009 does not include restructuring costs (“Profit” programme), profit from selling the first part of transmission equipment to P4 and the positive accounting effect of the agreement with TP Group. Adjusted EBITDA for 2010 does not include the profit from reversal of revaluation write-offs, profit from selling second and third part of transmission equipment to P4, onetime restructuring cost related to cost reduction programme (“Profit”) and costs connected with acquisitions. Adjusted EBITDA for 2011 does not include the profit from reversal of revaluation write-offs, cost of a lawsuit on the amount of due CIT for 2003, reserve for payments due to provision of the universal service, restructuring costs, acquisitions costs and Nowa Netia integration costs. Adjusted EBITDA for 2012 does not include the revaluation write-offs, Nowa Netia integration and restructuring costs and acquisitions costs. Adjusted EBITDA for 2013 does not include Nowa Netia integration costs, restructuring costs, revaluation write-offs, decreasing reserve for payment due to provision of the universal service, acquisitions costs, revaluation write-offs investment real estate and costs of separating B2B/B2C division. Adjusted EBITDA for 2013 does not include restructuring costs, Nowa Netia integration costs, revaluation wire-offs, Netia Lajt project costs, costs of separating B2B/B2C division, profits from the settlement with Orange Polska and acquisitions costs.

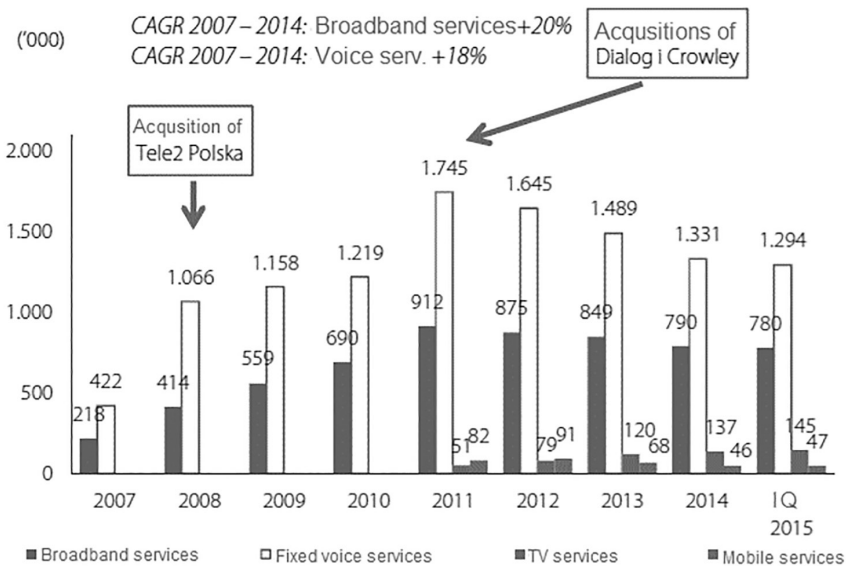
Source: inwestor.netia.pl/o_netii,tekst,10948,glowne-wskazniki.html (21.07.2015).

In July 2015, Netia SA and PKP SA finalised a sale of the company TK Telekom, services provider for the business and the government sectors, telecommunications operators, railways and individual clients. It also included an offer of the cloud computing model services for the business sector. Netia acquired 100% shares of the railway operator managing one of the largest telecommunications network in Poland.

Customers in the market of telecommunications services are less and less interested in having a landline, which today is a common problem of traditional

telecommunications companies, including Netia. For this reason, the company wants to develop mobile services, invest in data centres, cloud services and new TV services, which is to be supported by the cooperation with P4 – the operator of the Play mobile network. The new services will be offered to customers at the end of 2015.

Figure 5.8. Structure of the Number of Customers of Netia's Services in the Years 2007–2015 (First Quarter)



Source: company's materials. *Wiodący operator telekomunikacyjny...*, op.cit., p. 8.

5.3.3 The Use of CRM in Netia SA

Netia SA is an active participant of the telecommunications mergers and acquisitions market in Poland. The simultaneous implementation of the new business strategy requires the company to reorganise existing structures and to introduce new rules of conducting business, therefore, first of all to organise activity rules inside the company. Both these factors affect the need to build a flexible organisation, that is, one that proactively responds to market signals (demand), based on solid foundations – reliable information, for which the knowledge of the real potential of available resources (supply) is the starting point.

CRM system was one of the tools for achieving the objectives adopted by Netia in the B2B segment.

Before the implementation of the CRM system the company did not have unified systems for market data collection, determining the potential of the individual customer segments or individual customers, enabling sales analytics in real time and as a result a consistent and rapid response to emerging market opportunities. Within the business one was collecting non-integrated information related to sales and incurred costs and profitability calculations carried out in a way that hindered its systematisation. In such a situation, it was difficult to clearly define the business objectives of regional representatives of the company (account managers), or to make them accountable for the assigned tasks with respect to a diverse market potential. There was also no central system for customer relationship management, therefore the staff had limited ability to track the history of cooperation and to plan activities on the one common platform, making it difficult to carry out uniform customer profitability analyses justifying the choice of a further cooperation model, or the level of offered prices. This situation was a barrier to sales analytics, its planning and forecasting, setting business goals among geographically dispersed team, and thus managing this department in a way that maximises the use of its real potential. It should also be emphasised that the pre-sales stage in B2B segment is specific and particularly relevant. These are in fact the individual, often long-term investment projects where relations of account managers (company representatives) with clients play an important role, and determine the structure of the contract – the value of the subscription, the duration of the contract or the price level, and therefore the level of sales and efficiency of sales representative. The lack of a uniform reporting system was a barrier for sales operations transparency, profitability calculation of individual offerings and conduction of detailed sales analyses determining the coherent way of tracking a work time.

For these reasons, the company decided to implement a CRM system that provides transparency of sales operations and the possibility to standardise actions, including post-sale throughout the organisation in the area of sales management, being the basis for streamlining the entire process of managing relationships with different customer segments and its integration.

The company decided to choose a ready solution instead of independent application development, which was dictated by rational range of functionality offered by the providers of such solutions, resulting from their experience as to the expectations of customers using CRM systems. An experience of the decision maker in the company with this type of applications provided by external

companies was also an important factor in the selection process. The decision was supported by the Management Board.

The system was expected to be easy to use, with minimal customisation features and integrated with the enterprise's current systems. Company needed a system that allowed quick access to the information about customers gathered in one place, acquired both in the pre-sales process during customer acquisition, and later, in the after-sales stage. Furthermore, the objective was to implement a system for the analysis of the work of individual workers, track their progress, evaluate the performance of commercial actions and resulting parameterisation of market potential, customer behaviours and to study their needs.

Among the potential suppliers of CRM system, Netia has analysed, among others, Salesforce.com, but has ultimately selected Microsoft and their solution Microsoft Dynamics CRM Online, i.e. CRM in the cloud computing model. The TCO of the system and the ability to change access to the CRM to on-premise model (which, however, would probably involve a use of a hybrid solution), were the main reasons for choosing this solution, although it was not without doubts about the intuitiveness of the selected system compared with the offer of Salesforce.com. In addition, a choice of cloud computing based solution was backed by the experiences of other companies in the industry familiar with the specific cooperation within the B2B sector and having such a system, as well as its stability and security of data, whose an appropriate level of protection is guaranteed by the manufacturer of the solution. The access to the system in real-time, on-line access through mobile devices and no need to incur expenditure on infrastructure and hiring its administrators were also the important aspects behind this decision. Pointing to the potential benefits of having a CRM system based on its own resources, one have appreciated greater ability to configure the functionalities – personalisation of the system to the individual needs of the company. But it is worth considering to what extent these additional solutions, designed before the implementation of the system, will find application in practice. Implementation of the system took three months.

Knowledge of the characteristics of the sales processes, product development, factors influencing prices and principles of functioning of the telecommunications market in Poland were also the important factors influencing the Netia's decision to choose the external implementation partner. This system was in fact (according to the Microsoft's business model) implemented in cooperation with Microsoft's partner – the Netwise SA company, which has several years of experience in the implementation of CRM in companies from the telecommunications

sector. The possibility of close cooperation with the contractor during the implementation process was another important reason behind this choice. The process was conducted in stages, during which companies together analysed the functionality of the implemented system. Netia has assessed the importance of the partner's role in the system's implementation as equally important as the same system. First, the attention was paid to the implementation of the module associated with the sales management process (Sales Force Automation), aimed at enabling the company to inventory the resources in the context of actions taken by sales representatives in different regions, which is particularly important for the development of relations with clients from the B2B sector. Examining the time management quality and its effectiveness in comparison to the sales level will give the company an opportunity to map the current process of exploiting the sales opportunities, diversifying market opportunities into the effects probably completed and the actual sales against the adopted objectives.

It should be noted that, at present, the system provides a new solution for the enterprise – it started functioning on 1 July 2015. Therefore, despite the fact that its implementation among users was preceded by appropriate training, it cannot be said that the company fully benefits from the CRM's functionality. This is also a situation that has been planned to some extent, because the two-month period has been accepted since the moment of implementation, as a period which will allow specifying the parameters defining the area and scope of work of sales representatives, which concerns about 300 people.

Table 5.3 presents the significance ranking of the individual functions in the Sales and Marketing modules of the Netia's CRM system. The evaluation was made using the following scale: 1 – the most important cause; 2 – very important; 3 – important; 4 – cause to be taken into consideration, but of little importance to the final decision; 5 – the least important cause.

The functionality of the system within the Customer Service module in the B2B segment will focus on creating customised solutions and business processes, based on a complete review of the information about the individual client in real time. This will allow a better understanding of their needs and providing comprehensive service by configuring the necessary resources.

It should be noted that the CRM system is one of the tools to support the process of Netia's restructuring, including the introduction of a new sales philosophy and measurement of work time principles, its parameters or incentive system. These obstacles hindering a smooth transition of employees to a new work environment and achieving the expected results from the system can be

supplemented by the natural resistance of the majority of employees against changes and fear of the new, which is the traditional problem of restructuring the company, regardless of the scale and scope of changes. The need for a new system enforces the new behaviours among employees, related to, e.g. the scheme of reporting, investigating the underlying causes of the current status of relations with a group of customers located in a given region or sales segment. This can then be perceived by some of them as “loss of freedom” or the introduction of a special kind of control over their way of work.

Table 5.3. Significance Ranking of CRM's Functionalities in Different Time Frames

No.	Functions	1 month after implementation	1 year after implementation	3 years after implementation
SALES				
1.	Sales process management – keeping records of contacts with customers and tracking the sales cycle	1	1	1
2.	optimisation of the planned sales– analytical tools that provide comprehensive information about potential customers and sales opportunities	2	2	1
3.	creation of personalised, precise offers using the defined product catalogue	4	2	2
4.	orders management	5	2	2
5.	sales department staff management	1	1	1
6.	Sorting and distributing sales and marketing materials	5	5	5
MARKETING				
7.	budgeting and planning marketing campaigns	3	2	2
8.	selecting recipients of marketing campaigns (creation and management of marketing lists)	3	3	3
9.	campaign execution automatisation (e.g. using mass mailing)	3	3	3
10.	reporting on the marketing effects – effectiveness and profitability of campaigns assessment	3	3	3

Source: own study based on the interview with the respondent.

In the next step, Netia plans to use the following modules: Customer Service, allowing managing knowledge base about the clients and facilitating

appropriate offers adaptation to the needs and Marketing, enabling budgeting and planning promotional campaigns on an individual basis, also in the context of the incurred costs, i.e. customer profitability analyses. There are no plans in this area for the personalisation of modules and standard features offered by the manufacturer will be used.

In the opinion of the representative of Netia, cloud computing is not only a future-oriented model used by companies from the telecommunications sector, but also the most important direction of development. For these reasons, the company plans to continue both the transfer processes, e.g. supply chain management, to cloud computing, as well as to prepare offers for their customers based on this model.

Conclusions

CRM understood as a tool to implement the strategy fits the approach presented in the area of the main processes of integrated supply chain management, being among them one of the most important due to the concentration of activities around the identification of customer needs. Analysing the individual processes of the supply chain, it can be noticed that the relations and cooperation are a common reference point in this case, and what's more the quality, the possibility of deepening them, initiating joint ventures, for example for inspiring innovation, is based on access to information, research on the needs and expectations and the direction of the development of the partners (stakeholders), especially customers, and fluctuations of their demand. The information being derived from data collected, e.g. in CRM systems, is the basis for making business decisions. Thus, CRM systems are able to support the interaction of the company with its environment – above all, in the stages of search for potential partners, customer segmentation adequately to the objectives of the company, identifying and allocating resources needed to initiate cooperation, which will likely result in signing a contract and placing an order, as well as deepening relations both at the stage of commencement of cooperation, as well as during it. In the context of the strategy implementation instruments, as well as in the process of integrated supply chain, CRM is aimed at value creation. Moreover, the needs of customers and the ability to satisfy them in terms of service quality, time and cost are an additional aspect linking the issues of new thinking in strategic management and supply chain management.

Competing through cooperation, personalised offers and limiting costs are only a part of the reasons behind the increased interest in effective tools for strategy implementation. CRM helps to identify the weaknesses of the organisation and the opportunities that arise in its environment. It is a kind of feedback between the fluctuation of fleeting market opportunities and reconfiguration and adjustment of resources at the disposal of the company, in order to take advantage of these opportunities. In this context, the use of the cloud computing properties, such as flexibility, adaptability, networking, or the access to the functionalities of external resources without the need to acquire them in customer relationship management seems to be particularly justified. Cloud computing is based on a shared pool of external resources, using the economies of scale effects and reducing the costs of the company, both directly related to the IT infrastructure, as well as in a broader sense – due to the restructuring of the work organisation, access to real-time information almost anywhere in the world, shortening the time needed to introduce new products or projects to the market, decreasing travel expenses. This solution improves the flexibility of the entity, meeting the interoperable needs of the systems' development in the future²⁹. Interoperability is also a prerequisite for creating a network of relational abilities and the development of multiple business models by a single organisation. Elimination of operations, or processes not adding value to the business allows a creative reconfiguration of all elements of the business model, deciding on the overall organisation management costs or wider – managing a value network co-created through relationships concluded on the basis of cloud computing solutions, providing the potential for personalisation of solutions offered to valuable customers.

With the development of technology and simplified access (technical and financial) to the functionality of the IT infrastructure resources in the cloud computing model, the boundaries between the industries are diminishing and the entry barriers to the sector are getting lower. This situation may be, on the one hand, perceived as a threat to the existing status quo of the company, but on the other hand it can be an inspiration to initiate new and innovative solutions of a diverse character stimulating the development of the company, acting as the chance for its growth. In this context, the use of cloud computing effects in business initiates changes and at the same time supports the organisation's ability to handle events difficult to estimate.

²⁹ K. Nowicka, *Cloud computing a koszty transakcyjne*, in: *Uwarunkowania zmian kosztów transakcyjnych*, eds. R. Sobiecki, J.W. Pietrewicz, Warsaw School of Economics Press, Warsaw 2011, pp. 231–254.

The aim of this study was to analyse the role of cloud computing in customer relationship management in the context of the conditions of the new thinking in strategic management. As indicated, the same model of cloud computing gives the company a number of possibilities in direct consonance with the areas of new thinking in strategic management. Directing its analysis on the issues of customer relationship management leads to the most important conclusion, which is the ability to identify the expectations and needs of the most valuable customers and personalisation of offers in line with the results of the analysis of their profitability in a flexible manner. The survey conducted among the representatives of the CRM suppliers in the cloud computing model and the companies, which start to apply it, shows that in the first stage of the implementation, mapping the resources available within the company and determining the market potential on a regional scale are the most essential objectives. It therefore primarily involves the use of sales management module – its process, and employees – with a particular emphasis, in the case of Netia, on pre-sales stage conditions of the crucial rank in the B2B market. In the long term (1–3 years after the implementation) optimisation of the planned sales, creating personalised offers and orders management will also gain on importance. The tool has been chosen because of its total costs, the ability to access data in real-time, system's stability and safety, optimal functionality and experience of the partner conducting the implementation. Importance of partner's competences indicates the role played in this supply chain by on-line CRM solutions, while simultaneous emphasising the rank of relationships in the service sector.

In the context of the conditions of the new thinking in strategic management, the described solution meets the needs of, primarily, functional and spatial fragmentation of activity. Basing on the development of the use of access to external resources, one has achieved cost reduction and flexibility of actions in the key area of sales management in the B2B market and received the potential to personalise the offer. The solution used relational abilities, but above all those concerning the solution provider, which does not exclude, after all, the development of the use of the tool in in-depth cooperation on the part of customers (customer service module is to be launched soon). Netia has applied this tool also as an element supporting carried out strategic organisational changes. It is worth noting that the services provided under the cloud computing model are becoming an important part of the company's offering, changing the structure of its portfolio and diversifying its business model.

It should be also stressed that the *Digital Marketing* and *Customer Experience* will be the important areas of investments of competitive companies that, in order to remain leaders, are moving their operations to the virtual space. CRM is an essential tool allowing for market penetration in this dimension at a relatively detailed level identifying customer needs. Cloud computing model is fast in the context of market entry (Time-to-Market) and the reaction of company to fluctuations. It is also low-cost – in the mentioned perspectives of costs directly related to IT and the long-term effects of changes resulting from more flexible organisation's structures. CRM service, can be thus an important tool for implementing processes of new thinking in strategic management, supporting key processes taking place within the organisation and in the network economy.

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6

Informal Relationship Management in Flexible Organisation

Ewa Rakowska

Introduction

Relational resources can constitute an important source of competitive advantage on foreign markets, leading to company's achievement of short-term benefits or being the basis of its long-term development. This seems particularly important in the face of the trend of companies to limit organic growth, which represent, among others, consequences of the recent economic crisis and increased geopolitical risks. In terms of global growth of uncertainty and the accelerating pace of changes, establishing relations, especially informal ones, limit instability and remove barriers to access businesses on foreign markets, thus, becoming the tool of internationalisation strategy. Strategies for international development can specify the role of relational resources differently – from a unique resource conditioning the expansion, to individual transactional dimension, including accidental use (e.g. as an opportunity). In this respect, essential is the choice of methods and management tools corresponding to the culture of the organisation, adopted strategy of expansion and specificity of institutional host markets.

The aim of the undertaken study is to identify methods and tools¹ supporting the management of external informal relations on the foreign markets and to demonstrate that flexible organisational structure supports their use. The issue presented in this paper is confronted with institutional economics and the new strategic thinking, especially with the concept of a flexible organisation. This study aims to answer the following research questions:

¹ For the purposes of this study, the tools of the strategy have been defined narrowly (at the instrumental level), while methods – more broadly – as the lines of actions (strategies).

- What global trends determine the current process of international expansion of enterprises, including the use of informal relations?
- What are the specific features of external informal relations between businesses and the competitive environment entities in international markets?
- What methods and tools can support the management of external informal relations in an international environment?
- What is the role of organisational flexibility in the process?

6.1. International Expansion of Businesses – New Challenges

The dynamic development of economic relations based on international division of labour and global markets is one of the dominant trends in the modern economy. The rapid increase in the number of interdependencies between national governments, regions and businesses entities reflects the scale and speed of the spread of economic crises. The turbulences in each case verify the accepted forms of international coordination, resulting in the need for continuous adaptation of enterprises to new operating conditions. Over the last decade, due to the global economic crisis, the progress of globalisation and the development of modern technology, the following phenomena in the external environment emerged, determining the current mode of operation in foreign markets:

- network – a new form of organising international cooperation, involving the cooperation of systems of entities, independent to each other in organisational and legal terms. Among participants in the network the exchange of information and experiences is carried out, as well as common activities are undertaken aimed at obtaining resources, generating ideas, exerting political influence and gaining competitive advantage². The expansion alone has often a network character – the companies that are present on many markets take advantage of numerous links with foreign partners, achieving a synergy effect (wide access to knowledge, resources, information well in advance), while businesses with less experience use intermediaries, trying to enter the

² Z. Dworzecki, A. Krejner-Nowacka, *Sposoby tworzenia organizacji sieciowych*, in: *Przedsiębiorstwo kooperujące*, ed. Z. Dworzecki, Euro Expert Advisory Group, Warsaw 2002; A. Knap-Stefaniuk, *Elastyczne struktury organizacyjne i narzędzia teleinformatyczne*, http://www.wsz-pou.edu.pl/biuletyn/?stro-na=biul_wyzzarz&nr=10&p= (28.08.2013) and G. Osbert-Pociecha, *Zdolność do zmian jako siła sprawcza elastyczności organizacji*, Wrocław University of Economics Press, Wrocław 2011, p. 185.

existing structure of systems of dependences³. Participants in the network communicate with each other in formal and informal way, whereas the latter plays a special role. In the network organisations partnerships are promoted as they are characterised by flexibility, being able to determine the formation of institutional forms, i.e. informal networks at the junction of political power and business. These in turn can affect other entities, not directly connected with the network. One can speak of accommodating international business enterprises in the networks – regardless of whether they actively participate in them or not⁴;

- institutionalism – the growing importance of institutions is associated with positive examples of economic performance in some countries of state capitalism (e.g. China) and the increase in the number of regulations that mitigate market failures in developed countries. Depending on the country, institutions may occur in various combinations – as related to, among others, the regulation and stabilisation, stimulation of economic development, protection of private property and social development⁵. As an example, in Russia as part of the privatisation process, financial groups (oligarchies) have been shaped and achieved significant political and economic influence – Russia owes them faster restructuring of the socialist monopolies⁶. In a situation when the decisions of politicians and officials include increasingly wider spectrum of economic activities, the potential to use informal relationships also increases. This is particularly important in developing countries with low transparency of the economy, where informal institutions fill the gaps associated with inadequately extensive formal institutions⁷;
- protectionism – unprecedented scale of the collapse in international trade due to the global economic crisis of 2008–2009 resulted in a number of intervention measures taken by the governments in the economic sphere, including

³ M. Gorynia, B. Jankowska, *Teorie internacjonalizacji*, "Gospodarka Narodowa" 2007, no. 10, pp. 33–40.

⁴ M. Ratajczak-Mrozek, *Negatywne efekty osadzenia i relacji przedsiębiorstw – wymiar działalności lokalnej i międzynarodowej*, in: *Zarządzanie relacjami w biznesie: współczesne wyzwania*, ed. M. Mitrega, Katowice University of Economics Press, Katowice 2014, p. 56.

⁵ M. Poniatowska-Jaksch, *Rola instytucji nieformalnych w przedsiębiorstwie w warunkach zmian transparentności gospodarek*, in: *Przedsiębiorstwo a narastająca niestabilność otoczenia*, eds. R. Sobiecki, J. W. Pietrewicz, SGH Press, Warsaw 2012, pp. 95–97.

⁶ K. Nowakowski, *Kapitalizm państwowy jako dylemat praktyczny i teoretyczny*, "Ruch Prawniczy, Ekonomiczny i Socjologiczny" 2014, Yearbook LXXVI, vol. 1, p. 233.

⁷ *Szok kulturowy, czyli budowanie relacji biznesowych na egzotycznych rynkach*, "Harvard Business Review Polska" 2008, December, pp. 46–52.

the use of protectionist measures. In addition to traditional tariff and non-tariff means, murky protectionism was also used, e.g. in the field of sanitary regulations⁸. The integration into regional blocs has also progressed and efforts have been made to protect their markets from competition. An example is the Customs Union of Russia, Belarus and Kazakhstan created in 2010, transformed (after joining of Armenia and Kyrgyzstan in 2015) into the Eurasian Customs Union. It is based on the strong commercial relations and the use of common resources in order to achieve synergies of complementary economies⁹. Russia supporting the integration both politically and economically, as well as the intensity of the thus far cooperation, strengthens the dependence of economically weaker countries and countries interested in accession, i.e. Tajikistan. Protectionism limits the expansion of international business, but thanks to informal relationships there is possible both mediation at higher levels of government, as well as maintaining the position through participation in the network;

- geopolitical instability – political and economic tensions cause the withdrawal of investors from foreign markets and the need to adapt cooperation to the changed rules of the game (hence, the increasing role of non-equity forms of international expansion). The adjustment process is composed of the following interactions, including those between foreign entities which have not contacted before. In the transitional period, before new formal institutions are constituted, informal relations fill “the empty” space and allow to increase the distance towards competitors not involved politically. According to the PwC report *Global CEO Survey 2015*, the uncertainty related to the development of geopolitical situation is now recognised as the biggest threat to business¹⁰. One of the most prominent examples of an international conflict caused by, the so-called, Ukrainian crisis and Russian annexation of the Crimea. The IMF (International Monetary Fund) estimates that the sanctions against Russia implemented by the EU, Japan and the US, will lead to a cumulative decline in Russian GDP reaching 9%¹¹. However, this

⁸ See. *World Trade Report 2012, 2013, 2014* (WTO) and <http://www.globaltradealert.org/analysis> (2.09.2015).

