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Introduction

Economic crises significantly affect the way of enterprises’ functioning. A crisis affects various areas of the enterprises’ business, such as strategy, resources, business models or issues related to leadership and organisational structure. The reference literature however is lacking a comprehensive study of these problems. Especially the number of Polish studies showing the crisis’ impact on their behaviour and performance is very small. Thus, the research, the results of which are presented in subsequent articles, was to answer the question: how did the 2008–2013 crisis affect the performance and behaviour of the biggest Polish enterprises and which of the enterprises’ features and behaviours had a positive influence on their resilience to the crisis?1 The research was carried out under a scientific grant of the National Science Centre no. 2011/03/13/HSR/04922, entitled”Determinants of Polish enterprises’ resilience to macroeconomic crisis”.

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1 M. Romanowska, Reports of the Research: “Determinants of Polish Enterprises’ Resilience to Macroeconomic Crisis”; 2011/03/13/HSR/04922.
The enterprises’ resilience to the crisis is understood as a long-term ability to develop and to simultaneously generate good economic results in spite of the macroeconomic crisis. Unfortunately, a methodical problem occurred, i.e. the lack of index measuring resilience to the crisis. There are only calculations of features that a crisis-resilient enterprise should have. The situation and condition of enterprises during the crisis is often assessed using financial analysis instruments for the assessment of enterprise effectiveness. It was however assumed in the research that methods of forecasting financial risk would be better to assess the crisis resilience. Due to the specific nature of the research focusing on the enterprises operating in Poland, a model proposed by Professor E. Maczyńska was used, which is better adapted to the Polish conditions than foreign models. G model (Z7 INE PAN)\(^2\) was chosen from several models, as it had a high effectiveness of bankruptcy warning.

The research focused on the analysis of a range of factors that could have influenced the enterprises’ resilience to the crisis. These were, among others, features of the analysed enterprises and elements of their behaviour related to strategy, resource management, business models, innovation, structural solutions, organisational structure and leadership.

1. Research Method

The research was carried out on two levels: quantitative one and qualitative one, on a sample of enterprises quoted on the Lista 2000 list of the Rzeczpospolita newspaper. The quantitative research was based on the method of standardised interviews (i.e. comprising questions in a strictly defined order and invariable wording, usually closed-ended). The method was modified in the technological respect, whereby the direct contact of the interviewer with the respondent was replaced by a telephone interview, and the paper version of the questionnaire was replaced by a computer programme (in the reference literature this method is called CATI (Computer Assisted Telephonic Interview)). The CATI method enabled an analysis of a big set of data, although it did not allow for a detailed and in-depth analysis of the enterprises’ behaviour during the crisis. It was levelled in the qualitative research.

In the qualitative research, the results of which are presented in subsequent articles, a method of collective case study was applied\(^3\). The collective case study

\(^2\) The measurement was made according to the following formula: \(Z_{7\ \text{INE \ PAN}} = -1.498 + 9.498 \times x_1 + 3.566 \times x_2 + 2.903 \times x_3 + 0.452 x_4\), where \(x_1\) – operating result/total assets, \(x_2\) – own capital/total assets, \(x_3\) – (net financial result + depreciation) / total liabilities, \(x_4\) – current assets/short-term liabilities.

comprised six instrumental case studies. Each of the six instrumental case studies was based on semi-structured individual in-depth interviews (IDI) with the members of management staff, as well as on the analysis of documents and their contents.

Individual in-depth interviews (IDI) were carried out by Indicator. Centrum Badań Marketingowych company. They covered a detailed conversation with the representatives of selected economic entities. The conversation did not have a fixed scenario, it was rather aimed at deepening the information and gaining detailed knowledge in the five areas indicated by the researchers. The IDI research was built around several questions that were to give understanding of the enterprises’ behaviour during the crisis. The questions were as follows:

1. When did you feel the negative impact of the economic crisis on your enterprise? (what were the symptoms?; what were the reactions of the employees?; were the employees informed about its?; if yes – in what way?; if not-why?)
2. What measures did you apply first to defend the company against the effects of the crisis? (who initiated them?; did the company’s resources management policy change?; was the strategy of the enterprise’s operation on the market changed?)
3. What anti-crisis measures were introduced in the subsequent years of the crisis? (what where the strategy-related measures (their effectiveness, course, changes); what were the measures related to resources (their effectiveness, course, changes)?; what were the measures related to organisational structure (e.g. establishing new units, restructuring, their effectiveness, course, changes)?; what where the innovation measures (new patents, technologies, marketing, products), their effectiveness?; what were the measures related to business model (their effectiveness, course, changes)?; did the people’s attitude to the enterprise change?; did new leaders appear?)
4. What factors were most significant for overcoming the crisis? List and describe them.
5. Did the crisis experience make you introduce permanent changes in the way the company is managed? What are these changes?

The documents were examined and their contents were analysed simultaneously to the IDI research. Examining documents and analysis of their contents is a method commonly applied in the management research. Information on some aspects of actual functioning of the analysed entities and their performance can be obtained on the basis of these documents. An unquestionable advantage of this research method is the possibility to make comparative analysis of phenomena and processes⁴.

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2. Research Sample

Six holdings from the Rzeczpospolita newspaper’s Lista 2000 were selected for the qualitative research. They were selected from among holdings, the value of $Z_{7\text{INE}\text{PAN}}$ index in 2007 was positive and it was higher in 2011 than in 2007. It was additionally assumed that the selected companies had to be listed on the Warsaw Stock Exchange. It made it easier to obtain additional information on the analysed holdings from documents such as consolidated reports of the holdings, annual reports of parent companies, prospectuses, lists of management board members. Also information presented on the websites and in specialised press was considered. Rich documentation which was gathered made it possible to describe the analysed holdings in respect of a range of parameters, the identification of which was not possible the quantitative research.