⁹ Y. Kirillov, E. Pawęta, *Modern trends in international economic integration development*, “*Ekonomia Międzynarodowa*” 2014, no. 8, University of Łódź Press, pp. 205–206.

¹⁰ As it was indicated by 80% of the surveyed presidents and CEOs of companies from Poland and 78% from abroad. See: <http://www.pwc.pl/pl/biuro-prasowe/assets/18-badanie-global-ceo-survey-pl.pdf> (6.11.2015).

¹¹ <http://www.imf.org/external/pubs/ft/survey/so/2015/CAR080315B.htm> (6.11.2015).

can be a double-edged sword – in case of Poland, the sanctions and retaliatory actions attempted by Russia (e.g. Russian embargo on imports of Polish fruits and vegetables), can cause lower exports and investment, leading to a decline of Polish GDP growth rate by 0.8% in 2015¹².

- transnational corporations – have a competitive advantage resulting from the scale of production, experience, research facilities, knowledge of international coordination and configuration, as well as the internationalisation of the value chain. Corporate strategies include international relations and alliances, shaping relationships of inter-organisational and global networks, also with the state power institutions and through business cases¹³.

In the light of introduced phenomena, external relations (relations between organisations) based on cooperation, coexistence and co-competition are the resources that can decide on company's achievements, which are the source of, so-called, relational yield – especially in an economy based on short-term competitive advantage¹⁴. Within each interaction, the relationship between economic entities may take place on two levels: formal (relations resulting from contracts, organisational structure or ownership) and informal (relationships maintained due to contacts without officially specified formula). Taking into account the dynamics and specifics of earlier outlined global trends, it is worth paying particular attention to informal relations. They usually constitute a minor topic of scientific discussions on the inter-organisational relationships, cooperation of suppliers and customers in international networks and researches on the sociology of organisations. It is caused by difficulties with obtaining data (informal relations include, among others, mafia structures and corruption) and the problems of quantification (e.g. how to evaluate the effectiveness of the informal institutional support of the state)¹⁵. If however, there is a scientific consensus on the fact that the role of informal relationships in global business is growing,

¹² http://wyborcza.pl/1,91446,16438601,BNP_Paribas_polska_gospodarka_odczuje_skutki_rosyjskich.html and <http://www.parkiet.com/artykul/1384296.html> (6.11.2015) and <http://biznes.pl/magazyny/handel/rozterki-polskich-inwestorow-wobec-konfliktu-na-ukrainie/7m4j8m> (6.11.2015).

¹³ A.K. Koźmiński, *Zarządzanie międzynarodowe*, PWE, Warsaw 1999, pp. 59–96 and 97–186, after: Z. Olesiński, *Zarządzanie relacjami międzyorganizacyjnymi*, C.H. Beck, Warsaw 2010, p. 62.

¹⁴ See R. Krupski, *Badanie znaczenia zasobów niematerialnych w strategii przedsiębiorstwa*, in: *Zarządzanie strategiczne w praktyce i teorii*, eds. A. Kaleta, K. Moszkowicz, "Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu" 2012, no. 260, Wrocław University of Economics Press, Wrocław 2012, pp. 238–247; see. S. Stańczyk, *Niematerialne zasoby sieci międzyorganizacyjnych*, in: *Sieci międzyorganizacyjne. Współczesne wyzwania dla teorii i praktyki zarządzania*, eds. J. Niemczyk, E. Stańczyk-Hugiet, B. Jasiński, C.H. Beck, Warsaw 2012, pp. 66–85.

¹⁵ A. Buszko, *NiefORMALNE aspekty biznesu. Rosja, kraje arabskie, Hongkong-Chiny*, Placet Press, Warsaw 2010; M. Sobańska-Cwalina, *Instytucjonalne uwarunkowania działalności polskich przedsiębiorstw przemysłu*

it is worth asking the question of how to manage this resource as well as create the flexibility potential favourable to its use. The author of this study proposes a thesis stating that one can identify the management tools supporting the use of external informal relations in international expansion, especially when the company has a flexible organisational structure.

Informal relations have certain features; distinguishing them seems to be crucial for the further consideration of the methods and management tools supporting their use¹⁶:

- they are not formalised – they are not covered by formal regulations (no contract);
- usually have a personal dimension – based on direct dialogue, regardless if the relationship is created by experts discussing the new engineering solution, or the representatives of authorities during the informal consultations prior to the negotiations;
- characterised by emotionality and spontaneity – the most informal relations are not created arbitrarily, but freely. However, there are also relationships built on the principle of domination, e.g. the company as a member of the network must accept some elements of its organisational culture;
- usually bring mutual benefits (reciprocity) – usually both sides gain. Thanks to the mutual exchange, outstanding benefits can be also achieved, e.g. reduction of the information asymmetry in a network leads to a reduction of uncertainty of organisation's activities that create its cells, and thus to the leading place in relation to other market players. The exceptions are illegal actions, i.e. taking control of the company's assets by force;
- establish privileged relationships – informal relations are often associated with the acquisition of specific rights, such as the choice of partner's offer without market research, also often involve specific resources;
- are based on trust and commitment – confidence in the veracity of the information provided and loyalty, arrangements made on the basis of unwritten "gentlemen's agreements";
- are repetitive – relationships are usually built for a long time, reliability and loyalty transfer into further common projects.

materiałów budowlanych na rykach wschodnich, PhD thesis, SGH Warsaw School of Economics, Warsaw 2012.

¹⁶ Cf. relational variables most commonly used in social studies: Ł. Małys, *Kształtowanie relacji z nabywcami instytucjonalnymi na rynkach zagranicznych a wyniki przedsiębiorstwa*, "Studia Oeconomica Posnaniensia" 2014, t. 2, vol. 11, no. 272, pp. 108–112.

In the literature, the issue of informal relations is usually undertaken in the context of their positive impact on the company, which is reflected in the above characteristics. However, there are cases in which the company maintains informal relations under duress, e.g. making use of illegal property protection or it is a party injured as a result of unlawful activities in another aspect. This is the second side of informal relationships, which is usually the subject of silent knowledge of internationalised enterprises, also called “the knowledge of reality”. Therefore, it seems that the first two features can be considered as common to all informal relationships, while others are rather closer to be voluntarily relations.

6.2. Informal Relationship Management – Methods

The specifics of informal relationships outlined above allow to draw a conclusion that they are worth being methodically managed in order to maximise the chances without loss of sovereignty and incurring unnecessary costs. Selection of management tools will, in that case, depend on factors such as:

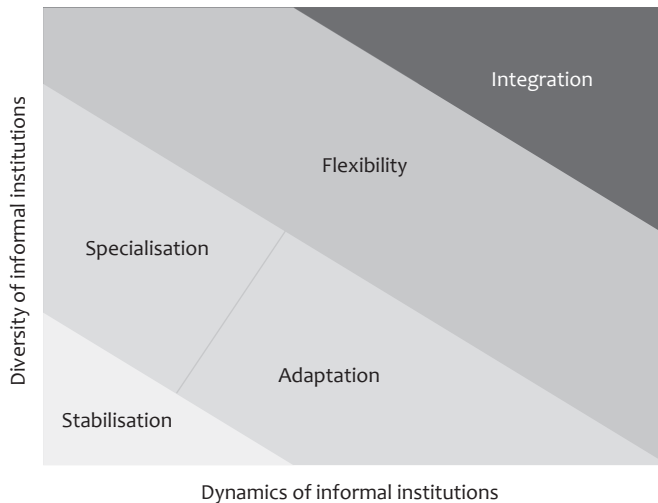
- strength of a relationship – it is described by many social and economic criteria, i.e. the time spent in the relationship, the depth of the relation resulting in loyalty, similarities, history of mutual adjustments and to what extent the beneficial results of relationships depend on partner's good will. On the one hand, it says about the commitment, on the other, the ability to affect on the partners results, and being dependent on the relationship¹⁷;
- nature of a relationship – distinguishing features of informal relations maintained by the company, i.e. the degree of independence, the atmosphere of relationships, the dynamics of change, legality, diversity of relations in the portfolio, active and passive participation in the network;
- value of a relationship – usefulness and uniqueness of the owned informal relationships;
- specifics of entities keeping a relationship – internal factors, i.e. the convergence of organisational culture, industry, participation in different networks, strategic and operational objectives of enterprises maintaining a relationship, methods of operation;

¹⁷ Vide: H. Håkansson, I. Snehota, *Analysing Business Relationships*, in: *Developing Relationships in Business Networks*, eds. H. Håkansson, I. Snehota, Routledge, London 1995, after: M. Zieliński, *Siła w relacjach biznesowych*, in: *Zarządzanie relacjami...*, op.cit., p. 66.

- other entities involved in a relationship – stakeholders who can influence the shape of informal relations and the effects of their use in short and long term;
- other external factors – political, economic, social, technological, environmental, legal, especially the dynamics and diversity of the institutional environment.

When planning the use of informal relations in international expansion, it is worth paying particular attention to the dynamics and diversity of informal institutional environment on foreign markets, as these two variables will largely influence the other external conditions and the specificity of established relationships. Assuming that the management of informal relations is a process of analysis and selection of potential partners, planning and implementing projects or cooperation programmes, as well as controlling the effectiveness of relations whose purpose is to create and maximise the value of the company¹⁸, further mentioned methods for managing relationships with informal businesses can be offered, depending on the use of the two parameters listed in Figure 6.1¹⁹.

Figure 6.1. Methods of Informal Relationship Management on International Markets, Depending on the Dynamics and Diversity of Informal Institutional Environment of the Host Countries



Source: own study.

¹⁸ Definition formulated on the basis of the partnership management definition. See J. Świątowiec, *Więzi partnerskie na rynku przedsiębiorstw*, PWE, Warsaw 2006, p. 128.

¹⁹ Graphics based on the Ambidexterity BCG model.

Methods are as follows:

- stabilisation – low dynamics of the informal institutional environment in connection with its low diversification make the company to evaluate the validity of the use of small bundles of informal relations and the allocation of resources for its acquisition and maintenance. It can be assumed that the established relationships will be long-lasting, but on the other hand, there will be a great competition to acquire them. It seems reasonable in this case to separate a business unit or a representative in the host market, which will enable the efficient implementation of common projects and maintaining current relationships. As institutions are crystallised and predictable, it can also mean high barriers for establishing relationships when the company not involved in the network makes an expansion on the market;
- specialisation – in a situation when informal relations are characterised by low dynamics and high diversity, the company focuses on selected strategic informal relationships. It is also possible to immediately enter the relatively stable network of informal contacts and exploiting the potential of relations with unknown members of the network through its cells. In this case, it seems reasonable to create organisational unit, coordinating the activities of the local market, which will be able to gain benefits of maintaining stable relationships for a long time. Specialisation will characterise the activity of most enterprises due to the fact that informal institutions, by their very nature, do not change quickly (the prospect of centuries). In addition, informal relations in the certain historical and cultural background may be similar – then, an effective management model can be adapted to manage informal relations on other markets with different institutional setting, also taking into account the synergies (experience, organisation, resources);
- adaptation – this approach may be acquired by enterprises operating on markets characterised by high variability and little diversity of informal institutions. The company will take actions to establish a relationship by trial and error method in the emerging informal environment, e.g. when the host country is in transition – before establishing new order and embedding changes in formal institutions. Entering new relationships requires, in such a situation, high expenditures, but in case of stabilising the internal situation of the host country, a company undertaking a specific bundle of relations will have a competitive advantage in comparison to the players who decided to stay in the role of observers;

- flexibility – on markets characterised by high dynamics and diversity of informal institutional environment, cooperation in many relationships in the network needs building core competencies in terms of flexibility in its various dimensions²⁰. Flexibility of creating informal relations is associated with enterprise's readiness to undertake adaptation measures and their implementation and creation according to changing circumstances²¹. Flexible shaping of relationships can be done through: 1) maintenance of various types of relations (risk diversification, the use of occasion), 2) redundancy (maintaining excess of long- and short-term relationships) and 3) monitoring (capturing weak signals from the environment in order to establish a relationship faster than the competitors)²². Thanks to flexible creation of relationships uncertainty expansion decreases and creates new opportunities to circumvent the barriers to access to foreign markets;
- integration – very high level of dynamics and diversity of informal conditions make host markets highly unpredictable, and at the same time create various opportunities for obtaining competitive advantage through the creative usage of relationships or obtaining them as the first player. Integration means incorporating business activities in international cooperation networks, which create challenges in terms of openness to cooperation and organisation of local entities, including the degree of their independence. Large self-reliance in developing informal relations activates the potential use of occasions. With this approach the company's headquarters set the general principles of cooperation, values and objectives, meanwhile, the local branches own a high degree of autonomy in taking decisions. Situations of full integration and merging of companies in the surroundings are rare – more common are periodically existing systems of organised activities in the informal network.

The proposed methods of operations serve more as to point the differences in external conditions and the businesses' approach towards establishing and using informal relationships rather than presenting ready-made prescriptions of effective action. They also demand to pay attention to barriers of access

²⁰ Regarding elements structuring the flexibility of an organisation see: G. Osbert-Pociecha, M. Moroz, J.M. Lichtarski, *Elastyczność przedsiębiorstwa jako konfiguracja elastyczności częściowych*, "Gospodarka Narodowa" 2008, no. 4, pp. 59–84.

²¹ See. *Elastyczność organizacji*, ed. R. Krupski, Wrocław University of Economics Press, Wrocław 2008, p. 157.

²² *Ibidem*, pp. 157–160.

to certain relationships and the consequences of involvement in the network – on the one hand, reducing internal flexibility and the costs of leaving the relationship which do not bring the expected results, on the other hand, achieving synergies arising from introducing the relations to strategies of expansion on other foreign markets.

6.3. Management of Informal Relationships in a Flexible Enterprise

Methods corresponding to diversity and dynamics of the informal institutional environment determine the activities of companies in strategic terms. Relationship management in operational terms will be based on matching the right tools (instruments) supporting the implementation of the selected course of action. It appears that the tools can be identified, which in the case of each of the below methods can be particularly useful:

- stabilisation – strategic planning is one of the tools supporting the management of informal relations in a stable and undifferentiated institutional environment– (appropriate to programming of cooperation in the long term, while taking into account the stability of conditions) as well as elements of TQM (*Total Quality Management*) in terms of concentration on key relationships, including mutual benefit and work organisation²³;
- specialisation – while managing relations in a stable and diverse informal institutional environment it is worth considering management tools such as strategic alliances, which belong to highly flexible forms of cooperation strategy and customers segmentation, aiming to isolate homogeneous groups and adjusting the informal formula of communication to specific types of customers;
- adaptation – in this approach there are applied such management tools as scenario planning, which characterises the alternative visions of cooperation development and defining the limit of the resources devoted to maintaining the relationship in time and the contingency planning supporting relationship management that in new conditions cease to bring expected benefits;

²³ Detailed information regarding management tools distinguished in this article and the scope of their use in the economic activities of enterprises in different parts of the world can be found in the latest report by D. Rigby, B. Bilodeau, *Management Tools and Trends 2015*, Bain & Company. See further: <http://www.bain.com/publications/articles/management-tools-and-trends-2015.aspx>

- flexibility – in a diverse and dynamic informal institutional environment in relationship management there can be used such powerful tools as complexity reduction and change management. Reducing complexity allows to manage complex bundles of relationships and potential conflicts, as well as to eliminate barriers of development of promising contacts. It is a useful tool in the context of activities' flexibility resulting from the rapid changes in the competitive environment, overlapping internal processes in the enterprise, communication of geographically dispersed organisational units and diversified managerial competence. However, managing the change enables the transformation of the existing system of informal relations in accordance with the core objective of the organisation;
- integration – integration within the international network requires the construction of core competencies in the field of informal relationship management and may be supported by business process reengineering, allowing flattening of organisational structures, democratisation of management processes and informal coordination of teams responsible for particular business process conditioned by the use of informal relationships.

Specificity of informal institutional conditions on foreign markets may require the company to combine different methods of operation. These, in turn, require both the construction of different organisational formulas and managerial competencies, as well as centralised coordination. Many management tools can support the implementation of this overall process, e.g. decision support tools, satisfaction and loyalty management, managing relationships with stakeholders.

All previously identified elements (methods, tools, dimensions of analysis) can be presented in a comprehensive manner by the diagram shown in Figure 6.2.

Presented above scheme consists of three levels: 1) a strategic perspective, taking into account the vision and mission of the company, 2) relational business model broken down into five methods of actions on international markets depending on the specifics of informal institutional conditions of the host market, along with tools to support management in particular areas and 3) management tools that support the overall management of relational business model.

Figure 6.2. Methods and Tools Supporting the Use of Informal Relations on International Markets



Source: own study.

The first level outlines the general strategic objectives of business activity and determines the shape of a relational business model and the ability to use tools supporting management at the operational level. Management of the overall relational business model is another fascinating issue, which is both a research challenge and a practical one too. Especially procedures for setting goals, the flow of information, resources, risk assessment, motivation systems for external partners, combining management tools, etc. require a further in-depth research. It seems that additional scientific exploration of using methods and tools for

managing informal relations, including verification of the proposed theoretical model, could be conducted using a case study due to limited scope of incorporation by the company of informal relationships as part of an internationalisation strategy and the difficulty of obtaining data related to reluctance and hiding the informal practices often carried out against or on the edge of law.

The indicated earlier specifics of informal relations and management methods depend on the diversity and dynamics of the informal institutional environment highlight the need for mutual partners' adjustments. This requires companies to create flexibility in the process of cross-organisational cooperation, which in the literature is referred to as "mutual expectation of willingness to take the necessary adaptation measures, dictated by the changing conditions of the functioning of cooperating companies. The companies, which recognise this principle, create for themselves a guarantee that the operating conditions, within the framework of cooperation agreement, will be subject to changes made in good faith, if the need arises"²⁴.

External flexibility in relations with its partners requires building capacity of internal flexibility of the company, one of whose components is the flexibility of organisational structure. It seems that a company with such a structure creates the best conditions to develop informal relationships based on quick reactions and creation, openness to change and autonomy of employees based on experience.

R. Krupski defines six main types of flexibility of the organisational structure, taking into consideration the following mechanisms of its formation:

- accepting a modular form of organisation's construction, i.e. a network structure;
- shaping the organic relationships within the company, i.e. a design structure;
- implementing organisational changes;
- management team focused on openness to change;
- submitting businesses under the influence of the environment (incremental model organisation's development);
- systems to motivate and mobilise through rewarding flexible actions²⁵.

It seems that the flexible organisational structure is a response both to the need for necessary adaptation actions of partners (the smaller the degree of

²⁴ J. Świątowiec, *Więzi partnerskie na rynku przedsiębiorstw*, PWE, Warsaw 2006, p. 96, after: A. Sudolska, *Znaczenie potencjału relacyjnego w procesach współpracy międzyorganizacyjnej*, "Przegląd Organizacji" 2011, no. 12, p. 12.

²⁵ See. *Elastyczność...*, op.cit., pp. 73–74.

formalisation of cooperation, the greater flexibility in making changes), as well as the necessity of combining and changing methods of operation within the same company, depending on the informal institutional conditions for the host markets. Relationships are in fact continuously established, maintained, developed and picked, thus, determining the shape of a relational business model and the value of the company.

Table 6.1. Management of selected Informal External Relations on Foreign Markets

Type of relation	Tools of strategy implementation	Elements of organisational flexibility
Corruption practices	In this case, the use of specific methods and management tools will be a derivative of the degree of tradition of showing “evidences of gratitude” and the organisational culture of the company being rooted in a particular market. Each of the methods of action, i.e. stabilisation, specialisation, adaptation, flexibility and integration, can be simple tools to manage relationships, including stakeholder analysis or complex systems, for example segmentation. In the first case, it may be paying for informal services related to, among others, avoidance of compulsory payments and bribing representatives of supervision and control. In the second – paying for image campaigns in the mass media, court judgments, foreign business trips of representatives of power.	<p>Accepting a modular form of construction of the organisation: the structure of network, in order to e.g. protect against brute-force methods of exerting pressure.</p> <p>Executives focused on change and systems to motivate and mobilise actions by rewarding flexible activities – depending on the organisational culture of the company.</p> <p>Submissions of businesses to the influence of the environment, for example, allowing to impose a penalty for a minor infraction, and closing the eye on more serious offenses.</p>
Relationship with a local partner	One of the most important tools to support the management of informal relations with a local partner may be strategic alliances. The next step is sometimes business process reengineering and change management to enable the mutual adjustment of the operating methods of action. With the formed and stable institutional environment, construction of the core competences for acquiring strategic partners and the use of obtained in this way competitive advantage move to the foreground.	<p>Accepting a modular form of construction of the organisation: the structure of network – relation is established usually with a local entity, preferably with good contacts in the administration, for example, a criminal one, e.g. consulting firm (strives for favourable clerical interpretations, informs about the change of laws), creation of <i>joint ventures</i>.</p> <p>Forming organic relationships within the company – allows faster acquisition of <i>know-how</i> in the field of informal institutions and establishing personal contacts, and then, the use of knowledge on other foreign market.</p>

Type of relation	Tools of strategy implementation	Elements of organisational flexibility
Relations with the bank	Planning allows to both prepare to resist the arguments and objections of the bank as to the validity of financial operations, and develop a schedule on how to dispose the funds in time. By reducing complexity and benchmarking, the company extracts the key needs of the relationship with the bank, also taking into account the experience of other companies.	Organisational flexibility supporting management of relations with a bank is based on the use of internal resources, i.e. executives oriented towards openness to change and systems to motivation and mobilisation by rewarding flexible activities. Employees' creativity and interpersonal relations allow for effective representation of the company in front of the financial market institutions, and, if necessary, entering into alternative relationships.
Supporting home country	The state mediating in businesses interactions and institutions of the host country in order to provide political support to projects and information support will be an important procedure used by the state for the benefit of its largest companies. It is a reflection of the integration strategy at the highest levels of government and business, which can be supported by tools such as the construction of core competences for effective lobbying and inclusion of economic activities in the strategic interests of the state.	Similarly to the relationships with a local partner, organisational flexibility will involve adopting a modular form of organisation's construction (filling into the structure of network), and subjecting the company under the influence of the environment, which is conducive to the growth of the security of businesses thanks to its entering into the long time horizon of actions and strategic priorities of the countries.
Mutual support for enterprises	Mutual support for companies is based on personal contacts in accordance with the principle of reciprocity. A tool that is worth in this case to consider is a stakeholder analysis and TQM, which will facilitate the separation of strategic partners, and the relationship with them will be maintained at the highest level.	Practically all dimensions of organisational flexibility will be supporting in this case the management of informal relations with other companies. Accepting a modular form of organisations' construction, implementation of changes and placing the company under the influence of the environment will mean some compromises to partners, and thus increase of the possibilities for negotiation in the future and increase stability of relationships (e.g. an invitation to an advertising campaign for a permanent customer). Shaping organic relationships within the company, openness to change and reward systems to motivate flexibility actions will support the exchange of information between employees, whisper marketing and generate proposals for joint initiatives associating the bargaining power of both partners.

Type of relation	Tools of strategy implementation	Elements of organisational flexibility
Mafia practices	Mafia practices are absent both in the environment of former nomenclature representatives, including state-owned estates, corrupt officials, criminal groups which have their own armed security, and ordinary street criminals. In this case, at the foreground come management tools aimed at preventing the entry into mafia relationships as well as withdrawing of them. For this purpose it is worth considering: contingency planning, scenario planning and strategic alliances.	Particularly important seems to be undertaking a modular form of construction of the organisation, including network structures which counterbalance the mafia structures, and shaping the organic relations within the company, favouring the exchange of information and transferring of early warning. Also, it seems important to implement motivation systems and mobilise by rewarding flexible activities – aimed at, among others, avoiding entering into interactions with the criminal world.

Source: own study.

The previous considerations confirm the thesis regarding the fact that the use of specific methods and management tools can improve the use of informal relations in the international expansion of the flexible company, especially on markets characterised by a high share of informal institutions. In the remainder of this study, the possible use of these tools in the process of management of selected informal relations with regard to potential organisational flexibility will be identified (see Table 6.1). On this basis it can be stated that the presented direction of considerations over the management of informal relations and proposed sections of the analysis are reasonable and can be used in further empirical research on strategic and operational use of informal relations in the international expansion of companies.

Conclusions

Both the increase in political and economic instability, intensification of initiatives from protectionist countries, along with including company's activities into international networks, take notice of informal relations as an immaterial factor constituting for access to foreign markets, reduction of uncertainty, increase of innovation and knowledge transfer. Increasingly complex forms of international coordination as well as reduced transparency of the economy cause the broader context of expansion to obscure and complicate the strategic and operational decisions of entities involved through formal and informal relationships in the global and dynamically changing value chains. Relations

themselves are also not static, which cause that on the theoretical and practical ground are sought the methods and management tools supporting their establishing, the use and finally withdrawing from the relationships, in cease when they stop bringing the desired results or change internal priorities. This study, in which informal relations were analysed through the prism of methods and management tools on the international level (strategic and operational), leads to a statement of the following conclusions:

- external informal relations between businesses and entities of the competitive environment in international markets are characterised by its own specificity, which depends on, among others, the dynamics and diversity of informal institutional environment, repeatability of relations, sharing of benefits between involved parties, as well as degree of trust, commitment, preference and spontaneity;
- specifics of informal relations and modern developments in international trade draw attention to the need for changes in business management, both at the strategic level, and operational one, as well as management integration in the framework of international networks and in the context of growing role of the state as the initiator and integrator of certain activities;
- one can identify methods that will support the management of external informal relations in the host countries, characterised by different dynamics and diversity of informal institutional environment. These include: stabilisation, specialisation, adaptation, flexibility and integration, which can be analysed separately due to market expansion or bundle strategy that takes into account entering the company's activities in the wider geographical coverage;
- every method of action can be assigned to implementation strategy tools supporting management at the operational level – both within the framework of particular method, and as part of the overall relational business model;
- along with increasing diversity and dynamics of the informal institutional environment, the significance of company's organisational flexibility grows, enabling better integration with other network participants and prompt realisation of the new opportunities of development based on the use of the occasion and the key competences in the field of management change;
- the following study presented a cross-section analysis of methods and tools used for managing informal relations on international markets, with difficulty to verify in the empirical research conducted among the Polish enterprises due to lack of universality of using management tools, random dimension of establishing informal relations and reluctance to share knowledge about them.

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Mergers and Acquisitions Versus Businesses Strategic Flexibility

Joanna Korpus

Introduction

Modern organisations, while creating and developing their strategies, must adapt to changing market realities. The high degree of complexity of these changes and their wide range cause maintaining competitiveness to become a real challenge. To meet these requirements, companies need to “think strategically” and adjust the internal structures, processes and organisational elements to new conditions, taking into account the requirements of innovation and current competences of the organisation¹.

In the situation of increasingly uncertain and dynamic environment, an important feature characterising today's organisations should be strategic flexibility, which can be defined as the ability of management to respond to unforeseen situations and the ability of transferring them into concrete strategic and operational objectives². This requires adapting appropriate strategies and the ability to effectively seize new opportunities in the situation of observed changes in the environment and acquiring and developing new resources and competences to maintain the competitive ability of the company³.

A significant condition for the efficient and effective implementation of new development strategy is the use of methods and tools tailored to the current needs of the organisation. The report *Management Tools and Trends 2015*.

¹ See: Y. Allaire, M. E. Firsirotu, *Myślenie strategiczne*, PWN, Warsaw 2011.

² A. Sosnowska, S. Jurek-Stepień, *Zarządzanie strategiczne. Wybór i realizacja strategii przedsiębiorstwa*, Paweł Włodkowiec University College Publishing in Płock, Płock 2013, p. 286.

³ A. Sigismund Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer, Warsaw 2011, p. 338.

An executive's guide developed by Bain & Company shows that currently in the circle of special interest among managers in addition to strategic planning, customer relationship management, employee engagement, benchmarking or balanced scorecard, are also mergers and acquisitions⁴. Both belong to a frequently used form of business development, being a response to changes in the environment of the organisation, and reflect the anticipation of change and manifestation of their flexibility in the process of dealing with uncertainty, and therefore, a sign of "new strategic thinking".

The aim of the study is to present the essence and the most important motives mergers and acquisitions, which are a form of implementation of enterprise development strategies through external growth in terms of strategic flexibility, signing in with the concept of "the new strategic thinking". Epistemological foundation of these considerations is the study of literature and observation of economic life.

7.1. The Strategic Flexibility of Organisations as a Manifestation of "Strategic Thinking"

In the literature dominates the opinion that closer to the success are companies which show a great ability to change and those that initiate these changes themselves. Transformations that are made in the enterprise are not only a sign of its operations' flexibility and the ability to adapt to a changing environment, but also the skill of creating new, and if they have a strategic character – a business model or method of business management. It is important, however, that every time these changes allow using the opportunities leading to future success, instead of being "art for its own sake"⁵.

Changes in the organisation can be triggered by impulses of endogenous as well as exogenous origins, and their scope may include internal organisational

⁴ D. Rigby, B. Bilodeau, *Management Tools and Trends 2015, An executive's guide*, Bain & Company Inc., Boston 2015, p. 4, <http://www.bain.com/publications/articles/management-tools-and-trends-2015.aspx> (28.09.2015).

⁵ These issues were widely discussed in *Strategiczne pola konkurencji*, ed. M. Poniatowska-Jasch, by K. Duczowska-Piasecka, M. Duczowska-Małysz in the chapter: *Strategiczne pola konkurencji przedsiębiorstw – opracowanie studialne*, being the culmination of research studies carried in 2014 within the statutory research *Nowe myślenie strategiczne w zarządzaniu przedsiębiorstwem – spojrzenie ku przyszłości*.

structure and relations with the environment (Table 7.1). All these changes are presented in the four fields of the table can be applied to the concept of flexibility⁶.

Table 7.1. Systemic Approach of Impulse Sources and the Location of Change

		CHANGE	
		Surrounding (relation with the surrounding)	Inside of an organisation
IMPULSE	External	I. Under the influence of the ambient the organisation's relations with the surrounding changes	II. Under the influence of surrounding the change of organisation's structures and processes within the organisation proceeds
	Internal	III. Under the influence of internal impulses the relation with the surrounding changes	IV. Under the influence of internal impulses the change of organisation's structures and processes within the organisation proceeds

Source: R. Krupski, *Elastyczność organizacji – elementy teorii*, "Zeszyty Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości" 2009, no. 9, p. 5.

Flexibility is both a desirable feature of modern organisations, as well as an essential condition of their functioning and development. It is also variously defined and interpreted by many authors (Table 7.2). Most often it is seen as the property of the organisation, which is characterised by a particular ease and speed of response to changes and their implementation⁷.

Flexibility both in attribute terms, i.e. as the desired property, and in the functional sense, i.e. as a consciously taken action, may be related to the organisation as a whole. In the literature it is referred to as the overall (global) or strategic flexibility. Alternatively, it may be related to the individual components of the organisation and its aspects – then having a partial dimension. Due to the complex nature of the organisation as a whole, extraction of partial flexibility is made in many different ways, using various criteria such as, for example, hierarchical organisation, functions and resources, implemented processes⁸.

⁶ Cf. R. Krupski, *Elastyczność organizacji – elementy teorii*, "Zeszyty Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości" 2009, no. 9, pp. 4–5.

⁷ A. Walecka, A. Zakrzewska-Bielawska, *Organizacja w procesach zmian – w drodze do elastyczności i innowacyjności*, in: *Nauka o organizacji. Ujęcie dynamiczne*, ed. A. Adamik, Oficyna a Wolters Kluwer, Warsaw 2013, p. 308.

⁸ G. Osbert-Pociecha, M. Moroz, J.M. Lichtarski, *Elastyczność przedsiębiorstwa jako konfiguracja elastyczności cząstkowych*, "Gospodarka Narodowa" 2008, No. 4, p. 60.

Table 7.2. Selected Definitions of Organisation's Flexibility

Author	Definition of flexibility	Characteristics and types of Flexibility
H.I. Ansoff	Flexibility is an attribute of an organisation that can cope with changes in the surrounding; instead of influencing them, it tries to respond to them (mostly by increasing the liquidity of company's resources).	<ul style="list-style-type: none"> • External Flexibility: <ul style="list-style-type: none"> – offensive, – defensive. • Internal Flexibility.
D.J. Eppink	Flexibility as a feature of the organisation makes it less resistant to unforeseen external changes or sets it in a better position to be able to successfully respond to these changes. It is a component of the full capacity to respond to changes (a complementary component is adaptability related to predictable changes)	<ul style="list-style-type: none"> • Operating Flexibility (relates to the current activities of the organisation). • Competitive Flexibility – needed to respond to changes in the surrounding. • Strategy Flexibility – required to respond to the changes coming from the macro-environment.
M.G. Krijnen	Flexibility is the ability to change, which allows the organisation to remain viable. This includes changes that: <ul style="list-style-type: none"> • allow for adaptation to changes which cannot be programmed (predicted) in the surrounding, • can be deployed in the development of the organisation; are the chances that are likely to occur in the environment, • result in the development of such activities, which – affecting organisation's surrounding – allow it to avoid having to adapt. 	Operational flexibility (in production) as a consequence of temporary fluctuations in the market: <ul style="list-style-type: none"> • Organisational Flexibility – applies to changes in the organisational structure of information systems and communications. • Structural Flexibility – concerns the structures of economic and social objectives, product combination – the market.
K.E. Weick	Flexibility is associated with a respective range of activities that are used to modify ongoing activities of an organisation due to relatively permanent change in the environment..	Flexibility is the opposite of stability, however, both extreme flexibility and stability have destructive influence on the organisation.
J.B. Quinn	Flexibility as a component of incrementalism means keeping certain options through a wide specification of purposes and consent to compete with new approaches as long as possible.	Flexibility is reduced to maintain reserves of specific resources in order to use them when the need arises.
P.A. Aaker B. Mascarenhas	Flexibility as a strategic thinking option of the company means the organisation's ability to adapt to unpredictable environment, i.e. in a quickly emerging numerous changes that significantly affect the performance of the company.	Flexibility can be achieved in many different ways, including: <ul style="list-style-type: none"> • diversification, • investments in resources, • limiting specification.

Source: H.W. Volberda, *Building the flexible firm. How to remain competitive*, Oxford University Press Inc., New York 1998, p. 84, after: G. Osbert-Pociecha, *Elastyczność przedsiębiorstwa – jej atrybuty i wymiary w literaturze przedmiotu*, series *Nowe kierunki w zarządzaniu przedsiębiorstwem – między teoria i praktyką*, "Prace Naukowe Akademii Ekonomicznej we Wrocławiu" 2004, no. 1014, pp. 73–81.

According to the hierarchical model of company's flexibility by L.L. Koste and M.K. Malhotra, which shows mutual relations of various partial flexibility organisations, strategic flexibility is superior to partial flexibility⁹. It is purposeful, skilfully mastered ability to identify, acquire and companies' operations in order to mitigate the risks and exploit the dynamics of the competitive environment¹⁰. It involves changing the organisation's objectives and interference in the current concept of operations as a result of the emerging changes and is, therefore, the most radical type of flexibility¹¹. It also seems a particularly desirable form of flexibility, because its achievement allows to minimise the cost of response towards unforeseen threats, and when the organisation is in contact with new opportunities – to minimise the costs of adapting to them¹².

In the literature, similarly to the concept of flexibility, one can find many definitions for so-called strategic flexibility¹³, which makes it difficult to clearly define its essence. Accepting the multidimensional approaches and criteria, such as the subject changes (i.e. types of activities and competitive priorities) and the scope and rate of change (Table 7.3), however, one can distinguish four types of strategic flexibility¹⁴.

- flexibility as a range of strategic options as part of their business,
- flexibility as the rate of change of competitiveness priorities as part of their business,
- flexibility as a possible variety of new activities,
- flexibility as the speed of transition from one activity to another.

⁹ L.L. Koste, M.K. Malhotra, *Theoretical Framework for Analyzing the Dimensions of Manufacturing Flexibility*, "Journal of Operations Management" 1999, vol. 18, no. 1, p. 87.

¹⁰ W. MacKinnon et al., *Enterprise Information Systems and Strategic Flexibility*, Proceedings of the 41st Hawaii International Conference on System Science, Hawaii 2008.

¹¹ K. Ćwik, *Elastyczność i innowacyjność a zachowania strategiczne przedsiębiorstw*, in: *Zarządzanie. Kontekst strategiczny, kulturowy i zasobowy*, ed. M. Przybyła, AE Publishing in Wrocław, Wrocław 2007, p. 45.

¹² G. Osbert-Pociecha, *Elastyczność organizacji – atrybut pożądaný a niezidentyfikowany*, "Organizacja i Kierowanie" 2004, no. 2, p. 59.

¹³ Review of strategic flexibility definition has been made, among others, by G. Osbert-Pociecha in the article: *Elastyczność strategiczna – jej konceptualizacja i sposoby osiągnięcia w praktyce*, series "Zarządzanie strategiczne w badaniach teoretycznych i w praktyce", "Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu" 2008, no. 20, p. 280.

¹⁴ A.F. De Toni, S. Tonchia, *Definitions and linkages between operational and strategic flexibilities*, "Omega – The International Journal of Management Science" 2005, vol. 33, no. 6, pp. 526–527.

Table 7.3. Multidimensional Approach of Strategic Flexibility

	Subject of change	
	Competitiveness priorities	Types of activities
Scope of change	Strategic flexibility as a range of strategic options as part of their business activities (Clark 1996).	Strategic flexibility as a possible variety of new kinds of activities (Upton 1994).
Rate of change	Strategic flexibility as the rate of change for competitiveness priorities as part of their business activities (Hayes, Pisano 1994).	Flexibility as the speed of transition from one kind of activity to another (Stalk and others 1992).

Source: A. F. De Toni, S. Tonchia, *Definitions and linkages between operational and strategic flexibilities*, "Omega –The International Journal of Management Science" 2005, vol. 33, no. 6, p. 527.

Due to the priorities of competitiveness, strategic flexibility can be seen as a range of strategic options related to the modification of these priorities in the context of their business activities¹⁵. In this category fits a variety of options regarding the change of products, services, methods of production, markets, organisation of business processes, organisations' methods and management, etc. On the other hand, considering the strategic flexibility in terms of implementation of various activities, it can be seen as the organisation's ability to develop business activities diversification, which is moving from specialisation to conglomerate diversification.

Due to strategic flexibility perceived in the category of the rate of change of both the priorities of competitiveness and the kinds of activities, the key will be the organisation's ability to move in time from one to the other implementation strategies¹⁶. The speed of the implemented changes will depend on the chosen route: organic growth (based on the potential of their own company) or external growth (through mergers, acquisitions, strategic alliances).

Considering the area in which changes are made, strategic flexibility of enterprises can be considered in two categories: internal and external flexibility. Changes that can be described as a manifestation of internal flexibility are: developing a new strategy, the use of new technologies and the introduction of new or significantly refurbished products and services. On the other hand, symptoms of external flexibility may be, among others, creation of new markets, the use of market power in order to create barriers to entry and control

¹⁵ G. Osbert-Pociecha, *Elastyczność strategiczna – jej konceptualizacja...*, op.cit., p. 281.

¹⁶ Ibidem, p. 281.

competitors, engaging in political activity in consideration of influencing decision-making processes in the field of trade regulation¹⁷.

Strategic flexibility can result of both organisation's ability to quickly adapt to the requirements of the environment, as well as the ability to actively influence the environment of the organisation¹⁸. In the first case, passive nature of the changes are being pointed out, since these changes in the organisation are somehow "forced" by the environment, while it tries to compensate for the adverse effects¹⁹. Strategic flexibility, which is the result of company's proactive approach, manifest itself not only by the ability to avoid hazards in the environment, but also the ability to make effective use of the available opportunities.

Both forms of strategic flexibility – reactive and proactive – may be associated with the implementation of mergers and acquisitions²⁰. The companies, when making acquisitions, are able to effectively and efficiently adapt to unexpected changes in the external environment, in order to cope with the challenges they face. They can also predict changes of external environmental factors and their impact on the organisation, as well as use the opportunities offered by mergers and acquisitions to counteract them. Strategic flexibility can help to reduce uncertainty and increase the ability of companies to adapt and facilitate the adaptation of the subject to changing environmental conditions²¹.

7.2. Mergers and Acquisitions – a Strategy, Method or a Tool?

Mergers and acquisitions are ways to achieve external growth of companies which leads to their development. Some authors consider them as external development strategies, others as methods, tools and forms of implementation of the strategy of exceptional strength, allowing companies to make necessary

¹⁷ H. W. Volberda, *Building Flexible Organizations for Fast-moving Markets*, "Long Range Planning" 1997, vol. 30, no. 2, p. 171.

¹⁸ G. Osbert-Pociecha, *Elastyczność przedsiębiorstwa – jej atrybuty i wymiary w literaturze przedmiotu*, series "Nowe kierunki w zarządzaniu przedsiębiorstwem – między teoria i praktyką", "Prace Naukowe Akademii Ekonomicznej we Wrocławiu" 2004, no. 1014, p. 77.

¹⁹ G. Osbert-Pociecha, *Elastyczność przedsiębiorstwa – jej atrybuty...*, op.cit., p. 77.

²⁰ R. Grewal, P. Tansuhaj, *Building organizational capabilities for managing economic crisis: The role of market orientation and strategic flexibility*, "Journal of Marketing" 2001, vol. 2, no. 62, pp. 67–80.

²¹ O. Bertrand, M.A. Betschinger, Y. Patrino, *Organizational spillovers of divestiture activity to M&A decision-making*, in: *Advances in Mergers and Acquisitions*, eds. S. Finkelstein, C.L. Cooper, vol. 13, Emerald Group Publishing Limited, Bingley UK 2014, pp. 68–69.

changes for “corporate wellness”, ensuring improvement of their market position more quickly than through alternative internal growth²².

As it was indicated in the first chapter of this thesis, there are some difficulties in determining the precise boundary between the concept of strategies, methods and tools. Most frequently, the acknowledged concept of strategy, defining both the objectives and methods of implementation of activities, as wider, whereas tools are perceived mainly as instruments to achieve certain goals, and, therefore, are mainly related to the method of their implementation. Lack of precision in this regard also applies to mergers and acquisitions, which in the literature are treated both as an independent strategy, as well as a method or tool to implement particular strategy (e.g. the strategy at senior level in strategic management)²³.

A. Kaleta and A. Witek-Crabb, when elaborating on the essence of the strategy, show the necessity of setting basic directions of business development at four levels: area of enterprise activities, type of competitive advantage, desired growth rate and the sources and types of resources used during development and guaranteeing the achievement of the strategic objectives being set. When regarding to the last area, the researchers indicate two possibilities: the strategy of internal development based on its own resources, and the strategy of external growth “based on mergers, alliances and external financing (including the support of *private equity* and *venture capital* as well as *business angels*)”²⁴. Mergers are perceived by the authors as one of methods for internal development strategy. Similarly, the case is resolved by B. Rozwadowska, who considers mergers as a method to implement the strategy that provides the fastest way of development²⁵.

According to Z. Pierścionek, “mergers and acquisitions can be considered as a method of implementation of specific development strategy or as a leading development strategy”²⁶. The author argues that “mergers and acquisitions are the most important external methods of implementation of the company's strategy development”, fundamentally affecting its competitiveness and growth²⁷.

²² C. Zając, *Fuzje i przejęcia jako zewnętrzne strategie rozwoju przedsiębiorstwa*, seria “Zarządzanie strategiczne w badaniach teoretycznych i w praktyce”, “Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu” 2008, no. 20, p. 456.

²³ See: M. Błaszczuk, Chapter 1.

²⁴ A. Kaleta, A. Witek-Crabb, *Treść strategii – wybór strategiczny*, in: *Ewolucja zarządzania strategicznego w trakcie rozwoju przedsiębiorstw*, eds. A. Kaleta, C.H. Beck, Warsaw 2014, p. 80–81, 91.

²⁵ B. Rozwadowska, *Fuzje i przejęcia. Dlaczego kończą się (nie) powodzeniem*, Emka Studio, Warsaw 2012, p. 16–17.

²⁶ Z. Pierścionek, *Zarządzanie strategiczne w przedsiębiorstwie*, PWN, Warsaw 2012, p. 420.

²⁷ *Ibidem*, p. 420.

Z. Pierścionek, when writing about mergers and acquisitions, indicates that “in many cases they are not regarded as a method of achieving previously defined strategy, but as a leading development strategy”. Such a situation may occur when managers accept that “the principle of development (strategy) are intense, frequent mergers and acquisitions of domestic and foreign”²⁸. A similar view is shared by A. Poczowski, which defines mergers and acquisitions as a growth strategy to unleash competitive advantage²⁹.

According to M. Romanowska, mergers and acquisitions allow for an external way of development. The author, not using the phrase tool, method or strategy, notes that the development of an external company is “expanding the potential of mergers, acquisitions of other enterprises or their parts, as well as by entering into strategic alliances”³⁰. Similarly, researchers from the group Strategor qualify mergers and acquisitions as a form of external development³¹. A similar view is expressed by A. Helin, K. Zorde, A. Bernaziuk, R. Kowalski, by treating the process of joining the business as a popular form of development of modern enterprises, which is one of the elements of a wider development plan³².

Another naming convention used for mergers and acquisitions, which is applied by the authors such as J.C. Hooke and M. Koralewski, is “the way”³³. M. Lewandowski, with regard to mergers and acquisitions, uses the term “activities in the framework of external growth (...), which should be investigated multilaterally – as actions in the field of corporate strategies for growth and development, restructuring along with exercise control and management”³⁴. Referring to the issue of mergers and acquisitions, the utility approach is presented by J. Korpus³⁵ and A. Herdan, which defines mergers and acquisitions as “tools for stimulating the development of enterprises”³⁶.

²⁸ Ibidem, p. 438.

²⁹ A. Poczowski, *Wstęp*, in: *Zarządzanie zasobami ludzkimi w procesach fuzji i przejęć*, ed. A. Poczowski, Oficyna Ekonomiczna, Cracow 2004, p. 7.

³⁰ M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warsaw 2009, p. 154.

³¹ Strategor, *Zarządzanie firmą. Strategie, struktury, decyzje, tożsamość*, PWE, Warsaw 1999, p. 178.

³² A. Helin, K. Zorde, A. Bernaziuk, R. Kowalski, *Fuzje i przejęcia spółek kapitałowych*, C.H. Beck, Warsaw 2010, p. 1.

³³ J.C. Hooke, *Fuzje i przejęcia. Jak skutecznie przeprowadzić transakcje*, K.E. Liber Publishing, Warsaw 2002, p. 7; M. Koralewski, *Transgraniczne łączenie się spółek kapitałowych na tle połączeń krajowych*, CeDeWu, Warsaw 2009, p. 9

³⁴ M. Lewandowski, *Fuzje i przejęcia w Polsce*, WIG-Press, Warsaw 2001, p. 1.

³⁵ J. Korpus, *Wstęp*, in: *Fuzje i przejęcia przedsiębiorstw. Kluczowe czynniki sukcesu i przyczyny niepowodzeń transakcji*, ed. J. Korpus, PWN Professional Publishing, Warsaw 2014, p. 10.

³⁶ A. Herdan, *Charakterystyka procesów łączenia się przedsiębiorstw*, in: *Fuzje i przejęcia... Wybrane aspekty integracji*, ed. A. Herdan, Jagiellonian University Press, Cracow 2008, p. 14.

There is a position presented in the literature, according to which mergers and acquisitions, although raise a number of complex management problems, should be treated as investment projects, as well as the direct purchase of ordinary asset (the economic content of both transactions is the same)³⁷. A similar view is expressed by Z. Korzeb, who claims that mergers and acquisitions are a special form of investment activity and, as such, should be subordinated to the main business lead by the company³⁸. A similar belief is presented by D. Rankine i P. Hownson³⁹ as well as J. Marszałek, who emphasises that “mergers and acquisitions are activities that combine features of property and equity investments”⁴⁰, and the aim of these investments is “not to achieve the benefits of capital, but improve existing business”⁴¹. The author also underlines that “the entities are repeatedly acquired in order to obtain a unique, foreign resources and capabilities, (...) law, technology or personnel”⁴² to improve the efficiency of investing. The same view is expressed by W. Frackowiak, according to whom “growth strategies can have a twofold character: of internal and external growth”, and “the acquisition of another company is an investment decision”⁴³.

Table 7.4 presents the summary of the above-discussed approaches to the perception of mergers and acquisitions, most commonly used in the literature.

The above presentation of mergers and acquisitions terms is not exhaustive in terms of different approaches to the perception of the process connection. On its basis, however, one can conclude that in the literature mergers and acquisitions are frequently treated as one of the opportunities for external growth, which is used to achieve certain strategic objectives and financial services (development strategy).

³⁷ A. Rappaport, *Creating Shareholder Value*, The Free Press, New York 1998, p. 139.

³⁸ Z. Korzeb, *Teoria kreowania wartości dla akcjonariuszy w procesach fuzji i przejęć*, Difin, Warsaw 2010, p. 34.

³⁹ D. Rankine, P. Hownson, *Przejęcia. Strategie i procedury*, PWE, Warsaw 2008, p. 9.