The selected holdings, or, in other words, groups of capital, were: Orbis, Redan, Marvipol, Impexmetal, Budimex, Ciech. Two holdings were classified as permanently resilient to the crisis. These were Orbis and Impexmetal. They were classified as permanently resilient to the crisis on the basis of a dynamic analysis of financial performance and the value of $Z_{7\text{INE}\text{PAN}}$ indicator. Orbis and Impexmetal holdings had relatively steady financial performance, while the value of their $Z_{7\text{INE}\text{PAN}}$ indices were usually exceeding the average value of the $Z_{7\text{INE}\text{PAN}}$ index for a given industry and were never negative during the analysed period. A general description of the analysed holdings is presented below.

Table 1. Description of the Analysed Holdings

<table>
<thead>
<tr>
<th>Holding</th>
<th>Origin of a Strategic Investor</th>
<th>Polish Classification of Activities</th>
<th>Industry Description</th>
<th>Sale Proceeds in 2013 (PLN Thousand)</th>
<th>Net Results in 2013 (PLN Thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budimex</td>
<td>foreign</td>
<td>4211</td>
<td>Construction and assembly services</td>
<td>4 749 459</td>
<td>301 300</td>
</tr>
<tr>
<td>Ciech</td>
<td>national</td>
<td>4690</td>
<td>Activities on the chemical market</td>
<td>3 501 020</td>
<td>49 447</td>
</tr>
<tr>
<td>Impexmetal</td>
<td>national</td>
<td>2442</td>
<td>Activities in the aluminium sector and copper semi-products</td>
<td>2 728 681</td>
<td>86 134</td>
</tr>
<tr>
<td>Marvipol</td>
<td>national</td>
<td>4110</td>
<td>Real estate development business, import and sales of luxury cars</td>
<td>494 332</td>
<td>13 645</td>
</tr>
<tr>
<td>Orbis</td>
<td>foreign</td>
<td>5510</td>
<td>Hospitality business</td>
<td>682 601</td>
<td>64 983</td>
</tr>
<tr>
<td>Redan</td>
<td>national</td>
<td>4642</td>
<td>Designing and sales of clothes</td>
<td>413 200</td>
<td>3 400</td>
</tr>
</tbody>
</table>

Source: own work on the basis of the analysed holdings’ data.
3. Recapitulation

As a result of the qualitative research six instrumental case studies were produced. Each of them concerned one holding and consisted of the following sections: general information about the company, strategy, business model, resources, innovation, structures, network structures, leadership, recapitulation. Resilience to the crisis of the analysed holding in 2007–2013 is assessed in the recapitulations, it also comprises description of factors affecting the enterprise’s situation split into external determinants and internal factors of crisis-resilience, as well as assessment of perception and response to the crisis.

The qualitative research allowed for and in-depth analysis of determinants and resilience to the crisis on the example of the selected economic entities. Subsequent articles present results of the research carried out. The first article by Professor Maria Romanowska, PhD, comprises an analysis of the perception of the crisis and a description and evaluation of anti-crisis measures. The next one, written by Professor Agnieszka Sopińska, PhD, is about resources management in an enterprise. The author tries to answer the following question: did the macroeconomic crisis influence the methods of resources management in the holdings operating on the Polish market and, if yes – how? The third article by Wioletta Mierzejewska presents results of research showing the way the complexity of holdings changed in the crisis. This aspect is also addressed in the next article by Albert Tomaszewski, M.Sc., who analyses various network structures of the holdings and gives examples of their use for various strategic objectives in response to the changes in the surrounding environment. The article by Sylwester Gregorczyk, PhD, analyses business models of Polish enterprises during the period of the economic crisis. The author describes business models of selected Polish enterprises during the 2008–2013 economic crisis and indicates areas determining the enterprises’ resilience to the crisis. The next article by Bartosz Majewski, MSc, analyses measures that were implemented by real estate development companies during the 2008–2013 crisis. The last article by Sławomir Winch, PhD, refers to soft aspects of a holding management, i.e. description of management style in the selected holdings and its changes resulting from the macroeconomic crisis.
References

Strategic Responses to the Crisis

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Abstract

The article presents the results of case study research on six big holdings. The aim of the research was to define the perception of the crisis by the managerial staff and to define the way and effectiveness of enterprises’ response to the macroeconomic crisis. Big differences in enterprises’ strategic responses have been reported both with respect to the scope and quality of changes, as well as to the speed of response to crisis threats although these changes were mostly reactive, i.e. they were introduced only after the threats had occurred, all the enterprises managed to survive the crisis and maintain the necessary crisis resistance in the last year of the crisis due to appropriate combinations of changes of strategies and operational actions.

Keywords: crisis, crisis resistance, strategy, strategic anchors, anti-crisis measures

1 The article presents results of research carried out as a part of NCN research project 2011/03/13/HSR/04922 entitled “Determinants of Polish Enterprises’ Resistance to the Macroeconomic Crisis”.
Introduction

Instead of quantitative research, case studies are often applied in research on strategy. Although, in contrast to quantitative research, qualitative research does not give the possibility of verifying hypotheses concerning the intensity of variables, their dynamics and relations with other variables, it allows for a more detailed insight into a given problem and its analysis against the background of external and internal conditions. The research presented herein covers the description of six holdings including information on the following aspects of strategy: strategic choices and their external conditions; strength and dynamics of the crisis in a given sector and enterprise; the manager’s perception of the crisis and their way of responding to crisis-driven situations.

The article is to give an answer to the question on how the examined holdings coped during the years of crisis. It focuses on the perception of the crisis, as well as a description and evaluation of anti-crisis measures.