⁴⁰ J. Marszałek, *Fuzje i przejęcia*, in: *Inwestycje rzeczowe i kapitałowe*, ed. J. Różański, Difin, Warsaw 2006, p. 34.

⁴¹ *Ibidem*, p. 35.

⁴² *Ibidem*, p. 35.

⁴³ W. Frackowiak, *Wzrost zewnętrzny przedsiębiorstwa. Teoria i praktyka*, in: *Fuzje i przejęcia*, ed. W. Frackowiak, PWE, Warsaw 2009, pp. 19–20.

Table 7.4. Concept of Mergers and Business Acquisitions

Development strategy	Method, form, approach, external development tool	Investment project
Z. Pierścionek A. Poczrowski	A. Kaleta and A. Witek-Crabb B. Rozwadowska Z. Pierścionek M. Romanowska Strategor A. Helin, K. Zorde, A. Bernaziuk, R. Kowalski J.C. Hooke M. Koralewski M. Lewandowski J. Korpus A. Herdan	A. Rappaport Z. Korzeb D. Rankine and P. Hownson J. Marszałek W. Frąckowiak

Source: own study based on: A. Kaleta, A. Witek-Crabb, *Treść strategii...*, op.cit., pp. 80–81 and p. 91; B. Rozwadowska, *Fuzje i przejęcia...*, op.cit., pp. 16–17; Z. Pierścionek, *Zarządzanie strategiczne...*, op.cit., pp. 420 and 438; A. Poczrowski, *Zarządzanie zasobami...*, op.cit., p. 7; M. Romanowska, *Planowanie strategiczne...*, op.cit., p. 154; Strategor, *Zarządzanie firmą...*, op.cit., p. 178; A. Helin, K. Zorde, A. Bernaziuk, R. Kowalski, *Fuzje i przejęcia...* op.cit., p. 1; J.C. Hooke, *Fuzje i przejęcia...*, op.cit., p. 7; M. Koralewski, *Transgraniczne łączenie...*, op.cit., p. 9; M. Lewandowski, *Fuzje i przejęcia...*, op.cit., p. 1; A. Herdan, *Charakterystyka procesów...*, op.cit., p. 14; J. Korpus, *Fuzje i przejęcia...*, op.cit., p. 10; A. Rappaport, *Creating...* op.cit., p. 139; Z. Korzeb, *Teoria kreowania...*, op.cit., p. 34; D. Rankine, P. Hownson, *Przejęcia...*, op.cit., p. 9; J. Marszałek, *Fuzje i przejęcia...*, op.cit., pp. 34–35; W. Frąckowiak, *Wzrost zewnętrzny...*, op.cit., pp. 19–20.

7.3. Popularity Reasons for Mergers and Acquisitions as a Form of Modern Enterprises Development

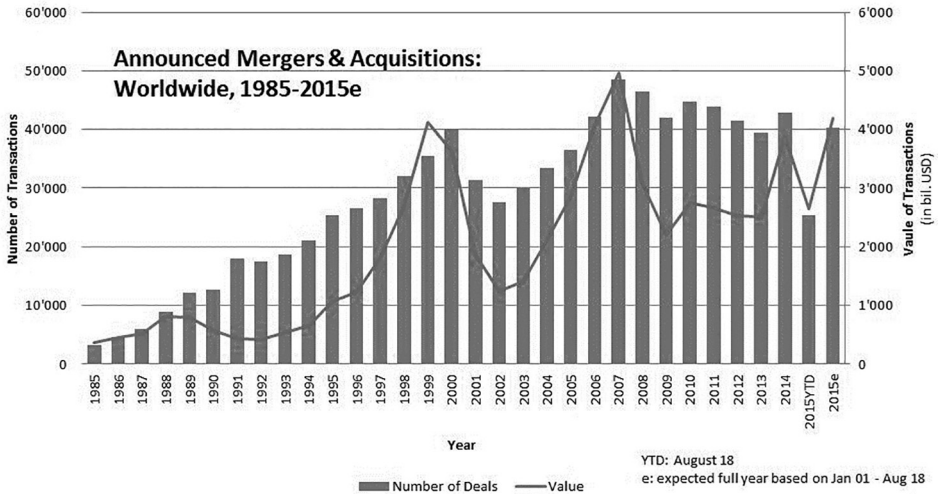
Intensification of competitive processes forces companies to look for new and unique development strategy. More frequently on the foreground there is a desire to highlight the organisation and gain competitive advantage through the effective use of acquired resources⁴⁴. The key to the competitiveness of companies are unique assets of high strategic value, difficult to buy, sell, imitation and replacement. Therefore, the companies operating in turbulent environments often make decisions about the external development through the implementation of mergers and acquisitions, which are designed not only to reduce costs, and achieve economies of scale, but also realisation of development strategy in the field of external resources that allows to create a competitive advantage⁴⁵.

⁴⁴ M. Morawska, *Zarządzanie strategiczne niematerialnymi zasobami przedsiębiorstwa*, Foundation for the Promotion and Accreditation of Economic Education, Warsaw 2008, p. 7.

⁴⁵ M. Poniatowska-Jaksch, *Wstęp*, in: *Nowe myślenie w zarządzaniu strategicznym przedsiębiorstwie*, ed. M. Poniatowska-Jaksch, Warsaw School of Economics Press, Warsaw 2015, p. 10.

The development of enterprises through mergers and acquisitions is implemented on an increasing scale. In 2014, there were over 40 thousand transactions carried out worldwide whose value reached nearly 4 trillion US dollars. Similar results can also be expected at the end of 2015 (Figure 7.1).

Figure 7.1. Number and Value of M&A Transactions Announced Worldwide Between 1985–2013



Source: *M&A Activity: Number and Value of Announced Transactions*, Institute of Mergers, Acquisitions and Alliances Analysis, http://www.imaa-institute.org/statistics-mergers-acquisitions.html#TopMergersAcquisitions_Worldwide (29.09.2015).

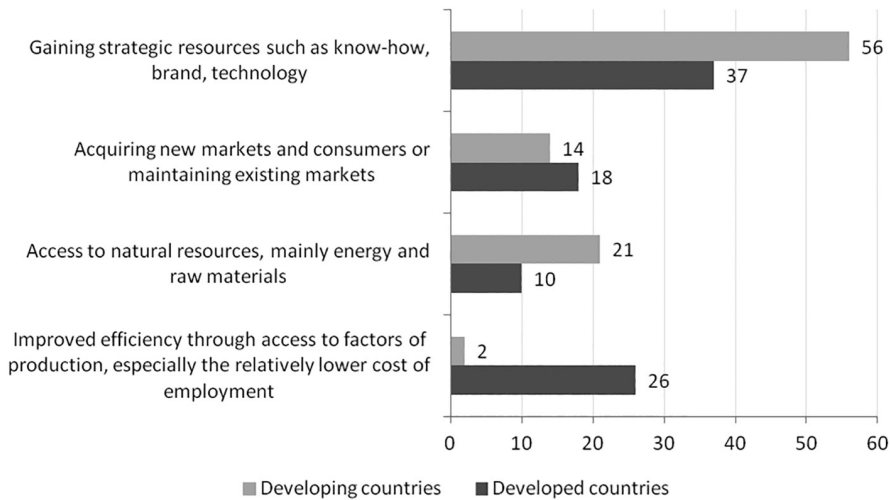
Mergers and acquisitions are the domains of businesses which mainly search for new markets and seek to increase their market power as well as to achieve a dominant market position (in the global market). This form of development seems to be attractive due to the possibility of appearing of economies of scale in market transactions and to improve the bargaining position in relation to competitors, suppliers and customers.

According to a study by McKinsey company⁴⁶, among entities performing mergers and acquisitions a cross-border dominant motive for the transaction is the acquisition of missing capabilities caused by limited access to strategic resources, such as technology, management possibilities, and other intangible

⁴⁶ D. Cogman, P. Jaslowitzer, M.S. Rapp, *Why emerging-market companies acquire abroad*, http://www.mckinsey.com/insights/corporate_finance/why_emerging_market_companies_acquire_abroad (29.09.2015).

and legal assets on their domestic markets (Figure 7.2). This pattern is characteristic for both entities from developed and developing countries, although for the latter ones a key is to acquire strategic resources among up to more than half of the respondents.

Figure 7.2. Main Motives of International Mergers and Acquisitions Divided Based on the Level of Country's Development in the Years 2000–2013 (as % of Total Realised Transactions)



Source: D. Cogman, P. Jaslowitzer, M.S. Rapp, *Why emerging-market...*, op.cit.

For companies from developed countries an important argument for making transactions is the ability to improve economic efficiency by reducing costs through the use of cheaper production factors, including mainly accessing cheaper labour and improving operating results through the sale of products and services in new markets and for new groups of consumers. In developing countries a major motive of mergers and acquisitions is the acquisition of natural resources, predominantly raw materials and energy, which in the native countries are unavailable or insufficient.

The reasons for performing mergers and acquisitions of individual entities are diversified and change over time. Currently, the most popular strategic motifs known as *The Eight Cs* are⁴⁷:

⁴⁷ T.J. Galpin, M. Herndon, *The complete guide to mergers and acquisitions. Process tools to support M&A integration at every level*, Jossey-Bass A Wiley Brand, San Francisco 2014, p. 8.

- *Costs* – pursuing to increase efficiency by reducing duplicative functions,
- *Channels* – acquiring new distribution capabilities,
- *Content* – acquiring new products or services,
- *Capabilities* – gaining new and increasing possessed strengths, especially in the field of research and development, marketing and technology,
- *Customers* – gaining access to new customer segments,,
- *Countries* – gaining entry opportunities to other regions or countries, among which up to now they were not present,
- *Capital* – gaining free cash or access to financial markets,
- *Capacity* – increase of available capacities.

Currently, typical mergers and acquisitions are strategic and operational character, in contrast to financial transactions that were dominant in the 80s and 90s. Purchasers acquire the customer base, more efficient distribution channels and access to geographical markets. They take control of competing products and services, use *cross-selling*, diversify activities by stabilising the financial results and increasing investor confidence. They also buy organisational competencies and talents that enhance and expand their strategic capabilities.

Mergers and acquisitions for many years are the most popular management tools⁴⁸, characterised by high usability, and their usage in the opinion of managers implementing them is satisfactory⁴⁹. The report *Management Tools and Trends 2015. An executive's guide*, developed by Bain & Company, shows that mergers and acquisitions are seen by respondents as one of the key investment trends. Globally, 57% of managers expressed the expectation that successful mergers and acquisitions will be a key to success in the industries in which operates their business. This conviction dominates among respondents from developing countries and is characteristic for up to 74% of Chinese and Indian representatives of the management team⁵⁰. Similar conclusions were formulated by the representatives of Grant Thornton International in a report *Dynamic businesses at the forefront of M&A activity*⁵¹. The study shows that after noted a few years ago a strong decline in popularity of mergers and acquisitions as a way to implement strategic development, again steadily increase the number of

⁴⁸ See: Reports *Management Tools and Trends 2007–2015*, Bain & Company.

⁴⁹ D. Rigby, B. Bilodeau, *Management Tools and Trends 2015*, op.cit., p. 14.

⁵⁰ D. Rigby, B. Bilodeau, *Management Tools and Trends 2015*, Bain & Company Inc., Boston 2015, pp. 5–6, http://www.bain.com/Images/BAIN_BRIEF_Management_Tools_2015.pdf (28.09.2015).

⁵¹ *Dynamic businesses at the forefront of M&A activity*, Grant Thornton International Business Report 2014, <http://www.slideshare.net/GrantThorntonPL/ibr2014-mand-areport> (5.02.2015).

entities planning to enter the path of external growth. In case of Polish market such declarations were acknowledged by 33% of the surveyed entrepreneurs.

Such a large popularity and acceptance of mergers and acquisitions is due to the fact that they provide an attractive alternative to organic growth, meanwhile allowing high dynamics of development, accessing unique resources, gaining broadly defined new competencies, cost savings as a result of synergies and scale effects, diversification of risk activities, acquiring new markets through new distribution channels and customers⁵². They provide an opportunity for company's both economic and market potential growth, to obtain a better competitive position and increase the market value of the subject, and achieve a quick return of investment funds in a relatively short time, moreover, they can also contribute directly or indirectly to achievement of strategic flexibility and competitive advantage.

7.4. Mergers and Acquisitions Versus Strategic Flexibility Businesses – Examples from the Polish Market Control

Increased competition on local market as well as the global market creates a need for constant search for new effective development strategy among businesses⁵³. Increasingly, enterprise development is the result of its external growth aimed at strengthening the competitive position, primarily through acquisitions or mergers with other companies. When reviewing the largest M&A transactions completed in 2010–2014 on the Polish market control, it can be concluded that such strategic actions adopted several companies, including KGHM Polska Miedź SA and PKN Orlen.

When analysing the acquisition of the aforementioned entities in recent years, the author has made the identification of reasons, motives and effects of the transaction, and therefore, attempted to answer the question: are these actions being taken as part of the development strategy of surveyed companies can be considered as a sign of strategic flexibility of these entities and, thereby, conclude that they fit within the concept of “the new strategic thinking”.

⁵² E. Ambukita, *Fuzje i przejęcia jako strategia rozwoju przedsiębiorstwa – aspekty teoretyczne*, University of Szczecin Scientific Papers, no. 804, “Finanse, Rynki Finansowe, Ubezpieczenia” 2014, no. 67, p. 721.

⁵³ C. Zając, *Fuzje i przejęcia...*, op.cit., p. 455.

7.4.1. Acquisition of Quadra FNX by KGHM Polska Miedź SA⁵⁴

KGHM Polska Miedź SA⁵⁵ guides mining operations on an international scale. It is one of the biggest companies of mining industry in terms of production of copper and silver. It also produces gold, nickel, platinum, palladium, lead, sulphuric acid and rock salt. It is a global company, which has significant resource and production assets on three continents.

The basis of KGHM, like any mining company, is the exploitation of non-renewable sources, and the key aspect to ensure the long-term development prospects of the company is the constant search for new resources. Companies operating in the copper industry compete with each other primarily in terms of price, therefore, the priority factor in terms of margin and profit is the cost curve, which mainly depends on the quality of deposits and related costs of extraction. Before acquiring Canadian company Quadra FNX, KGHM was the only corporation among the leading copper producers in the world, basing on a single national deposit⁵⁶ with high extraction costs (Figure 7.3), which implied a limited capacity to increase production. The corporation was also subject to a further increase in extraction costs and a decline in margins, along with increasing business risk associated with the lack of geographical diversification. Consequently, KGHM lost its competitive position, falling from fifth to tenth place in the world⁵⁷.

In response to the existing threats in 2009, the management of KGHM Polska Miedź SA announced, and for the next five years pursued, a development strategy resulting from the mission that set company's increasing value through the optimal use of natural resources. This strategy was based on five pillars: improving efficiency, development of the resource base, diversification of income and independence from energy prices, support of the region and the development of skills and organisational efficiency.

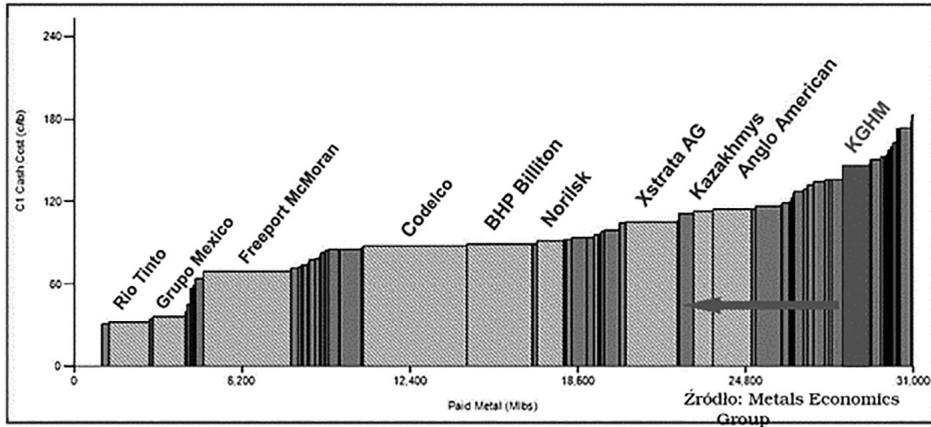
⁵⁴ This part of the chapter was written based on: J. Korpus, *Ocena sprawności strategicznej rozwoju KGHM Polska Miedź SA*, "Marketing i Rynek" 2015, no. 9, pp. 240–253.

⁵⁵ Presenting the characteristics of KGHM and its development strategy, one based on information presented on investor relations pages of this company www.kghm.pl.

⁵⁶ Copper mining took place in three deep mines where copper deposits are among the deepest in Europe.

⁵⁷ P. Kubisiak, *KGHM: budowanie wartości spółki globalnej. Edukacyjne studium przypadku*, <http://www.casestudy.polandglobal.pl/1.php> (28.09.2015).

Figure 7.3. Cost of Copper Mining Among Global Corporations



- The cost of extracting a pound of copper (C1) in KGHM in 2010 amounted to approximately 1.37 USD/lb (320 USD/lb)
- One of the objectives of KGHM expansion through the development of the resource base is to reduce the cost of extracting a pound of copper (C1)

Source: P. Kubisiak, *KGHM: budowanie wartości spółki globalnej. Edukacyjne studium przypadku*, <http://www.casestudy.polandgoglobal.pl/1.php> (28.06.2015).

The main objective of the strategy was to stop and reverse the trend of rising unit costs of production, which was to be achieved through investment in new technologies, infrastructure modernisation, optimisation of processes and organisation of production. The second goal was aimed at increasing the production of copper mining to 700 thousand tonnes per year, which, as it was expected, will be achieved through the development of a system of deep mining, the exploitation of new deposits in the region and intensifying the processing of scrap metal. The most important activity in this area were to be acquisitions in the mining sector. Implementation of the other objectives of the company involved concentrating on ensuring the continuity of energy supply at the optimum price, collaboration with local communities and supporting social initiatives in the regions of company's activities. Also, the important aspects were: construction of a holding structure, ensuring transparency of information and data, as well as development of employees' qualifications with the use of management through the objectives.

In the period of 2009–2014 KGHM Polska Miedź SA consistently pursued its development strategy. The process of implementation took place by investing in a defined at the beginning and constantly updated portfolio of strategic

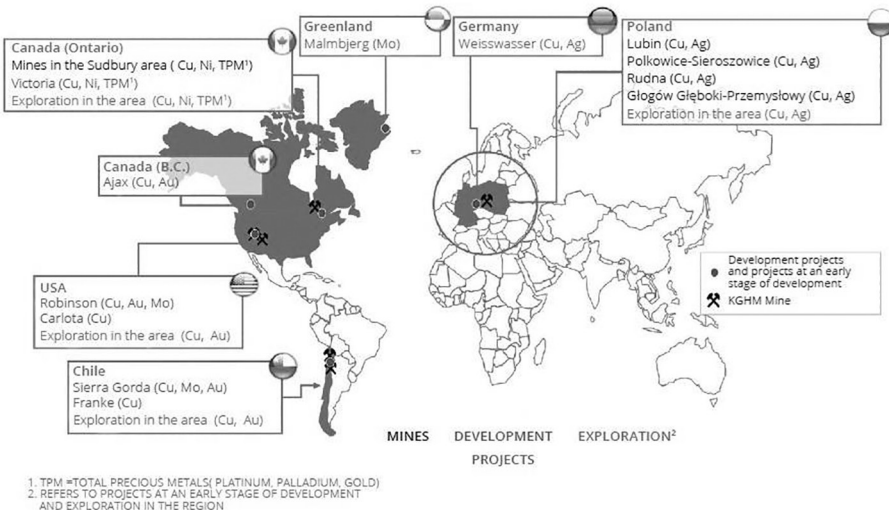
projects, which pursue planned goals at the level of strategic initiatives of each of the pillars. The essential meaning for the development of KGHM Polska Miedź SA in the long run was the continuation of activities in the field of copper as the primary source of its income.

The milestone in the company's development was the acquisition in 2012 of 100% of the shares of the Canadian mining company Quadra FNX (nowadays KGHM INTERNATIONAL LTD.). The main motives behind the transaction were: geographical diversification, reduction of extraction costs, increasing production and rebuilding positions in the leading market of copper producers in the world and expanding range of products, i.e. product diversification.

Thanks to the acquisition, KGHM Polska Miedź SA joined the leading group of companies from the mining sector and approached the established strategy to 700 thousand annual copper production. The carried out transaction enabled the Group to expand the resource base of more than 8 million tonnes (28%), allowing to be put in this respect on the 4th place in the world. As a result of the acquisition, KGHM Polska Miedź SA became the owner of the rich in copper, silver, nickel, molybdenum and other precious metals mining assets located mainly in Chile, USA and Canada (Figure 7.4).

Figure 7.4. Mining Assets Held by KGHM

Locations of KGHM Group geological and mining projects



Source: *Description of KGHM Polska Miedź S.A. activities*, <http://raportroczny.kghm.com/en/about-us/description-kghm-polska-miedz-sa-activities> (23.06.2015).

Towards external growth, the Group acquired active copper mines and associated metals, located in the region of Sudbury in Canada (Levack / Morrison), USA (Robinson) and Chile (Franke), and mining projects, – in the pre-operational phase of various stages of development (Sierra Gorda in Chile and Victoria in Canada) – and exploratory Kirkwood, Falconbridge and Foy in the region of Sudbury in Canada. The most important project carried out by KGHM on one of the largest deposits of copper and molybdenum in the world is the Sierra Gorda in Chile, where production began in late July 2014.

The acquisition of Quadra FNX was a very important concept in the realisation of development strategy and building the value of KGHM, not only because of the larger resource base and prospects of production growth, but also the possibility of a significant reduction in operating costs. KGHM mining activities in Poland are carried out on one of the deepest deposits of copper ore in the world (1200 m), which affects the high unit costs of production, placing the company among the world's most expensive copper producers. Launching extraction in Chilean mine Sierra Gorde, where production costs are 40% lower than in Poland, as well as income from the sale of silver contributed to lowering the unit cost of copper production for the third quarter of 2014 by 5% in comparison to the same period in 2013.

Implementation of the global expansion strategy enabled to extend the KGHM Polska Miedź SA resource base of over 8 million tonnes (28%), allowing the company to be positioned, in this respect, on the 4th place in the world (after Codelco of Chile corporation, the US company Freeport-McMoRan, and the Swiss group Glencore Xstrata). The Group recorded 22% increase in copper production, ensuring KGHM a rise from 10th to 8th place in the classification of the biggest producers of copper mining in the world. In 2013, KGHM Polska Miedź SA, with production in the amount of 528 000 tonnes, had 2.9% share of the copper market, and in 2014 with the extraction of 506 000 tonnes it continued to maintain a previous place in the ranking. In terms of production of refined copper in 2013, KGHM Polska Miedź SA, with 2.9% share in the world production, was ranked at the ninth place and in 2014 with the production of 607 000 tonnes, it took the tenth place.

In addition to copper, KGHM also produces other precious metals, from which silver deserves special attention. According to GFMS estimates in 2013 mine production of silver in the world amounted to 820 million ounces (25 613 tonnes). In the ranking of the largest silver producers, KGHM Polska Miedź SA ranked at the 3 rd position with output of 1 161 tonnes of silver (113 tonnes less than

in 2012) and 4.53% market share. In 2014, mining production of silver in the world increased by 4.6% to 27 039 tonnes and KGHM Polska Miedź SA, realising production of 1 256 tonnes of silver, returned to the place of an industry leader.

According to analyses, the implementation of the strategy of global expansion has helped to increase the market share of basic products of KGHM, contributing positively to the company's occupied places in the rankings of world producers of copper and silver, and at the same time contributed to lower operating costs.

Taking into consideration that the access to geological resources is for KGHM a key factor in building the competitive advantage, the acquisition of new resources through M&A activities on the market and related acquisition of mining entities having assets of economically attractive geological resources, are crucial for the further development of the company. It is also important that the enterprise, while seeking mining projects, has focused its attention on those that fall in the first half of the global cost curve, which makes it possible to improve its competitiveness by reducing the average cost of copper production. Through the development of the resource base implemented in accordance with the development strategy, KGHM Group diversified its operations both geographically and in terms of products, expanding the offer of products other than copper and silver resources (gold, platinum, palladium and molybdenum).

To sum up, it seems that the entry of KGHM on the road of external growth through the implementation of the acquisition of Canadian mining company Quadra FNX was the right move, an adequate response to changing factors in external environment (cyclical changes on the global copper market as a consequence of decline in the rate of growth and the level of consumption of the economy⁵⁸, launching new mining projects, drop in copper and silver prices on the stock exchanges of mineral resources⁵⁹ and the introduction in 2012 of tax on the extraction of minerals) and the solution decreasing uncertainty. Thus, identified company's ability to adapt to many conditions, quickly following changes which significantly affected the results of the company, can be considered as strategic flexibility and expression of strategic thinking.