1. Perception of the Crisis

The literature on decision-making issues indicates numerous factors adversely affecting the quality of decisions taken in crisis conditions: the fast degradation of an enterprise’s situation, external pressure, lack of time for undertaking measures and financial restrictions. These factors cause mistakes and irrational behaviour among managerial staff, employees and business partners, and consequently make the crisis even worse for an enterprise. A set of eight criteria have been formulated to evaluate the perception of the crisis and the quality of the management’s response to the crisis.

Criterion 1. The moment of noticing the crisis symptoms. 2007 was the last year of a good economic situation in Poland and in the world, and the last appropriate moment to verify the strategy and to undertake monitoring measures providing protection against the crisis. Noticing the crisis after 2008 proves lack of strategic vigilance, even if there have been no symptoms of crisis at an enterprise.

Criterion 2. The moment of response. A correct response to the crisis, if it did not happen in anticipation, should occur immediately after noticing the symptoms of the crisis in an enterprise.
**Criterion 3. The scope of changes.** The scope of reaction is evaluated – has it covered only the area where the symptoms occurred, e.g. sales or financial results, or has it been comprehensive.

**Criterion 4. Radicality of changes.** The strength of changes’ impact on particular areas is evaluated. A radical change is irreversible, targeted, changing e.g. strategy dimensions, the pace and scope of development. Revision changes that are easy to reverse are not very radical.

**Criterion 5. Effectiveness of changes.** The extent to which changes made it possible to defend against the crisis or at least alleviate its adverse impact on an enterprise’s economic situation, was evaluated. An effective change is a change improving an enterprise’s resistance to the crises over the long term. Table 1 presents the results of the evaluation of perception and the quality of reaction to the crisis in each of the analysed holdings.

The examined holdings were aware that the sectors in which they operate are susceptible to the economic situation fluctuation. It is mainly true for sectors related to construction, motoring and critical raw materials. Nevertheless, in most of them the crisis perception was delayed – the respondents were surprised by the fact that the crisis was already in motion and that it had been in motion for so long. The company that had predicted an economic break-down was the Budimex holding, but these predictions were related to the end of the EU perspective in the construction sector in 2011; the macroeconomic crisis was noticed in 2011 by the company and only then were anti-crisis measures undertaken. Another construction company, Marvipol, also noticed the crisis late on – at the end of 2009; while at the beginning of this year new construction lots were still being bought, and restructuring actions were undertaken at the end of 2009. Impexmetal holding operating on the sensitive market of metals noticed the crisis in the middle of 2008 because of a decrease in demand for metals and a drop in prices; the reaction was immediate: investments and other costs were reduced and the strategy was subsequently revised. Ciech holding also operates on the raw materials market, due to purchasing problems the company focused on the financial crisis; the negative impact of the crisis was noticed only in 2009 when the world prices of soda dropped and strategic and correction measures were undertaken. The Orbis Group operates in the sector of tourism and hotels, which was strongly affected by the crisis. Orbis noticed the adverse impact of the crisis already in 2008, but its response was delayed, because its board insisted on continuing the old strategy. Only a change of the management board in 2010 allowed for an adequate response to the situation. Redan holding operates in the clothing sector, which is not very susceptible to crisis; it ignored the symptoms of demand changes until 2011, when an unsuccessful attempt to enhance the fashion
sector was first undertaken, and then it revised the strategy changes and operational management in the correct direction.

Obviously the analysed holdings noticed the negative crisis impact with delay, which was caused by the belief that they are very well prepared for the crisis (Orbis, Budimex), or by the focus on the internal aspects of the company and the lack of interest in macro-processes (Marvipol, Redan). Noticing that the crisis not always translated into the introduction of the necessary revision of strategy or operational measures (Orbis, Redan), sometimes the holdings waited for the crisis to recede or for the effects of their implemented strategy.

The analysis of crisis behaviours of the examined holdings also covered the nature of changes introduced in response to the crisis: their scope, radicality and effectiveness. Changes in four holdings were comprehensive, they concerned most of the subsystems and segments of business. Changes in two groups were not so comprehensive. In the Marvipol holding, strategy changes were small and they only concerned the rate of expansion, they were more about changing the operational sphere. Also in the Redan company the changes were not very extended, they did not concern the strategy, employment or group management.

The radicality of changes was the second criterion. Really radical and irreversible changes were introduced by the Orbis holding (sale of other businesses and changing the form of ownership of hotels) and the Ciech holding (giving up the agrochemical segment, reconcentration on the soda business). Changes in the other holdings allowed for a return to the primary strategy after the end of the crisis.

In respect of the changes effectiveness criterion, all groups were effectively reorganised, which is proved by the positive $Z_M$ indicator in 2013. Only in the coming year however will it be possible to evaluate the persistence and effectiveness of changes made in the face of the crisis.

2. Anti-Crisis Measures

An enterprise’s strategic adaptation to functioning in the situation of the macroeconomic crisis can be carried out by strategy changes or by more temporary changes in other areas of a company’s activities. It can be stated that an enterprise’s preparation to functioning in crisis conditions consists in the ability to adapt two instruments simultaneously: safe strategy anticipating the crisis and readiness to revise strategy and undertake intervention actions allowing for a quick and relevant response to the crisis. Industry, product and market diversification, internationalisation and conclud-
ing strategic alliances that allow for sharing strategic risk with alliance partner are regarded as safe strategies, or so called “strategic anchors”.

In contrast to the strategy developed in 2008, actions undertaken only after the crisis symptoms occurred were of a reactive or even emergency nature. They concerned strategy revision, its amendment or desistance, as well as operational measures. In no case did the strategies implemented before the crisis prove to be sufficient protection against the crisis, additional actions had to be carried out everywhere, mainly in the area of changing business and financial management models. In two cases (Orbis and Ciech) a deep revision strategy was carried out. Excepting changes concerning industry and geographical diversification, the analysed holdings mainly changed the strategic objectives and ways of strategy implementation.

The most common change was the change of the chief strategic objective and mission of an enterprise. Before the crisis all holdings belonging to the biggest Polish enterprises implemented the strategy of strong expansion, aiming at an increase in sales, market share and entering new market segments. During the crisis all the enterprises, apart from the Redan holding, changed their attitude, making company value growth, its profitability and other functioning quality indicators their chief goal. The tendency to limit the business risk and to look for instruments for its measurement and regulation occurred in the CEOs’ letters and reports. It is the result of the bad experience of the crisis period, when most of the analysed holdings had to go through bankruptcies of their companies, composition proceedings with creditors and the threat of bankruptcy.

The second common crisis experience was the appreciation of the significance of good strategy and the ability of quick adaptation. Even the holdings that were aware of having safe strategies (Redan, Marvipol, Ciech, Impexmetal) and appreciated the strength of their impact during the crisis, had to learn to operate in circumstances when one or more of them is weakened. Some enterprises chose to increase the number of “strategic anchors” by extending diversification (Marvipol – various services and segments, Impexmetal – balanced income from various sectors, Redan – increasing the number of segments, clients, brands and countries), some enterprises decided to enhance the most reliable “anchors” (Orbis – hotels, Budimex civil engineering, Ciech – soda).

In general the research has shown a considerable diversification of strategic and non-strategic instruments of coping with the crisis, strategic responses in the crisis often different from the responses that are considered to be adequate in crisis situations in the reference literature. This refers mainly to the strategy of industry diversification. This strategy is recommended as a good way of fighting with the risk in industries susceptible to economic fluctuations. Indeed, two enterprises from the
construction industry followed this direction (Marvipol – industry unrelated diversification and Budimex – sectoral related diversification). Ciech and Orbis holdings however responded to the crisis by the reconcentration and focusing on their key industry. Some enterprises also introduced changes in the form of internationalisation recommended as a way of overcoming the crisis, while some of them retreated from foreign markets. The industry situation and an enterprise’s potential was of key significance here.

The third common method was to change the way of development. During the crisis the level of new investments was not only limited: divestments were common, they consisted in the sale of companies of the holding or their liquidation, replacing full ownership of assets by co-ownership, e.g. in the form of licence and franchise.

The fact of implementing anti-crisis instruments other than strategy revision is also reported. These instruments can be divided into standard ones, applied in all the analysed holdings and probably in most enterprises, and into specific ones, applied only in some groups. Standard instruments applied in all companies were operational and financial restructuring aimed at cost reduction, a more flexible price policy, a better adaptation to the offer of the market, sales of redundant assets, readjustment of the holding structure and enhancing leadership. Specific changes related to the industry and the holding’s situation were temporary actions such as changing the board, employment reduction, renegotiating agreements with the suppliers, composition proceedings with the creditors and the issuance of bonds.

**Conclusion**

In general, case study research has shown that holdings coped well with the threats created by the macroeconomic crisis, despite evident mistakes and irrational strategic behaviour. Most of all the analysed holdings noticed the negative impact of the crisis on their company with delay, which was a result of an unfounded belief that they were well prepared for the crisis and the lack of ability to follow the situation in the global and Polish economy. Moreover, even noticing symptoms of crisis not always caused prompt response. The nature of changes implemented in response to the crisis was evaluated: the scope of changes, their radicality and effectiveness. The changes in four holdings were comprehensive, they concerned most of the subsystems and segments of the business. Changes were radical and irreversible only in one holding: they consisted in the sale and liquidation of property in the liquidated segments of business. Changes in the other holdings were mostly reversible and allowed for the reactivation of business after the crisis. The effectiveness of changes was sufficient:
all the holdings survived the crisis and even improved their results: last year the indicator of resistance to crisis was above zero.

It resulted in the fact that the holdings applied a range of safe strategies, the most common of which was market and product diversification or industry related and unrelated diversification, as well as strategic alliances. The large diversification of the applied strategies, their revisions, as well as their diversified effectiveness can be explained by the fact that the operation of management boards of the analysed companies during the crisis was conditioned by different external and internal conditions. Internal conditions stem from the ownership and economic situation of an enterprise, the behaviour of the board, the structural condition and many other factors specific to a given organisation and have been partly disclosed by the evaluation of the perception of crisis and crisis response quality. The determinants of anti-crisis measures in the area of strategy were identified – for all the holdings it was the decrease in demand for their products and services caused by the crisis as well as the instability of financial markets, i.e. macro-conditions. Also industry-related circumstances, such as industry-specific legal regulations and EU industrial policy, particular susceptibility to the crisis, the ending of the EU perspective for investment also had a strong impact on the strategic actions of the analysed enterprises.

According to the PEST analysis, two segments were of the greatest significance: the economic segment and legal and political one.

The observation of strategy changes leads to two conclusions. Firstly, the fact that all the analysed enterprises revised their strategies means that the strategy developed before the crisis was insufficiently safe and adaptation to the new situation required considerable strategy revision in half of the enterprises and temporary measures in all the enterprises to improve their effectiveness. Secondly, Polish enterprises commonly apply substitutes of safe strategies consisting in temporary changes, or so called “emergency measures” in other business areas. These were usually financial and operational restructuring and changes in the resources structure.