⁵⁸ Above all, the Chinese economy which is the main customer on the copper market consuming more than 40% of world production of this metal.

⁵⁹ In the past 4 years, the price of copper has dropped from over 10 thousand USD per ton to 5.2 thousand USD/ t., which is up to more than 45%.

7.4.2. PKN Orlen's Acquisition of the Companies TriOil Resources Ltd, Birchill Exploration and Kicking Horse Energy

PKN Orlen Group is a leader in the oil industry in Central and Eastern Europe, the manufacturer and distributor of petroleum products and petrochemicals. It has six refineries (three are located in Poland, two in the Czech Republic and one in Lithuania), whose total annual crude oil processing capacity is over 32 million tonnes. The capital Group is also a leading manufacturer of petrochemicals, and the manufactured products constitute basic raw material for a large group of chemical companies. In compliance with the strategy of building multi-energetic company, PKN Orlen, along with its subsidiaries, consistently develop segment of both exploration and production of hydrocarbons, as well as energy production. The Group holds 10 licenses for exploration of oil and natural gas throughout the country. One of the priorities of the company is the exploration and exploitation of gas from Polish unconventional resources. Through the purchase of Canadian mining companies TriOil and Birchill, ORLEN Group is present in one of the most technologically advanced mining markets. PKN Orlen conducts retail operations on Polish, German, Czech and Lithuanian markets, and the total distribution network covers nearly 2 700 modern service stations. Logistics is created by effective infrastructure which consists of terrestrial and underground storage facilities and pipeline networks⁶⁰.

PKN Orlen, acting in accordance with the strategy adopted for the years 2013–2017⁶¹, which assumes to maintain an optimal liquidity situation and cost control, diversification of sources of debt and strengthening the core business segments, as well as the intensive development of mining and energy sectors, has decided to acquire through the company's subsidiary Orlen Upstream 100% of the shares listed on the Toronto Stock exchange of Canadian company TriOil Resources Ltd (TriOil) for the amount of 183 700.000 CAD (or approximately 562 900.000 PLN)⁶². Thanks to implementation of this investment in the mining segment it has become a global concern.

⁶⁰ PKN Orlen, Management Board Report for the year ended on 31 December 2014, http://www.bankier.pl/static/att/emittent/2015-03/PKN_ORLEN_150326_2014_rok_jedn_Sprawozdanie_Zarzadu_20150326_070003_0149938094.pdf (28.09.2015).

⁶¹ PKN Orlen's Strategy 2013–2017, http://www.orklen.pl/PL/RelacjeInwestorskie/Documents/Strategia_PKN_ORLEN_2017_PL.pdf (23.08.2015). *PKN Orlen przejmuje kanadyjską spółkę TriOil Resources*, http://forsal.pl/artykuly/732292_pkn-orklen-przejecie-kanadyjskiej-spolki-trioil-resources.html (28.09.2015).

⁶² *PKN Orlen przejmuje kanadyjską spółkę TriOil Resources*, http://forsal.pl/artykuly/732292_pkn-orklen-przejecie-kanadyjskiej-spolki-trioil-resources.html (28.09.2015).

Canadian mining company TriOil Resources was an attractive transaction target, because it owns production oil and gas resources in the most technologically advanced region of the world. TriOil mining assets located primarily in the Canadian province of Alberta, where the company is working on three areas – Lochend, Kaybob and Pouce Coupe with deposits localised respectively on formations Cardium, Dunvegan and Montney⁶³. By purchasing TriOil, Polish company not only gained access to the producing deposits and geographically diversified portfolio of assets, but also became the owner of unique *know-how* from developed and technologically advanced Canadian market. Knowledge acquired in this way is to be developed and tailored to local conditions in the area of extraction of hydrocarbons from unconventional deposits (Polish company is engaged in the exploration of shale gas in the country)⁶⁴.

When formulating opinions regarding the investment decisions of the Board of PKN Orlen in the field of mining projects, it should be taken into account that in the last decade oil and gas industry in Poland has undergone a fundamental transformation. Due to high oil prices continuing over the past years (Figure 7.5), Polish oil company joined into its strategy dynamic development in the area of exploration and production of oil and gas, in order to make from this branch of industry a lever of development of its capital group. A great importance for this decision were the estimates of resources of unconventional shale gas deposits in Poland, prepared by the International Energy Agency, which caused unprecedented in previous years research fever conducted in Poland, not only by domestic companies, but also by the world's largest industry players with elaborated business models and many years of experience, based on international standards⁶⁵.

Unexpectedly, in July 2014 in less than six months time, the price of a barrel of crude oil dropped by more than half, while still a while before it was expected to further raise of ratings. At the same time, there were unprecedented geopolitical turbulences and the military actions, perceived so far as almost impossible

⁶³ *Orlen Upstream planuje zwiększyć wydobycie ropy przez TriOil Resources*, <http://www.bankier.pl/wiadomosc/Orlen-Upstream-planuje-zwiekszyc-wydobycie-ropy-przez-TriOil-Resources-3077845.html> (12.10.2015).

⁶⁴ PKN Orlen's Annual Report for 2013, http://www.orken.pl/PL/RelacjeInwestorskie/Raporty-roczne/Documents/Raport_Roczny_2013.pdf (15.09.2015); *PKN Orlen przejmuje kanadyjską spółkę TriOil Resources*, http://forsal.pl/artykuly/732292_pkn-orken-przejecie-kanadyjskiej-spolki-trioil-resources.html (28.09.2015).

⁶⁵ M. Jachniewicz, *Specyfika procesów M&A w branży poszukiwawczo-wydobywczej (E&P)*, thesis written under the direction of J. Korpus, Warsaw School of Economics, Postgraduate Studies Mergers and Businesses' Acquisitions, Edition IV, Warsaw 2015, p. 3.

in contemporary Europe, have become a prominent feature of our reality and determinants of challenges facing the global economy. In case of companies of fuel and energy sector, including PKN Orlen, they were reflected primarily in difficult to predict and subject to further fluctuations in raw materials' prices and the uncertainty regarding investment planning in the long run⁶⁶.

Figure 7.5. The Price of Crude Oil (USD / bbl)



Source: <http://www.bankier.pl/inwestowanie/profile/quote.html?symbol=ROPA&gclid=CNzChvezsgC-Ferpgod6BED2g> (19.10.2015).

Such unstable external conditions contributed to reviewing and updating the development strategy of PKN Orlen for the years of 2014–2017, assuming further diversification of revenue sources and concentration on the most promising markets. Its main objective was to minimise risks and ensure stable development of the company, regardless of implemented macroeconomic scenarios.

As part of company's diversification, the enterprise further develops the mining segment, systematically analysing the possibility of acquiring mining companies in North America. The consequence of implemented strategy was the acquisition in 2014 of Canadian company Birchill Exploration, engaged in the

⁶⁶ PKN Orlen, Annual Report 2014, http://orlen14ar.rep.message-asp.com/sites/orlen14ar/files/pkn_orlen_-_fakty_liczby_komentarze_2014.pdf (19.10.2015).

exploration and production of oil and gas. The oil and gas deposits, which are exploited, are located in Alberta, Canada, in areas Ferrier/Strachan, near the deposits previously held by TriOil⁶⁷.

According to the president J. Krawiec, the performed acquisition is an important step in the further development of the PKN Orlen's mining activities, and adding to the portfolio of new mining areas allows conducting a bigger number of drilling that expand the base of hydrocarbons resources. Importantly, the acquisition of Birchill not only provides access to significant new resources, but also extends *the know-how* in relation to the technology used in the activities of hydrocarbon exploration⁶⁸.

In October 2015, PKN Orlen launched the subsequent acquisition transaction. Through its subsidiary, Orlen Upstream Canada entered into an agreement that begins the process of acquisition of 100% shares of Kicking Horse Energy. The transaction will be possible after the completion of all terms of the agreement, and its implementation is planned for the fourth quarter of 2015⁶⁹.

It is expected that another investment in the country of low risk will expand the portfolio of exploration and production assets of company in Canada, by increasing production capacity and the resource *upstream* segment. The key assets of Kicking Horse Energy are located in the Kakwa area, in Alberta, and are characterised by high production potential. Deposit economics in this region is among the highest in Western Canada, characterised by a low level of risk, and it seems that it can provide the ORLEN Group a great development opportunities. In addition, it is believed that the existing acquisition experience that was gained in the Canadian market will develop synergies in the companies within the mining segment⁷⁰.

When evaluating the criteria of strategic flexibility achieved by the company's acquisitions, it seems that decisions on external development in the case of PKN Orlen allowed a faster way to implement modified development strategy. They also became a confirmation of the ability of the entity to pass within a short period of time from realisation of one strategy to another. Moreover, they helped to reduce business risks by diversifying sources of oil and gas resources.

⁶⁷ Ibidem.

⁶⁸ *Orlen kupił Birchill Exploration za ok. 707,5 mln zł*, <http://www.bankier.pl/wiadomosc/Orlen-kupil-Birchill-Exploration-za-ok-707-5-mln-zl-opis-3140292.html> (19.10.2015).

⁶⁹ *Orlen przejmuje kolejną spółkę wydobywczą w Kanadzie*, <http://www.orken.pl/PL/BiuroPrasowe/Strony/ORLEN-przejmuje-kolejną-spolkę-wydobywczą-w-Kanadzie.aspx> (28.09.2015).

⁷⁰ Ibidem.

One can get an impression that the transactions become for Orlen an effective and efficient tool allowing to adapt to unexpected changes in the external environment and reducing uncertainty.

Conclusions

In the conditions of turbulent, competitive and globalised environment, an important feature of today's organisations need to be able to react flexibly to emerging signs of change and the ability to reconstruct them into concrete strategic and operational objectives. Enterprises, by counting on strategic thinking, should constantly seek for new, effective strategies and take bold decisions regarding directions and methods of development, which could redefine the boundaries of the ongoing competitive game.

The considerations conducted in this chapter allow to draw the following conclusions:

- flexibility is an important feature of modern organisations, as well as a significant factor affecting their functioning and development,
- as an option of strategic thinking it is identified with the ability of the company to adapt to unpredictable environment,
- manifests itself in organisation's ability to identify, acquire, and measures to mitigate the risks and exploit the dynamics of the competitive environment,
- involves changing the organisation's objectives and interferes in the current concept of actions,
- in conditions of quickly emerging number of changes, which may affect the performance of the enterprise, flexibility can be achieved in many different ways and its manifestation may include diversification or investment in strategic resources,
- achieving it allows to reduce costs of reactions to unpredictable threats or to decrease costs of adapting to the opportunities presented,
- commonly used forms of modern enterprises' development are mergers and acquisitions, which, as it results from the abovementioned analysis, can be seen in the category of reactive flexibility or proactive flexibility of implementing entities,
- enterprises, by making acquisitions, can effectively and efficiently adapt to changing external conditions and in this way to deal with uncertainty,

- they can also anticipate changes and their impact on the organisation and the conditions of competition and exploit the potential of creating mergers and acquisitions, in order to use them as appearing chance to develop or counteract them.

Conducted in this chapter analysis of the canvassing activity of KGHM Polska Miedź SA and PKN Orlen SA, as well as identification of the reasons, motives and effects of conducted transactions, enabled to positively answer to research question posed in the paper. It seems that the presented examples of activities of enterprises using in their development strategy M&A processes are a confirmation that they can be used to increase the organisation's ability to adapt and facilitate the adaptation of the subject to changing environmental conditions.

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Decomposition of Global Value Chain as a Tool for Implementation Strategy

Teresa Pakulska, Małgorzata Poniatowska-Jaksch

Introduction

In the conditions of strong turbulences and hyper competition in the second decade of the twenty-first century more and more companies decide to develop and implement strategies in line with benchmarks of the new strategic thinking. One of the manifestations of this approach in case of transnational corporations (TNCs) seem to be decomposition of created chain of values which is accompanied by fragmentation of its spatial and functional structures. The main causative factors of growing decomposition of the value chain's popularity is progressing uncertainty of the surrounding and digitalisation processes that create new opportunities for growth and development of the organisation, and reflect upon ways of shaping its competitiveness. Both the scale and scope of the changes applied in outsourcing grow, as well as the importance of business partners in the business strategy. As a result of above flagged transformations, the concept of decomposition of the global value chain becomes ambiguous and can be analysed from different perspectives. On the one hand, it is inscribed in the missions and objectives of the transnational corporations strategy as a kind of strategy of growth and development, on the other hand, as a process with specific characteristics it is used to implement the strategy – strategic tools primarily used by complex organisational companies operating internationally. Therefore, the aim of the study is to identify the specific characteristics of decomposition of the global value chain in context of classic strategic tools and to indicate the critical success factors of its use.

8.1. Value Chain – Causes and Manifestations of Reconfiguration

8.1.1. Uncertainty and Digitalisation at the Core of Reconfiguration of the Value Chain

Uncertainty is inscribed in the activity of every company. It manifests itself both in the lack of information necessary for undertaking decisions, the ability to predict their effects, as well as the inability to determine the consequences of events occurring in the surrounding¹. It corresponds with the risk, i.e. being determined by the probability of certain project's failure, which sources can be traced in the external factors (including further environment, e.g. change in legislation, recession and the closer surrounding of the company, including competition changes on the market, development of market substitutes) and internal factors in the context of changes regarding factors inherent in the environment (inappropriate use of own resources)².

The perspective control over the changes and uncertainties in the company means strategic anticipation and making use of trends, quick decision-making, reconfiguration of resources towards new innovative solutions and ability to draw pragmatic conclusions of the strategic experiments. As a result, different tools of strategy are used, which in a globalised world means not only reaching out to key competencies, but also the development of new relationships on national and international level, including an analysis of the value chain and its decomposition.

Undertaking strategic decisions in the enterprise, aimed at solving the problems of uncertainty actions, focuses often around different levels of uncertainty³:

- Low level of uncertainty (predictable future) – allows you to develop a strategy based on a forecast and using traditional strategic tools, applied both in the preparation and implementation of the strategy (the transition to “back-up” development scenario if an event occurs that prevents the implementation of a current project). On the first level of uncertainty the

¹ K. Jędralska, A. Czech, *O naturze niepewności i jej interpretacjach*, “Master of Business Administration” 2011, no. 3, p. 12.

² T. Pakulska, *Ryzyko lokalizacji zagranicznych podmiotów gospodarczych*, in: *Ryzyko lokalizacji przedsiębiorstw w Polsce*, ed. K. Kuciński, CeDeWu, Warsaw 2014, p. 109.

³ H.C. Courtney, J. Kirkland, S. Viguerie, *Strategia w warunkach niepewności*, <http://www.rzeczpospolita.pl/> (4.05.2015); R. Krupski, *Strategie elastyczne*, in: *Koncepcje strategii organizacji*, eds. R. Krupski, J. Niemczyk, E. Stańczyk-Hugiet, PWE, Warsaw 2009, pp. 143–144.

most common solution is adaptation strategies, as other solutions are more risky and increase uncertainty. This means changes of operational character, which from the point of view of the businesses value chain do not generate a need for substantial changes. However, they can stimulate processes aimed at increasing the flexibility of the organisation to seize the opportunity and search capabilities of relational network. This allows the company to focus efforts on its core competencies, while business partners specialising in a specific activities can help to increase the effectiveness of cooperative actions, including, for example, directly used relationships based on outsourcing. The key risk in this respect is the increase in dependence on partners that is limiting flexibility.

- Increase in the scale of uncertainty of enterprise activities (changes in legislation, unpredictable behaviour of competitors) becomes the basis for the development of several possible scenarios for determining the potential development directions, in which there are significant changes in the value creation chain. At this level of uncertainty the probability of realisation is being determined, as well as estimated risk and profitability of each variant by using various analytical tools, e.g. assessment models options, game theory. In case of searching for an increase of flexibility and effectiveness of organisations through relationships with external partners, including outsourcing, both measures are used that are aimed at growth and limiting their number in order to reduce the risk of businesses by scattering relationships and dependencies, or trust only in proven partners. Enterprises see their potential benefits in using business partners' expertise and the release of, associated with this, part of the resources in the company, previously connected with non-core activities, which gives a chance to focus on key areas.
- High level of uncertainty focusing its action within the range of possible variants of development – the basis for preparing the development strategy is the identification of scenarios for the environment (potential events, e.g. forecast technology development, latent demand), and the choice option will be affected by assessment of the situation that takes into account the time, cost, risk, and flexibility of the decision maker. This level of uncertainty is associated with major changes in the value chain, heading towards decomposition, and sometimes the construction of a new chain of links connected with entering new markets, implementation of new products and technologies, which in turn leads to diversification of activities and its new

manifestations. It often also involves the necessity of integration based on new solutions in the enterprise architecture.

- Very high level of uncertainty – due to the lack of foundation for the development of forecasts and scenarios it leads to the development of universal strategy having multiple purposes. Its aim is to develop company's activities to ensure the participation in the market through the use of different tools and measures (improving relationships with customers, investing in innovation, including open innovation to maximise the performance of new products without increasing spending on R&D). The high level of uncertainty entails huge risks whose exploiting allows the company to take a privileged position. At the current stage of economy's development – “the new economy” (often referred to as network economy, economy of information technology, or digital economy, whose essence is the significant role of the Internet, information, and digitisation in the development of the modern economy)⁴ is associated with the necessity of a new approach to business and the implementation of activities targeting at the virtualisation of the value chain. Frequently, its manifestation in the enterprise becomes a comprehensive analysis of the value chain that synchronises the effects and costs of cooperation of all the elements that create the value chain in terms of a thorough decomposition of growth-oriented value by improving to meet the needs of customers or focusing the activities on others than the existing areas and resources necessary for their operation. In this regard, the scenarios that are taken into consideration often refer to technology-based ICT solutions aimed at the seamless exchange of information, goods and services between cooperating companies in the chain. This allows to strengthen communication ties and confidence in the chain of cooperating companies that can function effectively as a team, which is set up to streamline business processes and achieve customer satisfaction.

Significant changes in the chain need to determine the core competencies of each chain and its use, as well as rapid exchange of information, making it possible to eliminate unproductive steps and improve forecasting changes. Decomposition is reduced to the implementation of radical ideas aimed at a comprehensive transformation of supply chain and customer value in an unprecedented

⁴ M. Poniatowska-Jaksch, *Przesłanki nowego myślenia strategicznego*, in: *Model biznesu. Nowe myślenie strategiczne*, eds. M. Duczkowska-Piasecka, M. Poniatowska-Jaksch, K. Duczkowska-Małysz, Difin, Warsaw 2013, p. 24.

way. Thanks to the established networks, the companies can reach out to the customers regardless of their place of residence, meet their needs and enable them to actively participate in the creation of the final product.

Similarly to uncertainty, a great mark on the whole economy, and thus the functioning of the enterprise, imposes the information revolution heading business towards the road of digitalisation and amending the conditions of its operation. ICT solutions, based on “the new economy”, play a key role in shaping a new business environment in which the company is not a single entity, but a part of an integrated network of organisations. This entails a number of consequences and triggers factors that adequately exploited can be a source of competitive advantage of transnational corporations, as well as intensify the competitive struggle. Another dimension was acquired by physical distance and time, which in the conditions of products' digitalisation and the development of the sphere of services means new opportunities for trade and product distribution. To significant manifestations of digitalisation of the economy should be, therefore, included: strong development of a new generation of products and services created in virtual reality, reorganisation of the enterprises on the basis of improved IT technology and the changes of the benefits resulted from digital economy in favour of markets showing growth of talents and resources involved in them⁵.

Technology development causes the sources of competitive advantage to look at new opportunities, learning to cope with the changes and innovations and the creation and sharing of knowledge, which along with innovation, creativity and the use of information technology for the development and marketing of new products and services are the essence of “new economy's” entrepreneurship. Its achievements enable the existing companies in the market, in a simpler manner than before, to undertake new activities, and even to quickly increase the scale of its operations at lower costs than operating on the business market. The changes in the organisation that are possible thanks to using the Internet, control and management of business generate new possibilities in the development of a competitive advantage on the international market, mainly through the development of network business relationships and a new dimension of “innovation”.

The essence of these changes is focused on the fact that in “the traditional economy” a special role in shaping business relationships is attributed to market operators, while in “the new economy”, despite the fact that market

⁵ *The New Digital Economy, How it will transform business*, Oxford Economic, Oxford 2011, p. 2–3.

operators play an important role in shaping business relations, the most significant changes are related to how to create relationships with the customer. Constructing a network of relationships around only those present and particularly those potential customers' needs⁶ in a special way focuses attention on the possibilities rather than the network of companies (many companies), but rather the network company – one company with high operational flexibility⁷. The last mentioned is sometimes equated with a virtual organisation, i.e. business conducted in the network, which may: a) complement traditional operating company and/or b) provide a business venture with the assumption to be implemented in the network. Business relations that take the form of various types of bonds are aimed at achieving the objectives (e.g. an increase in value, reducing costs, removing barriers of entry, preventing substitution), providing benefit to entities (companies or other organisations) participating in them⁸. Under current conditions, the growing importance is attributed to business goals based on customer needs in circumstances of acceptable size of costs (achieved, among others, by the individualisation of final products according to the customers' needs and active engagement of consumers in the creation of products). Social networking sites play an important role in the construction of new customer relationships.

Business surrounding perceived through the prism of the Internet space is also a new area of competition that provides special opportunities for innovation. This new space creates a hitherto unknown possibilities of obtaining the necessary information in the process of transformation, introduces new solutions, principles of interaction with customers, employees, suppliers and customers. This allows for high flexibility of behaviours and interactivity, access to many resources including specialists who initiate the development of innovation, the digital form of products, providing remote work.

The effect of digitalisation of economy's computerisation is expanding of the traditional market space, which may imply changes in the value chain and determine the use of new strategic tools enrolling in a new strategic thinking, limiting actions of uncertainty and using new possibilities for action. In terms of digitalisation of the economy new prospects for promoting innovation are created, business relations gain a new dimension, which in turn results in an

⁶ V.K. Fung, W.K. Fung, Y. Wind, *Konkurowanie w płaskim świecie*, WAIP, Warsaw 2008, p. 131.

⁷ Z. Pierścionek, *Zarządzanie strategiczne w przedsiębiorstwie*, PWN, Warsaw 2011, pp. 397–398.

⁸ M. Gorynia, *Międzynarodowa konkurencyjność polskiej gospodarki a polityka ekonomiczna*, "Ekonomista" 1996, no. 3, p. 34.

innovative approach to business, creates new opportunities and new constraints. As a result, the shaping space can be seen through the prism of:

- Information – virtual space gives an opportunity for the presentation regarding product information in real time easier than the traditional way, and allows to achieve a competitive advantage both in terms of gathering information, as well as its spreading⁹.
- Transactions – the Internet affects the efficiency of transactions between buyers and sellers, as a result of reduction of traditional activities connected with concluding transactions and the dissemination of “a network” process of shaping the prices determined in the process of bilateral negotiations.
- Distribution and communication – virtual space of distribution facilitates the access to foreign markets, creates new opportunities of digitalisation, marketing and distribution, e.g. instant delivery of digital products.

Uncertainty and digitalisation of the economy contribute significantly to the changes taking place under the conditions of running a business, which is reflected in the composition of the value chain, especially on the international dimension. They inseparably correspond with the trends resulting from destructive forces devastating current order whose impact has taken the unprecedented dimension never before seen¹⁰. In comparison to the Industrial Revolution of the late eighteenth and early nineteenth century, the current changes take place 10 times faster, on 300 times larger scale and with 3 000 times greater force of impact. They have self-reinforcing nature, and their effects are becoming increasingly difficult to predict. These should include, among others, acceleration of making the technology changes. As an example, two years after the launch of an iPhone about 150 000 applications have been created. In 2014, i.e. five years later, this figure reached 1 200 000.

8.1.2. Value Chain and Its Reconfiguration – the Essence and Manifestations

The basis for the value chain on the theoretical ground comprised of works by M. Porter¹¹. His approach for determining the individual functions in the

⁹ C. Combe, *Introduction to E-business. Management and strategy*, Elsevier Ltd., Oxford 2006, pp. 55, 59.

¹⁰ R. Dobbs, J. Manyika, J. Woetzel, *The four global forces breaking all the trends*, McKinsey, April 2015.

¹¹ E. Porter, *Competitive Advantage. Creating and Sustaining Superior Performance*, The Free Press, New York 1985, pp. 45–50.

total added value was enriched by the works of other researchers, including C.K. Prahalad, Ch.A. Barlett, G.S. Yip, G. Hamel, Y.L. Doz and R.M. Kanter. In general terms, for the creation of values consists functions described as basic, playing a key role in creating the added value, and assisting subsidiary activities. Their combined effect, achieved in the form of the highest possible value's creation, is seen as a consequence of improving the implementation of basic tasks, aimed at the individualisation of the product and its leadership, transforming itself in companies' abilities to provide customers with innovative products faster than the competitors. Similar aims are achieved by the internationalisation of the value chain that was also illustrated in the approach of G.S. Yip by extracting the function and placement of such business units (including TNC's subsidiaries), which is distinguished by geographic dispersion along with better than competitive units operating conditions.

This implies that the company beyond the internal value chain, which is the most important, uses the value chains of specific markets and industries among which it operates. As pointed out by McKinsey, the essence of the concept of value chain is the sequencing of the main functions of the company, i.e. six groups of activities constituting the cell values (technical development, product design, its manufacture, marketing, distribution, service)¹².

Maximising value-added as a result of the coupling of aforementioned functions (primary and secondary) requires the implementation of operational excellence or adapting the product to customer needs, related to the innovation of an incremental character, while another way to achieve it, i.e. the cost leadership inextricably linked to real innovation. The mentioned solutions can be used in domestic markets, but as mentioned, additional growth opportunities of the value can be achieved on the international market through the internationalisation of the value chain. Strengthening the competitive advantage in the field of the company value chain's coordination with the elements of the environment (in addition to optimising the basic functions and mutual coordination between primary and secondary activities) can be obtained by better adapting of activities to the needs of the market, improving own resources and strategic configuration of individual links of value chains in various segments and on different markets. Conditions for using the last of identified solutions ensure

¹² J. Bednarz, *Wykorzystanie koncepcji łańcucha wartości w budowaniu przewagi konkurencyjnej podmiotów gospodarczych*, in: *Przedsiębiorstwo na globalnym rynku*, eds. J. Schroeder, R. Śliwiński, University of Economics Publishing in Poznań, Poznań 2013, p. 126.

the functioning of enterprises in the global world, which is well reflected in the activities of TNCs.

Aspirations to optimise the value chain in the complex structure of TNC accompanies the identification of the entity's ability and leading business units associated with the first of the three key levels of the value chain, i.e.:

- physical, including basic functions which consist of key manufacturing processes, the production of parts, components, assembly, storage, etc.;
- transaction which includes production planning, ordering, invoicing, human resource management;
- knowledge creation which includes e.g. product design, brand management.

Increasingly more of business processes are performed both on a physical and transaction level which is the reason for moving TNC abroad the home country in search of economies of scale through the development of outsourcing support activities. The decrease in the costs of interaction caused by the spread of ICT technology speeds up the disintegration of TNC to the next level of aggregation business, passing throughout outsourcing the realisation of different phases of manufacturing and development of new products, to cooperating in the network of contractual producers. This leads to decomposition – fragmentation – of the value chain and its decomposition in terms of TNC's hierarchical breakdown and creating more flexible units operating within the business network. It is, therefore, a process of building the strategy since its generating through implementation, reaching until monitoring and verification.

Decomposition perceived in this way also fits into the strategy of competition. Its effect are decisions taken that set up the value chain and its amendments in order to achieve the best position in the market (the leader), which may result not only from the best prices, but also from the fact that the company has the best product or the best solution on the market¹³. Success in the latter two cases is associated respectively with the construction of a strong brand and innovative product. The disadvantage remains relatively high costs in relation to the strategy of the best prices, which ultimately impinge on its growth. Large organisations, by seeking to reduce costs and enhance product quality, are increasingly often turning to outsourcing in the cheaper locations. Cooperation with subcontractors allows TNC to combine its own expertise in product development, marketing and policies related to the brand with low production costs. Nevertheless, nowadays not so much the study of the current situation,

¹³ M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 36.

but the changes to created relationships through dynamic, thanks to ICT, interaction between competitors allow to enter the profit zone. It is a consequence of changes in the value chain, leading to its subsequent reconfiguration. Outsourcing is seen in this case as a strategic tool, forming the basis for establishing cooperation based on relationships made possible by the implementation of solutions to “the new” network economy. This way it is identified with the assumed strategy of TNC's decomposition, and also often seen as a tool for its implementation.

In a geographically forming diversified value chain of participating entities, in a natural way fit also dismembered independent companies in the form of sub-contractors, suppliers, franchise holders, partners, strategic alliances, etc. performing different functions and implementing tasks. An essential part constitutes of those companies that undertake the cooperation with the leading link in the value chain based on relationships outside the capital, representing various forms of *non-equity*. In the individual segments of the value chain there may be, therefore, different contractual relationships of *non-equity* type, since there is no single type of model that is assigned to a particular segment of the value chain. Their development is largely a consequence of number of operation services growth ordered by TNC in the home country to the companies with which they do not have capital ties and which operations subsequently have been moved abroad.

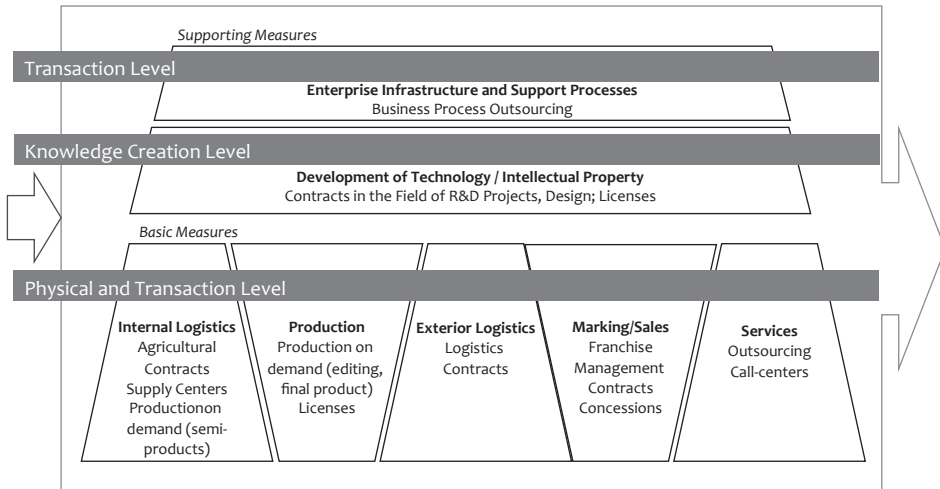
Generally, TNC acts as its coordinator, concentrating ownership of capital in the key segments from the point of view of forming a competitive advantage GVC (*Global Value Chains – GVCs*), in other cases, the choice of the model is determined by the economic calculation that takes into account the associated level of risk. Corporations using global categories try to increase control and improve coordination of actions with partner companies which, from a formal point of view, are independent. The composition of capital and unfunded links in the TNC is dynamic and undergoes changes. This phenomenon also applies to partner companies¹⁴. Business network makes it easier to collaborate with companies located around the world, but political, cultural or social factors may limit them or even make it impossible.

To a lesser extent relocation processes are submitted to functions and activities typical for the plane of knowledge creation, in which the possibility of achieving

¹⁴ *World Investment Report 2011. Non-Equity Modes of International Production and Development*, Unctad, New York–Geneva 2011, p. 126.

the potential benefits may be greater than on other planes. The most significant of these distinctive capabilities are “the responsibility” of the company integrating operations of subordinated units, and the strongest of all “corporate genes” have their important contribution to the development of new business fields.

Figure 8.1. NEMs (Non-Equity Modes) in the Reconfiguration of the TNC's Value Chain



Source: own study based on: *World Investment Report 2011...*, op.cit., p. 126.

The geographical dispersion of the value chain that is being performed requires integration (coordination abilities of cross-border character), but it also means the cross-border configuration, accompanied by a progressive fragmentation and dismemberment of activities along with its disintegration within the TNCs chain in the international dimension¹⁵.

Decomposition performed in this way is revealed, therefore, by a consequence of progressive specialisation of activities carried out by the business units functions or parts thereof, which in turn entails such inherent activities as:

- the need for cooperation (collaboration with external entities of contractual nature),
- integration of separated tasks (realised in the value chain),

¹⁵ A. Zorska, *Korporacje transnarodowe: przemiany, oddziaływania, wyzwania*, PWE, Warsaw 2007, pp. 163-164.

- recombination (combining abilities of cooperating in the chain of entities in terms of performed functions based on the exchange of pre-existing entities or their parts),
- coordination function (performed by various entities related and unrelated to the capital) in the creation of the value chain.

They are reflected not only with associated externalisation processes of relocation, identified with transferring activities to the countries that meet the requirements of increased operational efficiency to a greater extent than in the previous locations, but also in the configuration and reconfiguration, involving the constant transformation of business units distribution and their relationship, i.e. spatial structure of TNC's chain of added values. In this way decomposition and recombination of the value chain constitute the process of attributed durability, which covers an increasing number of entities and areas with various degrees of relationships. Efficient management requires appropriate corporate architecture with growing importance of integrating the activities which significant part, in terms of "the new economy", is based on ICT solutions.

8.1.3. Towards the Virtualisation of the Value Chain

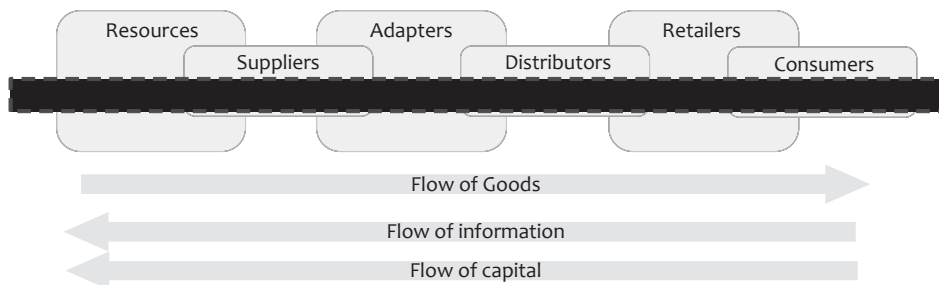
In the modern economy, the value chain management comes down to the so-called surfing on the waves of value, i.e. the construction and reconstruction of its capacity to provide proper use of new opportunities opening for a short time: a) analysed through the prism of fragmentation of production, and b) based on different skills, resources, costs of each location of the value chain, related to the implementation of IT revolution achievements in the context of virtual capacity. Its possibilities have not yet been fully discounted by the business, which besides new forms of integration and coordination functions across the extended value chain create the conditions to generate new needs among the customers, as a result, to create products.

Transition from the traditional perception of the value chain to the new one of growing importance of virtualisation corresponds to a different than hitherto perception of the product that is addressed to the customer, whose needs and satisfaction constitute canvas of creation of co-operating globally organisation and its basic link under the conditions of "new economy", breaking with the dictate of distance and time. In these new conditions, the perception of product is reduced to its three levels, i.e. the core product, the actual product and the expanded one. The second and especially the third level includes such operations

and activities as those that support the creation of product value in terms of packaging, service, delivery, consulting, etc. The product is offered in the form of a package which, besides the proper product, consists of additional products and services supporting the use of such a prepared offer in a comprehensive way. The constituent operations and activities have become central to the fragmentation process of its production and related activities, allowing far-reaching specialisation and the delocalisation of activities directed towards decomposition of the value chain. Increasingly, these processes based on ICT solutions gain virtual character.

Transformations of the value chain are significantly associated with the symptoms of globalisation, on which a great imprint has been left by computerisation, penetrating both more extensive enterprise environment, as well as its interior. Computerisation influences a growing number of features that in their initial period of application were focused on research and development, dealing with customers, also including marketing. It also contributes to increasing possibilities of TNCs in terms of both coordination of the distributed and specialised functions and the units implementing them, as well as their integration and recombination in the value chain (by selecting and combining business units). This implies a significant increase in the TNC's value chain, both as a more common virtualisation accomplished as a result of the information commercialisation while maintaining on the current stage dual character on the realised function, i.e. in the traditional and *on-line* way, as well as composing new value chains based on the extraordinary capabilities of individual business units and pension's relational mechanism.

Figure 8.2. The Integrated Value Chain in Conditions of Virtual Business Space



Source: own study based on: S. Chen, *Strategic Management...*, op.cit., p. 17.

The effect of changes that take place as a result of virtualisation is the increase in efficiency of the businesses functioning¹⁶. Electronic networks allow to create seamlessly integrated value chain connecting the source of supply with located at the end customers. This affects not only the reduction of transaction costs, but also allows for faster and better flow of information between all elements of the value chain.

At the level of actually every element that forms a chain of company's goodwill, it is possible to take actions, on the one hand, introducing new business modules (closely related to the functioning of the Internet, networking), on the other hand, eliminating the traditional modules, associated with the so-called pre-Internet economy. In addition, the Internet allows for physical shortening of the value chain. Modeling and configuration change (in every possible arrangement) of existing well-known business tools is another method for the development of Internet businesses in a dynamic market environment without borders, which implies a different perspective on the processes of outsourcing.

8.2. Key Role in Outsourcing in Decomposition of the Value Chain

8.2.1. Trends in the Outsourcing Development

Outsourcing is defined ambiguously, although in both business practice and in management theory it should be considered as a well-recognised tool for strategy implementation¹⁷. The difficulty of defining affects the multitude of classification occurring in the literature, in which the most frequently raised issues concern distance between client and contractor, their dependence and financial objectives, in connection with which companies decide to use outsourcing. M. Trocki defines outsourcing as "a project that relies on separation from the organisational structure of the parental company the functions that it provides and transfer them to be done by other operators". On the other hand, T. Kopiczyński consider outsourcing in wider terms, i.e. as the transfer to the outdoor unit the use of resources of economic organisation¹⁸. This latter approach

¹⁶ S. Chen, *Strategic Management of e-Business*, John Wiley & Sons Ltd., West Sussex 2005, pp. 16–18.

¹⁷ M. Trocki, *Outsourcing, metoda restrukturyzacji działalności gospodarczej*, PWE, Warsaw 2001, p. 40.

¹⁸ T. Kopiczyński, *Outsourcing w zarządzaniu przedsiębiorstwem*, PWE, Warsaw 2010, p. 47.

corresponds extremely well to the decomposition of the global value chain, which the company may accomplish by: a) ordering parts of corporations' functions to external entities, or b) separating from the organisational structure its parts (along with the resources and competencies), and, therefore, giving it a legal form. Subsequently, with the so-formed business entity corporation may engage in cooperation on the principle of outsourcing. Also, frequently separated from the organisational structure of its parts form *joint venture* entities, arising from the combination with other organisations. They are set up to perform specific functions of the value chain creation (e.g. R&D).

The aforementioned observations confirm the specificity of widespread, especially among the group of transnational corporations, *off-shoring* which is reflected in the significant increase in the recent years of the number of orders concerned with provided services by companies located in other countries than the parental enterprise. The *off-shoring* processes of services in this case are initiated as a consequence of commercial transaction (requesting services from an independent company abroad), cooperation (e.g. subcontracting as a result of permanent cooperation) or investment activities (initialising foreign direct investments). According to OECD (*Organisation for Economic Co-operation and Development*), *off-shoring* is based on separating parts of business services, IT and research and development, and transferring them to businesses in countries with lower labour costs or a larger resources of intellectual capital¹⁹. To some extent, it corresponds with the definition of UNCTAD (*United Nations Conference on Trade and Development*), according to which it is a process that is based on production services in the territory of another state, which can be carried out as a result of internal activities (through the creation of a subsidiary unit, sometimes called *captive off-shoring*) or through international outsourcing (from a foreign contractor)²⁰. *Off-shoring*, like classically perceived outsourcing, may not only obtain a contractual form but also the capital one. With regard to the TNC, in the first case there are different types of agreements of *non-equity* type, and the outsourcing company is an independent business entity located abroad, associated with the client only through an outsourcing agreement. *Off-shoring* capital is mostly based on separating from the structure of the parental enterprise a part of its activities together with executing team of workers, and on this

¹⁹ *Offshoring and employment, trends and impacts*, OECD 2007, p. 15.

²⁰ *World Investment Report 2004. The Shift Toward Services*, United Nations – UNCTAD, New York–Geneva 2004, pp. 24, 147–148.

basis a subsidiary entity dependent financially is established. Frequently, to the service company a part of the business enterprise is joined (thus parental enterprise remains the owner of a new company – *off-shoring* of intra-company)²¹.

In the literature, in addition to outsourcing, there can also be found a number of related terms, such as: *divestments, co-sourcing, subcontracting, staff augmentation, flexible staffing, employee leasing, professional services, contract programming, facilities maintenance*, etc., most of which has a much narrower range of meaning than outsourcing²², and therefore do not make use in the holistic approach to the process of decomposition of the global value chain. Nevertheless, a multitude of different kinds of research concepts proves the complexity of the outsourcing process, which today found itself in a turning point. In the past, it was identified with the activity of a relatively small scale of functioning. Nowadays, it is perceived in terms of a global business addressed to a wide audience. Therefore, businesses that use outsourcing services and their suppliers are facing new challenges, all the greater because, as it was mentioned before, they must operate in conditions of uncertainty and strong political, economic and social turbulences. New expectations and new solutions in the field of outsourcing are also reflected in decomposition of the global value chain – spatial and functional defragmentation. Visible trends include:

1. Diversification of Outsourcing Providers

According to research conducted by McKinsey, 70% of vendors of ITO solutions (*Information Technology Outsourcing*) and BPO (*Business Process Offshoring*) come from three geographic regions (India, China and partly Philippines)²³. This type of specialisation, on the one hand, leads to a lower cost of provided services (especially at the beginning) in the long term, however, is associated with an increased risk – the effect, among others, of fluctuations in the rates of wage, inflation, changeability of the rate fluctuations, problems of access to talent. As a result, the initial savings may be eliminated by an increase in the cost of service providers and the prices of the services. Therefore, to reduce the risk of being at the disposal of service providers, diversification of service providers

²¹ R. Waźniak, *Co to jest outsourcing?*, "Serwis Finansowo-Księgowy" 2004, no. 26.

²² W. Janiak, *Outsourcing*, in: *Współczesne metody zarządzania w teorii i praktyce*, eds. M. Hopej, Z. Kral, Wrocław University of Science and Technology Press, Wrocław 2011, p. 92.

²³ M. Daub, B. Maitra, T. Mesøy, *Rethinking the model for offshoring services*, McKinsey, September, 2009.

appears necessary, which should be accompanied by a change in the approach to the selection of corporate business partners in terms of its place of location. The companies are increasingly turning to suppliers of non-specialised areas. They pay attention not only to the technological capabilities of service providers, but also to their realised business model, as it can have an effect on the quality of end-user applications, which in turn, according to the new strategic thinking in the enterprise, is located at the focal point of interest of the organisation.

2. Growing Interest in *Nearshoring*

In the past outsourcing has rarely been the subject of regulatory pressure, but this has changed. An important role was played by the new provisions on wages, safety, and financial reporting (e.g. not all services can be outsourced outside the European Union zone), as well as immigration. In this way, control and transparency have increased over the activities of providers of outsourcing services, which, however, is accompanied by an increase in prices of services in areas previously considered to be low-cost – they lose that title to its attractiveness. On the other hand, with advancing virtualisation of provided services, the customers pay closer attention not only to costs, but also to the competence and reliability of service providers²⁴. These factors cause the attractiveness of *nearshore outsourcing* (*nearshoring*) to increase – services contractor is located in a different country than the purchaser (the principal), but the distance between the cooperating entities is relatively small.

3. Models Change Towards *Multisourcing*

Providing services abroad in the recent years has been very common among the services which apply the latest techniques – ITO and BPO. Large and growing importance in the business world plays also outsourcing knowledge-based processes – KPO (*Knowledge Process Outsourcing*). It covers a very complex field of diverse scope, such as intellectual property, patents, research and development, pharmaceuticals and biotechnology, design and development of the aerospace industry. *Off-shoring* of IT and business processes, as well as *off-shoring* of knowledge-based processes is one of the most common forms of *off-shoring*.

²⁴ *Sourcing Trends 2014: The Year of Transformation*, <http://www.globalizationx.com/global-sourcing-year/> (5.07.2015).

However, also in this respect there are visible changes. Outsourcing is evolving from the BPO task-oriented services to the model of BPM (*Business Process Management*), in which the service provider is focused on aligning business needs and customer requirements through process optimisation. This trend fits into the growing importance of integration of services supported by service providers. Increases the so-called *multisourcing*, so can provide the recipient greater flexibility, better cost competitiveness and access to new competencies and skills²⁵.

4. Increasing Demand for Comprehensive Management Services

The increase of outsourced services causes the customers to devote more time for their managing. On the other hand, outsourcing alone, as a result of globalisation, consolidation and diversification of different industries, has become increasingly complex. Supported by rapid changes in technology, the outsourcing market is developing new services, identifies new business niches, and helps implementing innovative strategies. One of the major trends is the growing importance of *Managed Service Model* (MSM). Traditional client-vendor relationships lose on their prominence and the service providers become business partners of the client. In new business relationships the most important are final results, which in this respect will be gained by the customer²⁶.

These trends make outsourcing no longer neither a simple strategy or development, nor a simple tool for implementation of the strategy, as more and more management functions are taken over by the service provider. In other words, the way of relations between the provider and the recipient is changing, which makes the actual meaning of outsourcing to go beyond the commonly used definitions.

8.2.2. Outsourcing in the Strategic Tools Optics

Outsourcing is one of the most dynamically developing tools being used in strategic managing of the company. This is due to a number of factors occurring both in the business environment (the process of globalisation, the information revolution, the development of the new economy), as well as inside of it

²⁵ Ibidem.

²⁶ *Outsourcing Trends 2014: New Ways to Outsource*, <http://www.globalizationx.com/2014-will-be-about-new-ways-to-outsource/> (5.07.2015).

(primarily new business models). However, not every decision concerning the use of outsourcing in the company's development has a strategic dimension, i.e. focused on finding the right size of the organisation, which is adequate to the ambient conditions. In some cases, the order of service delivery to the external company can be associated only with transferring some activities outside the existing organisational framework, which T. Kopczyński perceives as a tactical outsourcing of a short horizon of actions²⁷. According to the author, outsourcing strategy is the result of a decision taken at a higher level of the management of a long-term character. T. Kopczyński extracts three stages (generations) of outsourcing evolution²⁸.

1. Outsourcing of the first generation, which is focused primarily on reducing costs – outsourcing providers, by making use of the effect of scale, can provide the necessary resources cheaper than if an organisation wanted to produce them itself.
2. Outsourcing of the second generation (otherwise strategic or transformational), in which the business model is transformed, as the organisation defines core competencies and dedicates resources to improve them, while other functions are realised outside the organisation.
3. Outsourcing of the third generation, which means that the organisation is cooperating (provider of outsourced services) becomes the initiator of the changes of the implemented model.

Not all authors though identify strategic outsourcing with the transformation outsourcing, and to the latter one they attach outsourcing of the third generation. R. Ważniak indicates that, in case of transformation outsourcing which are often recognised in the form of alliance, the supplier does not limit its role to support specific business processes, but also has the ability to make changes. It can create new products, open new markets, provide ideas. In this case, transformation outsourcing is believed to be a tool allowing to exploit the potential of service providers, which represent a potential external sources of innovation, technology, etc. It is also directed to increase the flexibility of the company, thus, the effectiveness, efficiency and speed of its response to changes in the market environment, which contributes to obtain a competitive advantage in the market. Transformational outsourcing is related to radical changes both in the framework of implemented business models, as well

²⁷ W. Janiak, *op.cit.*, p. 87.

²⁸ *Ibidem*, pp. 59–62.

as the reconfiguration of the company, which is necessary to survive in a turbulent environment²⁹.

Regardless of the definitional differences in outsourcing strategic key element is specifying the main activity (*core business*) as well as factors allowing for the identification of non-core activities (*non-core business*), which can be much more effectively implemented outside the environment of the particular company. The scope of outsourced functions in strategic outsourcing is much broader and executed on a larger scale than in the case of tactical outsourcing. What is more, "the new economy" and the technology allow to select wider number of options than in the past in case of making use of outsourcing, which entails the necessity of verification of factors deciding on the release of creative features for the value chain that are to be commissioned to an external contractor. There are doubts about whether the traditional approach of outsourcing non-core activities (*non-core business*) is always appropriate. In this respect two main issues are raised. First off all, the definition of *non-core business* is often subjective – e.g. when finances play a key function, and when they do not? Secondly, how to separate the key functions from the ones that support in the conditions of increasing complexity and interdependency between the functions implemented in the company? These types of doubts can be usually found in the group of ICT projects. In this case, the probability of side effects' occurrence resulting from "wrong" separation of functions is particularly high. However, these problems do not only concern the activities in the sphere of ICT. In terms of the information revolution, new bundles of links often generate new value, which is not, and does not have to be exclusively the result of concentration at key activity³⁰.