The research proves that an important factor of crisis resistance in the area of strategy is the ability of management staff to detect crisis symptoms, anticipate future events and respond to opportunities and threats in a flexible, adequate way. In other words, there are no good or bad strategies, there are only competent or incompetent strategists.
<table>
<thead>
<tr>
<th>Criteria of Evaluation Holdings</th>
<th>Moment of Noticing the Crisis</th>
<th>Moment of Reaction</th>
<th>The Scope of Changes</th>
<th>Radicality of Changes</th>
<th>Effectiveness of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budimex Holding</td>
<td>The moment of the crisis was predicted by the management staff earlier and was connected with the ending of the EU perspective in 2011, the company was prepared. Symptoms in the form of a decrease in demand and income, worse results in 2011.</td>
<td>In 2011 the holding revised its strategy and introduced changes to reduce costs and to facilitate group management.</td>
<td>Comprehensive changes concerned the revision of strategy with reference to the segments of clients and geographical market, revision of business models in particular segments, as well as composition of group, employment, investment directions, organisation, finance management.</td>
<td>Revision changes – superficial, reversible. When the economic situation improves, the group will easily return to its strategic clients and higher prices, some improvements in the area of organisation and finance management will remain.</td>
<td>The changes sufficiently maintained the company’s resistance to the crisis. Before the crisis the level of Budimex’s crisis resistance was low, although positive, and much lower than the entire industry. While the indicator for the industry was falling it was growing for Budimex, and subsequently it fell slower. The net result was never negative, despite income decrease. Improved position in the industry, better management.</td>
</tr>
<tr>
<td>Ciech holding</td>
<td>Financial problems started already in 2007, it was difficult not to omit them, but they were not considered to be related to the global crisis, rather with internal problems. The macroeconomic crisis was noticed in 2009.</td>
<td>The direct cause was not the economic crisis but purchasing FX options in 2008 and enormous financial losses. Response to the need for solving the options problem was immediate: arrangements with banks. When in 2009 the effects of the macroeconomic crisis were visible (decrease in sales of soda) changes in the financial area were first introduced and subsequently strategic changes.</td>
<td>Comprehensive changes – in the area of strategy, resources management, financial management, investments, employment, changing the company authority.</td>
<td>Radical changes (changing the mission and business portfolio, sale of companies) – permanent.</td>
<td>Strategic changes, mainly the change in financial management and cost reduction allowed for avoiding bankruptcy and receiving a positive financial result in 2013. The crisis caused a change in attitude to management. Formulating a new strategy was well-weighed and based on strategic analysis.</td>
</tr>
<tr>
<td>Criteria of Evaluation Holdings</td>
<td>Moment of Noticing the Crisis</td>
<td>Moment of Reaction</td>
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<tr>
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</tr>
<tr>
<td>Impexmetal holding</td>
<td>The crisis was noticed in the middle of 2008 due to a decrease in demand for metals followed by a price fall. WSE was the source of the first signals.</td>
<td>The response was in the same year: adapting prices required cost-cutting, planned investments were stopped. In 2009 aluminium steelworks in Konin was closed, which reduced losses and introducing a higher margin on aluminium processing. It was also a response to the growth of energy prices.</td>
<td>Comprehensive changes concerned strategy, business model, resources management and financial management.</td>
<td>The strategy was safe and did not require a radical change. Safety was improved by maintaining the significance of all the segments. The most radical change was replacing the production of aluminium by its processing. The changes are permanent.</td>
<td>The changes proved to be entirely effective, prices were lowered to adapt to the demand as a result of cost cutting, previous markets were maintained, financial security was improved.</td>
</tr>
<tr>
<td>Marvipol holding</td>
<td>The crisis was noticed late. Still in 2009 new lots were purchased, income and net results were growing. The signals from the clients about resignation and lack of interest in developer’s offer started to occur in 2009, the number of signed agreements dropped. The company hoped that the crisis would end soon and no changes would be necessary.</td>
<td>Resignation from the issuance of stocks planned for 2008 because of drops on the WSE. In 2009 the company resigned from purchasing new lots and suspended planned construction projects.</td>
<td>The scope of changes is diversified in both businesses: small changes in motoring – increase in expansion, bigger changes in the construction industry – temporary suspension of expansion. This situation was accompanied by changes in other areas.</td>
<td>The strategy assumptions were not changed radically, the biggest change concerned levelling income in both industries. Reversible changes. Changes were bigger in other areas.</td>
<td>The changes proved to be effective, Marvipol coped with the decrease in demand in the construction sector better than companies specialised in construction, it also improved its position on the market. Due to the large susceptibility of both industries on the economic fluctuation, the safety level will never be high.</td>
</tr>
<tr>
<td>Criteria of Evaluation Holdings</td>
<td>Moment of Noticing the Crisis</td>
<td>Moment of Reaction</td>
<td>The Scope of Changes</td>
<td>Radicality of Changes</td>
<td>Effectiveness of Changes</td>
</tr>
<tr>
<td>---------------------------------</td>
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</tr>
<tr>
<td>Orbis holding</td>
<td>Crisis in the hospitality industry was noticed in 2008 due to a considerable decrease in demand and income of the company both related to the hotels and tourism.</td>
<td>Response to the crisis was delayed because of the belief that the company should wait through the decrease in demand and the attitude of the management to the continuation of strategy developed in 2007, assuming the construction of the company’s own hotels and development of complementary services. An expansive strategy was continued in spite of worse results and a lower position in ratings, which caused a breakdown in sales in 2010. Only then the strategy was changed, which immediately translated into better results.</td>
<td>The changes were comprehensive: they covered strategy, composition and structure of the holding, resources management, financial and risk management, human resources management.</td>
<td>Radical, irreversible changes – sale of companies and liquidation of business as well as changing the form of ownership into franchise.</td>
<td>Effective changes which quickly lowered costs of operation and competitiveness of hotel networks.</td>
</tr>
<tr>
<td>Redan holding</td>
<td>The crisis was a surprise for the management which planned development expansion. First symptoms, such as the decrease in sales and increased clients’ susceptibility to the price occurred already in 2007, but they were ignored. No market research was carried out, the impact of the crisis on the market was not measured.</td>
<td>Response occurred in 2011 and consisted in incorrect revision of the business model in the fashion segment, which significantly worsened the results. In 2012 Redan was at the edge of bankruptcy. Subsequent strategy revision combined with saving measures improved the company’s situation. The changes were partially forced by an arrangement with banks.</td>
<td>Their scope was fairly wide, apart from superficial revision of the business model and resources management they also covered financial and organisation restructuring.</td>
<td>The changes were not radical. The strategy framework was not changed, the company did not give up its expansive growth strategy by increasing the number of magazines and brands, it only became more cautious and limited financial risk.</td>
<td>Response to the crisis was delayed and largely ineffective. The risk of strategy changes was big and after a short improvement the results worsened. The diversification strategy consisted in maintaining two segments (fashion and discount stores) and developing one of them depending on the economic situation is justified, the risk results from unconsidered investments which are too big in the crisis period and frequent changes.</td>
</tr>
</tbody>
</table>