Strategic outsourcing, especially the one that belongs to the third generation, is an extremely complex tool, aimed at increasing innovation through commissioning part of functions (more often critical) to external entities, including also managerial character. The fulfilled in this way decomposition of the value chain, based on thorough analyses of existing and potential links, aimed at optimising the organisational structures in order to meet well the needs of the customer, also requires strong support from other strategic tools. In the context of close relations with outsourcing, in the literature and the economic practice a special role is attached to both the core competencies, *collaborative commerce*, strategic

²⁹ R. Wazniak, op.cit.

³⁰ C. Merk, J. Silver, F.D. Torrissi, *Rebalancing your sourcing strategy*, McKinsey, July 2014.

alliances, as well as the value chain analysis³¹. These are not the exclusive tools but complementary ones, because the realisation of the purpose and vision of the company with the definition of defragmented functional and spatial structure requires the use of many of them.

The decision to outsource is interdependent from the key competences being at the disposal of the organisation (outsourcing of second and third generation). The issue of identification of the latter ones and formation that is appropriate to the needs of flexible and changing organisation, both in terms of operational and strategic dimension, is complex and multi-faceted. As it is indicated by Z. Pierścionek, outstanding business skills stem from two complementary sources – its resources (those are the values, if create a strong demand for the company) and organisational skills³². The afore-mentioned is the ability to coordinate and organise the efficient use of resources, which in case of shared resources (defragmented structure) appears to be a great challenge for enterprises. The authors of the concept of core competencies – G. Hamel and C.K. Prahalad – argue that the innovative competences of enterprises decide on the leadership in the market and initiate the development of new industries and markets³³. Decisions related to decomposition of the value chain and the usage of, inter alia, third-generation outsourcing fit well in this approach. They require new knowledge, skills and competences from both the management (the vision and analytical skills), as well as other employees. The competency profiles of the positions need to be dynamic and adequate to the transformations occurring in the proximal and distal business environment, and in particular to those observed on the supported markets of products and services³⁴. Therefore, the portfolio of competences for the organisation needs to be constantly updated, audited, so it will result in adjustment of competency profiles to new tasks, organisational roles and objectives of the job enrolling in the mission and vision of the activities of spatial and functional defragmented organisation and in the process of building strategy starting with its production to control and verification.

The information revolution results in new premises and the possibility of decomposition of the value chain, as well as an increase in the number of

³¹ D.K. Rigby, op.cit.

³² Z. Pierścionek, *Zarządzanie strategiczne w przedsiębiorstwie*, PWN, Warsaw 2011, pp. 254–255.

³³ G. Hamel, C.K. Prahalad, *The Core Competences of Corporation*, "Harvard Business Review" 1990, May–June 1990.

³⁴ A. Bieńkowska, M.W. Broł, *Zarządzanie przez kompetencje*, in: *Współczesne metody zarządzania w teorii i praktyce...*, op.cit., pp. 173–175.

relationships with business partners, market and contextual ones in the traditional and virtual market space. *Collaborative commerce* (or *c-commerce*) gains in significance, where the focus is put on increasing revenue by introducing new products to the market faster than the competition. Cooperation, knowledge management and electronic commerce are the three main pillars of *collaborative commerce*³⁵. On the basis of this collaboration, new business areas and new business models are created, initiating creation of higher value. One deals in this case with cooperation in the range of not only the service functions, which is characteristic especially for outsourcing, but also manufacturing, under which work concerning production development and better adaptation to the rapidly changing and growing needs of the customer. *Collaborative commerce*, sometimes regarded also as *e-collaboration*, enables the enterprises to share data, documents, forecasts, and other important information in the creation of the value chain³⁶. This type of collaboration is, therefore, a considerable support for companies with defragmented functional and spatial structure and sets the framework for competition. It is helpful, on the one hand, in the construction of the strategy implementation process – of decomposition, on the other hand, in shaping the organisations' position in the market. A similar role can be attributed to strategic alliances, for which one can find many definitions and classifications in the literature. Z. Drzewiecki and R. Friedrich created their division from the point of view of: performed functions, direction of connections, intensity of relations and geographical coverage³⁷. In this case, the company shall decide which of the value chain should be merged. The links can be of a different nature – horizontal, vertical and conglomerate; of a competitive nature or not. As a result, especially in the case of major companies operating on international dimension, the cooperative and competitive network of relations become more and more complex. Therefore, taking this fact into consideration, increasingly often one talks about networks of alliances which include diverse, in terms of potential, types and places of business and organisational culture, companies that often constitute competition against each other. The composition of these relations also includes enterprises linked to each other on an outsourced basis.

³⁵ B. Thuraisingham, A. Gupta, E. Berito, E. Ferrari, *Collaborative Commerce and Knowledge Management*, MIT, Sloan School of Management (Working Paper 4348–01), 2001.

³⁶ B. Gregor, A. Łukaszewicz, *Kooperacja w ramach łańcucha wartości – wyzwania nowej gospodarki*, "Acta Universitatis Lodzianis Folia Oeconomica" 2004, no. 179, p. 170.

³⁷ Z. Drzewiecki, R. Friedrich, *Alianse strategiczne przedsiębiorstw*, TNOiK, Warsaw 1995, p. 15.

The management's problem becomes creating such a decomposition of the global value chain so that the company would be efficient³⁸ and meet customer's expectations. Hence, it is all kinds of analytical tools of the value chain become increasingly important, allowing management staff to make the right decisions. High expectations in this respect are associated with *Big Data*. This term is used for very large "data sets which simultaneously are characterised by a high volume, diversity, an inflow jet in real-time, variation, the complexity as well as require the use of innovative technologies, tools and methods of information in order to extract from them new and useful knowledge"³⁹. Their correct interpretation (important, in this regard, the key competencies) can be a source of competitive advantage also from the point of view of new, unique configuration of the value chain and utilise the synergies effects resulting from the application of a variety of strategic tools.

8.2.3. Decomposition of the Value Chain – Towards a Strategic Partnership

Fragmentation of functional and spatial activities and the ongoing process of decomposition of the global value chain is easy to observe on the example of transnational corporations. The latter ones, due to the cross-border nature of the business, can be perceived in the global organisation's categories, i.e. an organisation that works with many companies all over the world in order to provide the customer with the highest value regardless of the physical availability. The core of the independent location is the information revolution that has changed the ecosystem of business into a more favourable towards development of global business.

The global cooperating organisation consists of five main components, i.e. customers, suppliers, employees, global corporate governance and management. The most important element of co-operating organisations globally are the customers, especially elements related to elements such as⁴⁰:

- a. Location of customers in terms of product distribution. However, no less important are also other location factors like law regulations or cultural differences.

³⁸ More information under point 3.2.

³⁹ M. Tabakow, J. Korczak, B. Franczyk, *Big Data – definicje, wyzwania i technologie informatyczne*, "Informatyka Ekonomiczna Business Informatics" 2014, vol. 1, no. 31, p. 141.

⁴⁰ B. Unhelkar, A. Ghanbary, H. Younessi, *Collaborative Business Process Engineering and Global Organisations: Frameworks for Service Integration*, IGI Global 2010, IGI Global, pp. 66–75.

- b. The time access to customers, also including the access to information for customers.
- c. Creating added value in the supply chain to provide customers with additional benefits.
- d. Developing and strengthening the relevant business processes to better and more comprehensive customer service – ordering, production, delivery, accounting, after-sales service, etc. These processes shall be so constructed as to guarantee maximum customer satisfaction.

In the globally cooperating organisation, the tool for implementation the strategy by ensuring total customer satisfaction in terms of global economic efficiency, taking into account all of the afore-mentioned elements, turns out to be an adequate configuration of the value chain and its constant reconfiguration – adapting to the changing needs and conditions. The implementation of such a strategy can be met only by flexible organisations operating in an increasingly complex business networks. Global strategy of cooperation adopted by corporations is different – there is no single model, there are indicated, however, a few common elements influencing the selection criteria for suppliers and the extent and intensity of cooperation links – a framework for strategic cooperation. These are, at the same time, differentiating factors that distinguish the globally cooperating organisations and represent their values.

In this process, a large part is attributed to selection of business partners, including outsourcing and implementing their business model. Stakeholders of defragmented functional and spatial organisations expect results in the form of higher incomes and the better use of experience of the final customer. Therefore, outsourcing service providers face the new challenges, but also new growth opportunities. For this purpose, first of all, the shared service centres must provide a more comprehensive service, which to some extent results from the fragmentation of the global value chain, over which the process of the service provider lost a large degree of control. Secondly, many centres are still focused on the quantitative goals (growth). They encourage and facilitate the improvement of innovation in insufficient way. Leaders expect new ideas and suggestions – they do not know what and how to improve, however, this should be, in their opinion, the task of service providers⁴¹.

⁴¹ P. Chandok, S. Kekre, S. Khetarpal, *Taking captive offshoring to the next level*, "McKinsey on Business Technology" 2013, no. 32.

Meeting these new expectations aimed at improving customer service and, related with this fact, better results requires a modernisation of the value chain creation of outsourcing providers. It can occur in four ways⁴²:

- acquiring new functions for the creation of the value chain for the customers – this requires new skills of service providers, which may be obtained by:
 - a) transfer of large companies of producers e.g. the ICT sphere of services (such as IBM, Tata Consultancy Services, WIPRO),
 - b) evolution of the IT and PBO business to KPO,
 - c) greater specialisation (services targeted to the needs of companies from a single industry, e.g. service provided to only pharmaceutical companies);
- introducing new technological solutions (equipment and technologies) that promote greater efficiency of provided services;
- increase in the complexity and extent of provided services;
- implementing the knowledge and skills gained from one industry in different sectors.

Thanks to the above transformation, service providers can more frequently than in the past develop entrepreneurship and encourage its partners to undertake new initiatives. However, they also need to direct its actions to capture opportunities which is associated with the need to improve capabilities in this area.

Along with the growing interdependence of business partners through outsourcing, is determining the formal qualities of that partnership becomes an issue. Traditionally, one was dealing with capital or contractual outsourcing⁴³. In the latter case, the contracts clearly and precisely stated its conditions, such as: subject matter of the contract and its scope, budget, personnel and infrastructure, security, or the rules for carrying out any changes (to establish general rules of modifying the agreement). However, in the outsourcing of third-generation (sometimes identified with the transformation outsourcing) provider has a lot more opportunities to make changes. The task is mainly based on developing different types of processes and implementation of systems (e.g. IT for marketing needs), which will serve the implementation of a predetermined business purpose. These are no longer classic outsourcing solutions, as implementing business aims often involves an agreement between the various

⁴² G. Gereffi, K. Fernandez-Stark, *The Offshore Services Global Value Chain*, Centre on Globalisation, Governance and Competitiveness, Duke University 2010, pp. 13–21.

⁴³ See more: T. Pakulska, M. Poniatowska-Jaksch, *Światowe trendy offshoringu usług*, in: *Serwicyzacja polskiej gospodarki*, ed. I. Lichniak, Series of Studies and Analyses of Business Administration Institute of Warsaw School of Economics, Warsaw 2010, pp. 47–80.

types of suppliers⁴⁴. Therefore, transformational outsourcing is seen in the category of alliance, which – using the approach of Y.L. Doza and G. Hamel, it is not simply a joint venture (*joint venture*) and is distinguished by five characteristics. Firstly, in contrast to the traditionally captured joint venture, alliances of this type are a central point in the company's strategy. So it happens in case of decomposition of the global value chain of transnational corporations. It is both a strategy and its implementation tool, which increasingly often is being done by outsourcing focused on strategic partnership, using a variety of strategic tools, especially those mentioned above.

Secondly, the so called new alliances, defined by Y.L. Doza and G. Hamel, are concluded primarily to reduce the degree of uncertainty, not pooling of resources. In addition, they include more partners than traditionally perceived *joint venture*, often they are concluded in order to develop comprehensive systems and solutions rather than individual products, and due to the number of entered by the company alliances, uncertainty of the surrounding, and a large number of partners are increasingly difficult to manage⁴⁵. These types of features are connected with the third wave of outsourcing, which are displayed by:

- diversification of suppliers in order to reduce risk,
- increasing complexity of solutions within the framework of the undertaken cooperation,
- increase in the number of partners and the interdependence between them,
- search for new management solutions, as afore-mentioned models of MSM.

In other words, traditionally conceived outsourcing is evolving towards a strategic partnership, often taking a form of so-called new alliance in which each of the parties may be initiator of changes to the configuration of the created value chain. Partnerships may involve different elements of the value chain, including management functions, nevertheless, it is more and more difficult to define the key types of activity (*core business*) and the factors determining which can be considered as those and to be developed. In the conditions of dynamic changes and uncertainty of the surrounding, these relations and dependencies must be subject to constant changes. Therefore, decomposition of the value chain can be seen in the category of the fourth generation outsourcing, and the basic characteristics that distinguish it from the third generation, besides the above, are

⁴⁴ E. Gardner, J. Hogan, *The New Age of Outsourcing*, <http://www.ciainsight.com/it-management/expert-voices/the-new-age-of-outsourcing.html> (5.07.2015).

⁴⁵ Y.L. Doz, G. Hamel, *Alianse strategiczne. Sztuka zdobywania korzyści przez współpracę*, Helion, Gliwice 2006, pp. 28–29.

creating the network of suppliers, outsourcing key actions (*core business*), strong link between outsourcing with different type of strategic tools deciding on a kind of uniqueness of the solutions adopted and fostering greater efficiency.

8.3. Decomposition of the Value Chain in the Convention of New Strategic Thinking

8.3.1. Key Success Factors

In accordance with the above considerations, decomposition of the value chain is seen as a development strategic outsourcing equipped with new tools for implementing strategic partnership, i.e. new generation of outsourcing. Outsourcing, regardless of the stage (starting from the simple – tactical through strategic or transformational of the third generation, until recently revealed its complex formula based on strategic partnership), allows the company to achieve better results thanks to the possibility of entrusting control of external entities on activities in which competitive advantage is not achieved⁴⁶. These advantages typically include cost reduction (estimated at 5–10% and operating costs at 20–55%)⁴⁷, greater opportunities to concentrate on core competencies that are focused in TNC on genomes determining the value of added growth, increase of innovation, service improvement, increase of flexibility⁴⁸ and activities efficiency as well as avoidance of capital investments whose risk under uncertainty conditions increases, and this is reflected in the increase in the number of linkages between TNCs and their business *non-equity* partners.

Decomposition of the value chain, which is somehow constructed on the basis of distinctive complexity of the implementation forms of fourth generation outsourcing, may not always lead to success. This afore-mentioned is conditioned by:

- innovation implemented in consciously concluded strategic alliances, allowing for adequate transfer of knowledge;
- cooperation based on network relational abilities, leading to the development of new forms and relationships;

⁴⁶ T. Kopczyński, op.cit.

⁴⁷ *Business briefing series. 20 issues on outsourcing and offshoring*, Ernst & Young Australia and the Institute of Chartered Accountants in Australia 2011, p. 11.

⁴⁸ R.K. Kubik, V. Nagali, *How agile is your supply chain?*, "McKinsey Quarterly" 2015, April, p. 1.

- flexibility, which the source refers to the core competencies of business partners;
- multiple business models based on connecting activities of business models partners with implemented managing models of the global value chain.

Their common ground is for TNC the pursuit to business partnership, leading to an increase in the efficiency of global supply chain in accordance with the above-identified indicators of a new strategic thinking, based on the achievements of the information revolution, because IT is considered to be the base and a generator of significant changes within the decomposition of the value chain.

Using business partnership to build a global efficiency of the organisation and its role in this field as a tool of decomposition of the value chain cannot disregard the analysis of the emerging trends of development in “the new economy”, the stages of outsourcing development and development of the company and the scale of its operations. The effectiveness of the decisions to outsource covers actions both those basic that are always used regardless of its phase (outsourcing of the first, second, third, or fourth generation), as well as more complex (fourth generation outsourcing) that adapts to the dynamically changing environment, which includes:

- The evaluation of the strategy regarding business partnership. In entities operating in the international sphere, where the partnership is part of a strategy of decomposition of the value chain, we are faced with a complex dimension of the decisions. This new formula of business partnership affects not only blurring the order of occurrence of these phenomena (outsourcing of new generation, decomposition chain), but also their lack of unambiguous identification to strategic tools or even some kind of strategy. It is assumed that implemented as part of decomposition strategy the functional and space fragmentation is directed at NMS, which, as mentioned, is manifested in the pursuit of organisation's innovation, being more flexible, and this, together with the construction of the necessary network relational capabilities transfers into developing various business models. Those areas, both together and independently, represent an important source of competitive advantage, subordinated to the strategic objectives of the organisation.

Outsourcing does not always bring the expected economic benefits. In organisations that do not adapt business partnership to their strategy may result in increase costs, customer dissatisfaction and loss of market share. Hence, extremely important, regardless of the stage of partnership development (of the first or the fourth generation), becomes estimation of the addiction risk of

organisation's development on the contractor, it grows especially in case of selecting foreign partners.

- Analysis of feasibility – directly related to the evaluation of the strategy, in which the organisation's readiness to undertake business partnership should be assessed through the prism of its needs and absorption capacity of services through outsourcing, since this involves significant changes in the functioning of the organisation and requires specific skills in negotiations, change management taking into consideration risk and remote management. The key also becomes an analysis of what activities can be outsourced and which should be implemented within the organisation. According to a study of Ernst and Young⁴⁹, among the delegated business, taking into account the type of function, prevailed IT services and the smallest role was played by the activities carried out within the framework of administrative activities and in the sphere of finance.

Extremely important, from the strategic point of view, in the second decade of the twenty-first century seem to be decisions about digitalisation. According to study carried out by McKinsey the companies need to think carefully, in this respect, of the implemented strategy, because often enough it is better to resign attaching new opportunities of growth to traditional economy based strategies, adjusted to their organisational structures⁵⁰. Lack of appropriate competencies and new opportunities for enterprise's development based on the digitalisation cause the companies to increasingly often outsource functions associated with the digitalisation of the value creation chain, which also occurs in earlier generations than the fourth generation of business partners. Success depends on the ability to invest in technologies adequate to the strategy and scale of business. Relevant skills associated with new technological capabilities, such as data analysis, digital content and management, allow to reach the customer better and faster, conduct research, create different types of interactions. In these terms, they become essential in achieving success. Discounting the benefits emerging from digitalisation of the economy in terms of technological convergence favours the structure and organisational culture – digitalisation strategies must be adapted to organisational structure, talent development and sources of financing. Fast and agile organisational culture is necessary. IT architecture, in some cases, operates at two different speeds. Technology from the client side is modular and

⁴⁹ Ernst & Young's 2008 European Outsourcing Survey, after: *Business briefing series...*, op.cit., p. 10.

⁵⁰ T. Catlin, J. Scanlan, P. Willmott, *Raising your Digital Quotient*, McKinsey, June 2015.

flexible, for example the development and implementation of new *microservices* to provide customers with a personalised website in a few seconds. The infrastructure of the core, on the other hand, is designed for stability and flexibility that is necessary in management of transaction and support systems. The priority becomes managing data of high quality and security built in order to make basic business services reliable.

In order to accomplish it the companies need to focus on three key areas:

- of exterior orientation – developing culture of cooperation, including networking, ecosystems. This applies to both the internal and external environment (customers, suppliers);
- of increasing risk – high tolerance of bold initiatives. Rigorous monitoring data helps the teams to quickly refine or reject the new initiatives;
- of external cooperation.

The financial analysis of the project, where the benefits and costs of partnership based on outsourcing are subject to assessment, and the scale of business partnership is estimated by a range of processes subject to outsourcing and expected, in this case, increase in business benefits. This encourages organisations to carry out analysis of short, medium and long term approach, including scenario analysis and different ranges of uncertainty activities performed at the level of simple outsourcing, and in particular its complex formula (of third, fourth generation).

As a result, this phase of decision regarding business partnership is associated with estimating its impact on financial results (costs, scale of operations at which effectiveness of activities may increase, the time to perform such services abroad, etc.)⁵¹.

- Establishing business partnership aimed at increasing the efficiency of the entire chain organisation, playing a particularly important role in the partnership of the fourth generation. Initiating a partnership agreement, which explicitly defines the scope and level of service, responsibilities of the parties also regarding management, is significant for maintaining organisation's agility based on business partnerships and its effectiveness. This aforementioned action equipped with a compilation of relevant strategic tools can extremely help to achieve the benefits of the partnership and provide for

⁵¹ D.K. Rigby, *Management tools 2013. An executive's guide*, Bain & Company Inc., Boston 2013, pp. 42–43.

the effectiveness of the strategy based on the decomposition of the global supply chain.

The effectiveness and flexibility of the company to a large extent are derivatives of the appropriate selection of the service provider. In addition to the price, the list of selection criteria should include: assessment of partner's effectiveness in the context of goals of a long-term strategy, i.e. whether a potential partner shows commitment to customer relationship management, cultural fit, and if its characteristics are in line with the established framework of performance management and mitigation strategy of company's risk. The agreement should also provide suitable conditions to withdraw from it without incurring significant costs, including the risk of loss of skills and knowledge.

Hence, the selection of models adequate to the needs of business partner is one of the most important elements of the outsourcing process of the third and especially the fourth generation. It is related not only to reducing the risk, but also the implementation of new possibilities of development of the organisation through the use of IT. The principals still want to control costs, but from the service providers they expect new solutions and proposals, such as *cloud computing* and *Big Data*, leaving them in this respect much more freedom of possible solutions to use. For service providers it is a much more convenient solution – less costly and faster (no need to specify in detail the contract which also improves the time of its preparation), and also narrows the participation of prospective service providers (business partners)⁵².

- The evaluation of consequences of reconfiguring in the value chain of organisation based on business partnerships – transitional phase of undertaking the cooperation is often the biggest challenge for an enterprise that builds its advantage placed on cooperation with business partners, and the network relational abilities become determinant of its core competencies. Commencing cooperation can cause a lot of concern, including directly related personnel, both on the client side (job loss) and contractor (lack of physical proximity to the customer makes it difficult to maintain appropriate relationships and can affect the quality of production). Thus, for the smooth functioning of cooperation it is important for proper communication between business partners and the selection of a suitable business model, which aims to increase customer satisfaction and efficiency in the global chain.

⁵² E. Gardner, J. Hogan, *The New Age of Outsourcing*, <http://www.cioinsight.com/it-management/expert-voices/the-new-age-of-outsourcing.html> (5.07.2015).

The above observations are confirmed by the Ernst & Young study, according to which the main difficulties of configuration outsourcing business include: problems of finding a suitable partner, change management, staffing problems, legal and technical issues, including those related to IT⁵³. The effectiveness of IT management, as well as ensuring business continuity and preventing loss of knowledge, seem to be one of the most important elements influencing the successful development of the organisation through outsourcing.

- Ongoing management of the organisation which plays a special role in the outsourcing of the fourth generation. The basis for obtaining productive efficiency and effectiveness of the organisation is good management, which is based on both the understanding of customer needs and monitoring its implementation capabilities, as well as building a trust relationship between each of the parties. The lack of effective management, including the failure of risk management or errors of cooperation, is a key area that affects the impairment generated within the business partnership. Most of the losses appears after selecting a business partner – service providers, and the reduction of outsourcing benefits. The limitations include:
 - a) discrepancy purposes of cooperating parties, unused supply capacities (due to incorrectly specified portfolio);
 - b) errors in assessing the performance of business partners – suppliers (inaccurate assessment of the initial state of cooperation);
 - c) duplication of efforts and waste of resources (lack of operational management);
 - d) deteriorating results of cooperation as a result of poor risk management;
 - e) disorganisation and lack of a strategic approach towards partners' selection and adapting them to the needs of the customers (cooperation errors).

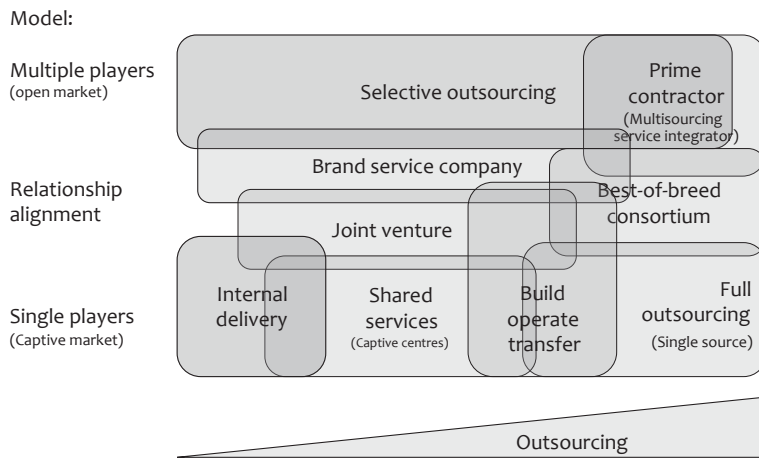
As a consequence, this reduces the success of the organisation building the global efficiency by decomposition of the value chain and, thus, affects the evaluation of business partnerships – outsourcing as a tool of decomposition.

Therefore, management this form of cooperation should be multi-faceted in nature to identify its unprofitable areas and help to develop effective strategies. It also requires large managerial skills among employees of corporations ordering services in order to effectively manage sourcing relationships, with regard to achieving mutual benefits by providing customer satisfaction.

⁵³ *Business briefing series...*, op.cit., p. 23.

Assessment of trends on the outsourcing market causes the improving effectiveness of coordinating the TNC's global value chain moves the search beyond the reduction cost. This implies the strategy oriented on achieving benefits through accessing geographically dispersed capabilities and investing in their development, economies of scale and flexibility. Creating alternative business models to traditional forms favours technological progress, and the processes of globalisation and liberalisation constitute supporting factors. Organisations use a wide range of techniques and models of services, including business partnership through outsourcing, hybrid development models and support of basic functions.

Figure 8.3. Business Partnership Models Based on the Use of IT Outsourcing



Source: own study based on: Gartner Inc., *How to Put Sourcing Models into Action to Address Business and Market Dynamics*, March 23, 2011, after: *Business briefing series...*, op.cit., p. 6.

Outsourcing that is well accommodated to the needs of the organisation gives the possibility of its proper leverage, leading to cost reduction, increased efficiency and creation of a sustainable business value, also through the acquisition of skills and tools of the virtual space. The benefits from increased efficiency and effectiveness of the organisation enhance the performance of multiple business models of organisations, affiliated to different degrees and through different tools of the global value chain and management of the chain, which has been shown in the activities of TNCs. Their proper selection and implementation entail new business relationships that create the circumstances to increase the flexibility and innovation of the global organisation, directed its actions on achieving success.

8.3.2. Convergence of Technologies Versus Reconfiguration of the Value Chain

Strong influence of globalisation on TNC's functioning, making easy to combine organic growth and entangled (based on access to external resources also through acquisitions, mergers), causes combining global scale with local advantages gaining significance. The dispersion of activities of multinational enterprises (replica on new markets) requires the consolidation of most of the processes (e.g. R&D, regional or global supply chain management), especially that the defragmented activities in such a complex organisation, in which each function requires determination of space in business strategy, management, coordination and cooperation with other functions in the organisation and individual business units, lead to many complications.

The information revolution causes the decomposition of the global supply chain to be much more complex than in the past, because of: a) the existence of the product in the real and virtual sphere, and b) new technological opportunities transferred into a wide range of configurations and decomposition of the value chain. In this latter case, the contributing factor of this type of activity is the progressive convergence of technologies. The term – convergence – relies on the assimilation of the processes and systems, as a result of which disparities are equalised and the boundaries of various divisions are blurred, which in the dimension of the world economy leads to a strengthening of international cooperation and the intensification of globalisation processes⁵⁴. A great driving force in this field plays the information revolution and the aforementioned convergence technology. According to Z. Pierścionek, the convergence of technology means that digital technology is used in many areas of the economy, which affects the unification of the adopted solutions⁵⁵. The unification is conducive to the emergence of new markets, the extension of their borders and the creation of new products. Thus, generally speaking, the impact of convergence technologies on the reconfiguration of the value chain can be seen in the context of two intermingled spheres, i.e. as:

⁵⁴ J. Teczek, P. Buła, *Dywergencja – próba analizy zjawiska w wybranych przedsiębiorstwach międzynarodowych*, in: *Zarządzanie zasobami. Dostosowanie polskich przedsiębiorstw i instytucji do wymogów gospodarki rynkowej*, ed. R. Rutki, "Zeszyty Naukowe Uniwersytetu Gdańskiego" 2003, no. 18, p. 325.

⁵⁵ Z. Pierścionek, *Nowe kierunki rozwoju przedsiębiorstw*, in: *Strategie rozwoju współczesnych przedsiębiorstw*, eds. Z. Pierścionek, K. Poznańska, Warsaw School of Economics Press, Warsaw 2000, p. 13.

1. Unification of adopted technology in the strict sense and its consequences for the decomposition of the value chain as well as the degree of using a strategic tool in the field, which is outsourcing.
2. Creation of innovation – occurring as a result of undertaking the strategic partnership (a new field of competition), which is conditioned by the convergence of technologies. New products, new markets or new business models lead to a reconfiguration of the value chain.

In the first intersection particularly a lot of space is devoted to the convergence of technologies in communication. Transformations that take place in this field that are part of basic principles of the new strategic thinking – they impinge on the flexibility of the organisation, innovation, enable the realisation of many business models in an enterprise, and their aim is to provide high customer value. From a technological point of view, the convergent solutions used in the enterprise include: internal communication systems (internet, remote control, monitoring, etc.), mobile services in business relationships (B2C, *e-commerce*), integrated telecommunications systems (resulting in a comprehensive customer service) and mobile applications both to provide database connectivity, as well as increasingly used for better customer service⁵⁶. An interesting example is the concept of BYOD (*Bring Your Own Device*) which is making use of private employees' facilities. Initially, the model was treated as a source of savings. In fact, it turned out that it often leads to increased costs generated by additional expenses related to the management, technical support and protection. Nevertheless, the concept is gaining in popularity. The examples are airlines that are looking for ways on how, by using smartphones, to improve the level of passenger's service, beginning with his arrival at the airport, through boarding the plane, until they leave the airport. The technology already exists, regardless of whether it concerns the communication, for example NFC (*Near-Field Communications*), or the so-called clothing electronics (*wearable devices*)⁵⁷. The problem, however, is its effective integration within business strategy.

The convergence of technologies between enterprises, including especially those operating on a global scale, with diversified business structure and defragmented functional and spatial structure allows different perspective on the reconfiguration of the created value chain. It can affect, among others, on:

⁵⁶ A. Żak, *Konwergencja technologii w firmie*, "Ekonomika i Organizacja Przedsiębiorstwa" 2010, no. 12, pp. 12–22.

⁵⁷ T. Kowalczyk, *Firmy polubiły BYOD*, Computerland TOP 200, 2014.

1. Selection of functions that can be outsourced by the company. Nowadays, it most commonly concerns: ITO (Information Technology Outsourcing), BPO (Business Process Outsourcing) and KBO (Knowledge-Business Outsourcing). The convergence of technologies makes the range of used outsourcing, which has already been shown earlier, to expand (BPM and *multisourcing*). However, this is not a simple procedure, because it involves taking a series of decisions of strategic importance, so that outsourcing does not become inconsistent in the horizontal and vertical integration created by the company of the value chain.
2. The choice of business partners. In this section grows the importance of compatibility occurring between the partners in terms of:
 - a. ICT structures. Increasingly, the efficiency of the transaction is determined by the compatibility of the technological structures that can generate additional synergies. Research conducted by McKinsey has shown that in the case of mergers, connections or selling part of the company, IT departments immediately undertake the integration tasks focused on process changes to ensure the development of higher value than previously in the long term perspective. The most important are the first 100 days needed so that the organisation is not plunged into a long-term organisational chaos⁵⁸. Given the changing role of outsourcing – in the direction of the strategic partnership and the fact that service providers are increasingly taking over management functions, it can be assumed that in this case the ICT architecture compatibility also gains on significance.
 - b. Strategy digitalisation. The process of digitalisation is conducive to innovation and in the long term can be a source of additional benefits. Digitalisation is also a better contact with the customers⁵⁹. It provides the development of web applications for consumers who use constantly updated software in the cloud, accessible to the masses and intuitive to use. Therefore, common direction of development and the place of digitalisation in the strategy of business partners affects the effectiveness of this collaboration.
3. In the future, along with other trends in the development of outsourcing, convergence of technology can foster a change of decision-maker, who is

⁵⁸ J. Akella, N. Gargi, T. Mehrotra. *Putting digital process innovation at the center of organisational change*, McKinsey, July 2015.

⁵⁹ J. Akella, N. Gargi, T. Mehrotra, op.cit.

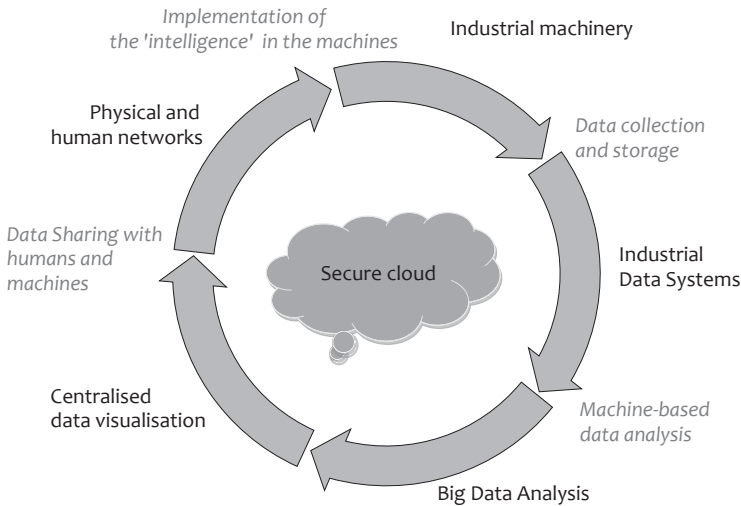
responsible for decisions regarding the scope and manner of decomposition of the value chain's creation, or some of its functions. A manifestation of this phenomenon is a dynamic development of SMEs model (Small and Medium Size Enterprises), which is currently the most widespread in the IT sector. Technological progress has helped to redefine the management, currently combining advanced and comprehensive services for companies (e.g. data centre management, servers administration and mass storage) with a constantly expanding offer, closely tailored to the individual needs of the organisation. Providing services companies show that this type of solution leads to a reduction in total cost of ownership (TCO – *Total Cost of Ownership*), capital expenditure (CAPEX – *Capital Expenditures*) and operating expenditures (OPEX – *Operating Expenditures*). Specialists from M&M (*Markets and Markets*) estimate that over the next five years the growth rate of the *Managed Services* market in the IT sector will be at the level of over 12% per year and in 2018 it will reach 265 billion⁶⁰. Nevertheless, many companies are concerned that with the development of this type of outsourcing services model, the risk of loss of control over the activities of the company will increase, not only in operational terms but also in strategic dimension.

As it was mentioned previously, the convergence of technology can also be seen as a source of penetration and development of new economic activity, emerging, among others, at the interface between production and ICT (*collaborative manufacturing*). For example, the share of electrical components in American cars as a percentage of total costs in 2000 amounted to 20%, now it stands at 35% and is likely to increase to 50% in 2030 (in hybrid cars by up to 80%). An interesting solution is a GE strategy *Industrial Internet*, involving the creation of new services based on a common data about its products connected to the global information network. According to GE, the users of “hard” products such as airlines, railroads, power companies, oil companies, etc. will soon have to cope with an unforeseen expenditure of 150 billion USD, resulting from technological problems. The strategy of *Industrial Internet* comes up against these challenges. By collecting information through the Internet about the technical condition of appropriately grouped sensors and other technologies, and in-depth data analysis one can be quickly and effectively counteract these problems. Such a preventive action significantly reduces the risk of major technology disruptions.

⁶⁰ *Managed Services. Nowy trend na rynku outsourcingowych*, http://www-05.ibm.com/pl/pdf/managedservicesreport/Managed_Services_Report_final.pdf (5.07.2015).

In order to create this type of service, it is estimated that GE will release by the end of 2050 1 billion USD.

Figure 8.4. Industrial Internet (Based on GE as an Example)



Source: own study based on: <https://www.gesoftware.com/industrial-internet> (5.07.2015).

In this way GE is building a new business service model based on the analysis of data on the state of the technology of products used by the market customers. The three key elements related to realisation of an *Industrial Internet* vision are:

1. network-connected “smart machines” equipped with sensors that can monitor and create favourable conditions for technological control;
2. advanced analytics that enable to process data from the data collected from more than 1 billion sensors built into the machines operating in the network;
3. people, especially engineers, who use the obtained information for the construction of competitive advantage.

The project of this type, due to its size and coverage, is not likely to be realised independently even for such a large corporation as GE. Therefore, it was decided to cooperate in this regard. Kaggle was selected for a business partner – a leading company in data analysis, Pivotal, which created for the needs of this project i.e. the analysis of vast amounts of data, the appropriate operating system, Amazon.com – solutions supplier in the cloud, and Salesforce.com, which is responsible for forwarding error information to engineers in real

time⁶¹. A business network, based on both the new needs arising from the convergence of technologies, along with new expectations regarding the offer from outsourcing providers, is created in this way.

Collecting, analysing and disseminating data to dedicated servers is a new technological and logistical challenge to be confronted by businesses. That is why large corporations, such as GE, AT&T, Cisco and IBM decided to create *Industrial Internet Consortium*. The aim of the activities of a *non-profit* organisation is to break down technology silos, improve communication machine-to-machine and convergence of the physical world with the digital⁶² (“a marriage” of machines and analytics). The above phenomena lead to blurring of differences between sectors, whole sectors and spaces (real – virtual), among which the enterprises do business. This in turn affects the type, scope and location of resources collected to the executed function, and thus the configuration, in an era of turbulence also on the decomposition of the value chain, therefore, the process of building strategy.

Not all companies are as innovative as GE. Nevertheless, the problem of implementation of new solutions concerns all, as proved by the increasing involvement of enterprises in the process of digitalisation. The latter one, as a critical factor in competitiveness, is perceived by approximately 80% of respondents in the research conducted in 2014 by McKinsey among executives of companies gathered in DMDII (Institute of Digital Manufacturing and Design Innovation, bringing together more than 200 organisations, including industry, government and academic communities). At the same time, only 13% of respondents believe that the possibility of digitalisation in their company is high. Most of them, including companies considered as leaders in digitalisation, emphasise that the digitalisation suffers from many limitations, and companies lack the necessary standards for data sharing and cyber security⁶³. Solving these issues can increase both the possibilities regarding configuration and decomposition of the value chain, as well as the number of companies choosing to operate in increasingly complex networks of functional and spatial connections.

⁶¹ S. Konomoto, *Challenges Facing the Rebirth of Japanese Manufacturing: Part 1*, “NRI Papers” 2014, no. 195, June 1, pp. 12–13.

⁶² T. Kellner, *When Hardware Met Software: Mining the Value of the Industrial Internet*, July 8, 2014, <http://www.gereports.com/post/91057813850/when-hardware-met-software-mining-the-value-of> (5.07.2015).

⁶³ J. Nanry, S. Narayanan, L. Rassey, *Digitizing the value chain*, “McKinsey Quarterly” 2015, March, p. 2.

Conclusions

The information revolution and deepening uncertainty with regard to conducting business on a global scale lead to decomposition, i.e. the dismemberment of the value chain and its reorganising in the traditional and virtual sphere, along with their compilations. This is done in terms of hierarchical breakdown of TNC and creating more flexible units operating within the business network, enabling implementation of innovative ideas and delivering value to the customer in an unprecedented way. Decomposition in this case is a tool used to implement the strategy since its generation, throughout the implementation, control, to the verification (process concept), wherein the base structure is classically viewed as tactical and strategic outsourcing.

Changes, occurring in the environment and within the company, cause strategic outsourcing to increasingly go beyond the framework set in the literature, and takes the form of a strategic partnership in the form of, the so-called, new alliance, to be incorporated in order to reduce uncertainty, and its basic features are the diversification of suppliers, increasing complexity of solutions within the framework of the undertaken cooperation, a large number of partners and increasing between them the scale of interdependence – creating a network of cooperating suppliers and search for new management solutions (e.g. MSM models). Moreover, partnerships seen in this way apply to key actions, not yet subject to outsourcing.

This type of outsourcing, which due to the specific characteristics can be defined as a fourth-generation outsourcing, is an extremely complex tool, showing strong links with other strategic tools, especially with key competences, *collaborative commerce*, strategic alliances or the methods used for value chain's analysis. In this situation, including the aim of using this sophisticated tool and decomposition of the value chain ensuring high efficiency and providing the customer with the expected value, it can be determined that such an outsourcing is identical with the decomposition of the value chain perceived in the category of strategic tool. In other words, decomposition of the value chain is a higher, more sophisticated level of strategic outsourcing.

Decomposition of the chain, as classically comprehended outsourcing, does not always provide expected economic benefits. The effectiveness of decisions in this area include activities both basic activities always used, regardless of its phase (outsourcing of the first, second, third, or fourth generation), and more

complex – decomposition of the value chain. In the latter case, one of the most important elements is the selection of model which is adequate to the needs of a business partner. In organisations that do not adapt business partnership to their strategy, it may follow with increase of costs, customer dissatisfaction and loss of market share. The choice of partner is also impacting on innovation – the client expects new solutions and proposals from service providers, such as *cloud computing* or *Big Data*, leaving them, in that regard, a lot of discretionary power. Achieving success in the strategic partnership is also determined by the convergence of technology, thanks to which the decomposition of the value chain can be a value in itself and be an important source of competitive advantage. It affects both the separation of possible to request functions outside the organisation (including management), selection of partners, including the pursued strategy of digitalisation and the creation of new products or the development of markets. The convergence of technologies, guaranteeing compatibility of the ICT structures between business partners, determines not only innovativeness, but also flexibility, high network relational abilities and realisation of many models in fragmented functional and spatial organisation, and thus allows to manage according to the determinants of the new strategic thinking. Nevertheless, every corporation is different. There is no single model of decomposition of the value chain to guarantee the success resulting from its application. Organisations use a wide range of techniques and models of provided services, including business partnership through outsourcing, hybrid development models and model of supporting basic functions, according to their strategies, capabilities and environmental conditions. Therefore, you can designate only the basic features of the decomposition of the value chain as a strategic tool, because there are no measures so far that enable a comprehensive, objective evaluation of the effectiveness of this tool.

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Final Conclusions

Changes in running a business and the way of thinking of it is attributed the need to assess and verify commonly used tools in the strategic management of the company in order to implement the strategy. In the presented publication there have been raised many intersecting threads of which a few conclusions resulted with correlation occurring between tools and new thinking in strategic business ordinance. The most important are the following:

1. Lack of dedicated tools for organisations that characterise with new thinking in strategic management of the company, which to a large extent is the result of:

- a) ambiguous definitions and classification tools in strategic management,
- b) the way of defining a new strategic thinking.

In the literature, the issue of tools in the strategic management of the company is often raised and it might seem that knowledge on this subject is structured. The research in this area shows that the problem is a bit more complex, as many authors avoid resolving the fundamental problem, which relates to when the specific principles, methods and actions may carry the name of strategy and when they provide means of its implementation. As a result, the tools can be defined very broadly, i.e. in the context of strategic objectives, or very narrowly, instrumentally, and each of these approaches entails certain issues in the theoretical and practical dimensions. These issues include the difficulties associated with the identification of areas of strategic management, as there are no tools or methodical knowledge. In this regard the criteria proposed in the publication for the classification of instruments may be helpful in relation to:

- a) area of tools used in the process of strategic management,
- b) level of strategy,
- c) areas of strategic analysis.

This type of approach enables the identification of areas in which, due to the features of new thinking, exists a vulnerability tool – shortage of analytical tools regarding methods for assessing the conditions of construction and

implementation of strategies as well as methods of business strategy analysis. Nevertheless, companies can rely on many tools identified in the literature in the range of strategic management. Those that support the strategy for preparing the organisation for change, geographical and functional regrouping and construction of multiple business models in the organisation are more technical in contrast to the third area, which is building a network of relational capabilities, where dominate technical and relational tools. Among the four analysed processes that take place in the new strategic thinking, management tools in certain cases are repeated and for their implementation the companies use several complementary tools.

2. Focusing on “computerisation” of tools

In case of a flexible innovative company, working on the network and implementing a number of business models within one organisation, the tools based in a greater or lesser extent on ICT proved to be extremely important. The conducted research in this section refers to:

- a) Innovation – expressed in the support of recognised tools for new technologies – examples of schedule is a CRM and cloud computing, which lists among the most important IT trends changing way of managing organisations. Moreover, it is used in correlation with other major trends shaping the modern way of doing business, i.e. such as mobile Internet, *Big Data* and advanced analytics, 3D printing, and the Internet of Things.
- b) Extensions of scale and scope to use well known tools – e.g. outsourcing. At the level of practically every element forming a chain of goodwill, it is possible to take actions to introduce new business modules closely based on the Internet and networking, which affects the changing nature of the outsourced services, their number and scope. Also, increase the so-called *multisourcing*, which provides the recipient with greater flexibility, better cost competitiveness and access to new competencies and skills. There is also increasing demand for Managed Service Model (MSM).
- c) Efficiency – perceived through the prism of the impact of institutional factors on the organisation. These factors in various degrees affect different areas from the point of view of development of a new strategic thinking, however, their effectiveness is positively correlated with the technologically conditioned character. These tools, using IT and analysis of *Big Data*, give

the companies that are using them an advantage over the competition, as well as allow to generate more innovative solutions.

3. Focusing on customer's satisfaction

It is difficult to identify which tools are “the best” in the optics of new thinking in the strategic management of the company because it is determined by the reference plane. Business Reengineering, Lean Management and Total Quality Management consider customer satisfaction as an important factor in business success. The customer satisfaction is, however, a complex issue. It is affected by both factors under company's control, as well as those beyond the control, including those of the institutional and regulatory character. Offering the customer a high quality products and services tailored to their expectations requires, among others, the creation of appropriate structures and organisational procedures, integrated management that enables collaboration between different departments of the company, taking actions aimed at reducing the quality gaps, as well as market research and using well-chosen tools for measuring customer satisfaction. Currently, the most widely used is CRM, supporting businesses interaction with its surroundings, from a phase of the search for potential partners through customer segmentation adequately to the objectives of the company, identifying and allocating resources needed to initiate cooperation with high probability, signing the contract and placing an order. Importantly, it is a tool that enables to recognise the needs of the customer in the virtual space, which in the optics of new thinking in strategic management of the company is crucial.

4. Searching for new (and/or modification of existing) tools that are more adequate to the turbulent changes in the environment

In a broader concept, especially in the field of using tools in the process of strategic management, there is a place for “new” ideas that cannot always be called tools. They can be perceived on the basis of:

- a) Regulation treated as an interdisciplinary perspective that associate law as a public regulation along with social control (e.g. social norms, market, organisational culture, ethics, architecture of the Internet). The law of new technologies, the Internet, electronic media of financial sector, etc. constitute the context of reasonably assigned mission (vision) and the objectives as well as values (strategy) of the company. Considerations included in the

publication tend to admit the possibility of separating the regulation, i.e. perceiving it as a separate tool to formulate and implement the company's strategy. In the interest of every business lies the optimal positioning of the institutional system (*compliance*), for which a necessary amount of appropriate knowledge and skills in the field of RIA (Regulatory Impact Assessment) is required, and in particular, the economic analysis of law (Law and Economics).

- b) Informal institutions aimed at strategic analysis of the company, which could support the management of external informal relations in the host countries, characterised by different dynamics and diversity of informal institutional environment that affects not only these types of areas. These include: stabilisation, specialisation, adaptation, flexibility and integration – which can be analysed separately due to market expansion or as a bundle strategy that takes into account entering the company's activities into the wider geographical coverage.
- c) External development as a method of strategy implementation. Under the conditions of turbulences of the environment and hyper competition, the companies are increasingly turning to the entangled development rather than organic one, which can take place in very different and complex ways, and thus be analysed on different levels. This includes mainly processes of merging and acquisitions, which are both treated as an independent strategy, and as a method or tool to implement the strategy (e.g. the senior strategy in a strategic management). They belong to a frequently used forms of business development, being a response to changes in the environment of the organisation, as well as an expression of anticipating changes and the sign of enterprises' flexibility in the process of dealing with uncertainty, and therefore, a manifestation of a new strategic thinking.
- d) Comprehensive approach that refers to the whole area of strategic management process. An example might be a decomposition of the global chain of values, which is a tool used to implement the strategy since its production, through the implementation, monitoring, until verification (recognition process), whose base structure is classically considered tactical and strategy outsourcing.

Each and every enterprise is different – in terms of size, sector, country in which it operates, it also implements different strategies and, on the grounds of these factors, selects the tools. They need to be adapted to the specifics of the organisation. In the optics of new strategic thinking operates the same law,

which means that every company as per the used tools, reaches different level of flexibility, innovation or relational advantage.

Regularities presented in the paper concerning interactions between tools and new thinking in the strategic management of the company are an attempt to look at the needs in terms of instrumentation of modern organisation. The selected examples do not constitute a closed set and are worth, according to the authors, a further in-depth research leading to the creation of new theoretical constructions.