Source: own work.
References


Impact of the Crisis on Resources Management

Abstract

The article presents the results of research on the resource-related response to the crisis of 6 Holdings carrying out business in Poland. The goal of the research was to identify the influence of the crisis on the way of key resources management in the analysed Holdings. To reach this goal it was necessary to: diagnose the resource potential in the analysed Holdings, which also covered the identification of key resources and the applied strategy of key resources management; and to describe changes in key resources management resulting from the crisis and to attempt to evaluate them in respect of enhanced resilience to the crisis. The research showed similarities in the profiles of key resources of the analysed Holdings and the key resources strategies applied by them. Although all the analysed Holdings introduced changes in managing key resources as a result of the macroeconomic crisis, the logics of these changes were not homogeneous, as they were caused by different reasons. The case studies enabled the formulation of a thesis that only strategic changes in resources management (i.e. those resulting from changes of the business model and development strategy) are able to improve the Holdings’ resilience to the crisis. Reactive changes cannot bring such results.

Keywords: crisis; crisis resilience; key resources, key resources management; resource-related response to the crisis, resource potential

1 The article presents part of a research carried out as a section of the Grant of the National Science Centre no. 2011/03/13/HSR/04922 entitled “Determinants of Polish enterprises’ resilience to the macroeconomic crisis”.

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Collegium of Management and Finance
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Introduction

The macroeconomic crisis influences each sphere of an enterprise’s functioning, including also the way of managing key resources. This article provides a description of the resource-related response to the crisis of Holdings operating on the Polish market.

The article aims to answer the following question: did the macroeconomic crisis influence the methods of resources management in the Holdings operating on the Polish market and, if yes – how? To reach this aim it was necessary:

- to diagnose the resource potential in the analysed Holdings, which also covered identification of key resources and the applied strategy of key resources management.
- to describe the modifications of key resources management resulting from the crisis and to attempt to evaluate them in respect of enhanced resilience to the crisis.

The research covered 6 Holdings (Marvipol, Budimex, Orbis, Impexmetal, Ciech, Redan).

Only valuable strategic resources were analysed, i.e. those which make it possible for an enterprise to build its market competitiveness, taking advantage of opportunities occurring in its environment and simultaneously countering threats. The author describes these resources as “key resources” (meaning the most significant) for the functioning of an enterprise. For the purposes of the research, key resources were divided into 14 categories, part of which were of material and part of a non-material nature (Table 1)².

Resources that are properly used form an enterprise’s capital. Financial resources form the financial capital of an enterprise, while material resources form material capital and non-material resources form intellectual capital (including human capital, market capital and organisational capital, which is also called structural capital)³.

The strategies of key resources management strategy were identified on the basis of M. Romanowska’s concept of four model resource-related strategies of an enterprise⁴. According to this concept, the following resource-related strategies can be distin-

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² A broad review of resources typologies can be found in: A. Sopińska, Pojęcie i typologia zasobów, in: Zasobowe uwarunkowania wyborów strategicznych przedsiębiorstw. Problem pozyskiwania i wykorzystania zasobów przez przedsiębiorstwa, Raport z badań statutowych nr: 04/S/0031/12, SGH, Warsaw 2012, pp. 16–32.


guished: an “errand boy” strategy, a “business architect” strategy, a “lord of a treasure” strategy and a “rich dabbler” strategy. The “rich dabbler” term refers to an enterprise which, in spite of possessing resources, cannot manage them in a reasonable way. A “lord of a treasure” refers to an enterprise which not only is the owner of valuable strategic resources, but can also transform them into key competence by proper management. An “errand boy” is an enterprise without any strategic resources and skills of managing them, which however compensates this lack by its readiness to cooperate with enterprises having such resources or management skills. A “business architect” is an enterprise which does not have its own strategic resources, but has a developed ability to use others’ resources and to manage them. Two parameters provide the criteria of identification of the applied resources management strategy:

- resources ownership (own/sb else’s resources).
- ability to manage resources (good/bad).

In the presented study the first parameter (resources ownership) is described by identification of the dominating form of ownership of a certain resources category. The second parameter (the ability to manage resources) was evaluated by an expert method based on the time horizon of key resources planning, the scope of their use and protection, as well as the scope of their possible provision.

Table 1. Typology of Key Resources Applied in the Research on the Resource-Related Conditions of Enterprises’ Resilience to the Crisis

<table>
<thead>
<tr>
<th>Categories of the Discussed Key Resources</th>
<th>Nature of Resources</th>
<th>Type of Capital they Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. financial resources</td>
<td>Material resources</td>
<td>Financial capital</td>
</tr>
<tr>
<td>2. buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. means of transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. machines and appliances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. access to resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. geographical location of business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. developed research infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. knowledge and skills of employees</td>
<td>Non-material resources</td>
<td>Intellectual capital including:</td>
</tr>
<tr>
<td>9. relationships with business partners</td>
<td></td>
<td>• Organisational capital</td>
</tr>
<tr>
<td>10. goodwill and image of a company</td>
<td></td>
<td>• Market capital</td>
</tr>
<tr>
<td>11. having strong commercial brands</td>
<td></td>
<td>• Human capital</td>
</tr>
<tr>
<td>12. up-to-date technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. high IT level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. efficient management system</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own study.
1. Resource-Related Potential of the Holdings – the Description of Key Resources and Their Management Strategies

Despite the considerable diversity of industries (see Table 2) and the application of various business models and development strategies, the resource-related potential of the analysed Holdings showed certain common features both in respect of key resources categories and the way of managing them.

Table 2. Description of the Analysed Holdings

<table>
<thead>
<tr>
<th>Name of the Holding</th>
<th>Description of the Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marvipol</td>
<td>It carries out business in two sectors unrelated to each other: real estate development and automotive industry. It is relatively diversified in each of the two areas. The target market of the real estate development business is the Warsaw market. The sale of cars is directed to a wider market than the Warsaw one, as it is carried out in various regions of Poland.</td>
</tr>
<tr>
<td>Budimex</td>
<td>One of the biggest construction companies on the Polish market. The group of companies managed by Budimex SA includes also: Budimex Nieruchomości, carrying out real state development business, Budimex Danwood which designs, produces and assembles wooden family houses, and Mostostal Kraków producing and assembling steel constructions. The strategic investor of the Holding is Ferrovial, one of the leading Spanish construction companies with a global range.</td>
</tr>
<tr>
<td>Ciech</td>
<td>It is one of the biggest companies in the chemical sector in the area of the production and sales of chemical products. It is a significant player on the European soda market. The company is relatively diversified in horizontal (various chemical sectors and industries) and vertical dimension (production and sales in chemical products).</td>
</tr>
<tr>
<td>Redan</td>
<td>One of the biggest clothing companies in Poland. The Holding produces and sells clothes using various distribution channels mainly under its own brands. Poland is the strategic market for Redan Holding.</td>
</tr>
<tr>
<td>Orbis</td>
<td>The biggest hotel network in Poland and Central Europe, it offers 10.5 thousand rooms in almost 60 hotels in 24 cities in Poland, as well as in Vilnius in Lithuania. It belongs to the international Accor group.</td>
</tr>
<tr>
<td>Impexmetal</td>
<td>Impexmetal carries out business in the field of the production and sales of non-ferrous metal products. Within the framework of this industry, it is a relatively diversified company: it carries out sales in three segments: aluminium, copper, zinc and lead with oxides of these metals. Additionally, it carries out trading business: distribution of bearings and bearing parts by FLT Polska company and its foreign subsidiary companies. GK Impexmetal is a part of Boryszew Holding, one of the biggest trade and production groups of companies in Poland.</td>
</tr>
</tbody>
</table>

Source: own study.

Firstly, most of the analysed Holdings attempted to build their resource potential mainly on the basis of flexible resources, i.e. financial and non-material resources. Even in the case of unrelatedly diversified Holdings (Marvipol, Budimex) financial
resources and non-material resources were a universal pillar of their resource potential, complemented only by specific resources for individual industries.

Secondly, irrespective of the type of business, 3 categories of resources dominated the non-material resources in the analysed Holdings:

- goodwill, image of the company, brands.
- relationships with business partners.
- knowledge and skills of employees.

It should be highlighted that the goodwill and image of the company as well as having distinguishable brands was a result of the long-term functioning on the market and low costs of production at the analysed Holdings.

Thirdly, most of the analysed Holdings were skilfully managing their key resources using one of the two strategies: the „business architect” or „lord of a treasure” strategy. None of the analysed Holdings acted as an „errand boy”. Only Marvipol applied the „rich dabbler” strategy for one of the resources categories (an office building).

Fourthly, an analysis of behaviour of the individual Holdings made it possible to see a general regularity between the type of resource management strategy and the category of resources regarded as key resources. The „business architect” strategy was applied mainly in respect of non-material resources and financial resources, while the „lord of a treasure” strategy was applied more for material resources. Two Holdings were exceptions to this rule: Orbis and Impexmetal in recent years changed their attitude to financial resources and part of material resources. Today both Holdings try to apply the „business architect” strategy to material resources and the „lord of a treasure” strategy to financial resources.

2. Changes in Key Resources Management as a Result of the Crisis

As a result of the crisis the Holdings introduced a range of measures concerning key resources management. Their detailed list is presented in Table 3.

Measures undertaken by the Holdings in the area of key resources management can be grouped into several categories. The first group comprises measures consisting in broadly defined rationalisation of and increasing effectiveness of the resources potential in individual resource categories. The second group is aimed at lowering the costs of purchasing resources. Other measures include: development of flexible resources (non-material and financial resources); creating a pillar of universal resources, not related to the business industry; limiting redundant resources; increased use of resources of external partners.
Table 3. Measures in the Area of Key Resources Management Applied by the Analysed Holdings as a Result of the Crisis

<table>
<thead>
<tr>
<th>Name of the Holding</th>
<th>Measures Applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marvipol</td>
<td>Limiting further purchases of material resources</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
<tr>
<td></td>
<td>Decreasing the amount of self-owned resources and increasing the use of resources belonging to business partners</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td></td>
<td>Greater pressure on the application of the “business architect” strategy</td>
</tr>
<tr>
<td>Budimex</td>
<td>Improving the structure of the owned resources – drop in employment</td>
</tr>
<tr>
<td></td>
<td>Development of non material – relational resources</td>
</tr>
<tr>
<td></td>
<td>Limiting purchases of some material resources</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td></td>
<td>Purchasing new technologies</td>
</tr>
<tr>
<td>Ciech</td>
<td>Focusing on the development of specialised resources</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
<tr>
<td></td>
<td>Enhancing resource-related independence and self-sufficiency</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td>Redan</td>
<td>Optimisation of the owned resources – increasing effectiveness</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
<tr>
<td></td>
<td>Increasing the use of resources belonging to partners</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td></td>
<td>Development of non material – relational resources</td>
</tr>
<tr>
<td></td>
<td>Greater application of the “business architect” strategy</td>
</tr>
<tr>
<td>Orbis</td>
<td>Limiting the number of self-owned material resources</td>
</tr>
<tr>
<td></td>
<td>Stopping purchases of new material resources</td>
</tr>
<tr>
<td></td>
<td>Development of non material resources – relations</td>
</tr>
<tr>
<td></td>
<td>Limiting the amount of self-owned resources and increasing the use of resources belonging to business partners</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
<tr>
<td></td>
<td>Limiting human resources</td>
</tr>
<tr>
<td>Impexmetal</td>
<td>Purchasing new technologies</td>
</tr>
<tr>
<td></td>
<td>Development of non-material resources</td>
</tr>
<tr>
<td></td>
<td>Cutting employment</td>
</tr>
<tr>
<td></td>
<td>Increasing the effectiveness of use of self-owned resources</td>
</tr>
<tr>
<td></td>
<td>Cutting costs of purchasing resources</td>
</tr>
</tbody>
</table>

Source: own study.
3. Logic of Changes in Key Resources Management

Although all the analysed Holdings introduced changes in managing key resources as a result of the macroeconomic crisis, the logic of these changes were not homogeneous, as they were caused by different reasons. In some Holdings, changes in key resources management were based on strategic reasons and they were a consequence of change of a business model and development strategy, while in other Holdings the main reason was just the improvement of financial performance.

Four Holdings (Marvipol, Budimex, Ciech and Redan) introduced only reactive or even cosmetic changes in resources management, referring only to the operational level.

In Orbis and Impexmetal the changes in resources management were strategic and they were a consequence of changes in the business model and development strategy. A detailed description of reasons of changes made in resources management is presented in Table 4.

Table 4. Reasons and Nature of Changes in Resources Management in the Analysed Holdings

<table>
<thead>
<tr>
<th>Name of the Holding</th>
<th>Logic of Changes in Key Resources Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marvipol</td>
<td>Changes in key resources management were definitely reactive, introduced mostly at the operational level. Especially in the real estate development sector, the company authorities for a long time (about 2 years) did not observe the incoming signals as a threat requiring restructuring the resources and management profile, but only a temporary recession. Only a long-term stagnation on the real estate market forced the company to change the rationalisation of resources management. These changes were reflected mainly by measures aimed at lowering costs, increasing the flexibility of the use of resources and increasing the use of external resources (belonging to business partners). Two key resources management strategies are still applied: the „lord of a treasure” strategy and the „business architect” strategy, although the Holding puts more and more emphasis on the use of resources of external partners (the „business architect” strategy).</td>
</tr>
<tr>
<td>Budimex</td>
<td>Changes in key resources management were definitely reactive. They were delayed in respect of the crisis symptoms due to the type of works carried out. It was true especially for the construction sector and infrastructural construction works financed from EU sources. The authorities of the company for a long time (about 2 years) did not regard the incoming signals as a serious threat requiring the restructuring of the resources and management profile, but only as a temporary recession. Only the drop of orders for construction services in the public sector (caused partially by the crisis and partially by the end of the EU financial perspective) and the drop in sales in the real estate sector forced the Holding to introduce changes in the search for business relations with other categories of clients and to rationalise resources management. The Holding still applies to strategies: the „lord of a treasure” strategy and the „business architect” strategy.</td>
</tr>
</tbody>
</table>
Changes in resources management introduced by Ciech were reactive as a response to the macroeconomic crisis. The initial factor affecting the changes in resources management in the Ciech holding was the will to overcome financial troubles caused by FX options which had nothing to do with the crisis. The economic crisis only indirectly influenced the necessity to change the way of managing resources. The undertaken measures consisted mainly in the development of technological and infrastructural resources in the soda segment and in lowering the costs of purchasing resources and increasing their use effectiveness.

The dominating resources management strategy in the Ciech holding is the „lord of a treasure” strategy.

Changes in key resources management were definitely reactive and they were aimed at optimisation rather than changing the strategy. The only significant strategic change concerning resources was the increased use of external partners’ resources. This is reflected by the development of franchise shops. It can be therefore stated that the crisis shifted the centre of gravity for resource management from the „lord of a treasure” strategy to the „business architect” strategy.

The crisis caused deep changes in the key resources profile of the Orbis holding. The holding skilfully adapted its resource profile to the new (smaller) scope of activities. Changes in key resources management were strategic. They consisted in limiting material resources and the scope of self-owned resources. The Orbis holding aimed at the development of non-material resources and the use of its business partners’ resources. Simultaneously, it undertook measures that would rationalise the portfolio of its resources. These measures improved the financial situation of the Holding and made it possible to pay off the investment credit before the payment term. The crisis also shifted the centre of gravity for resource management from the „lord of a treasure” strategy to the „business architect” strategy.

Changes in resource management were strategic and were a consequence of the internal restructuring of the holding. They consisted in adapting the resource potential to the new business model of the Holding so as to produce more processed metal products, instead of producing bare metal\(^a\). Thus, some categories of resources (especially the ineffective fixed assets of production plants and part of non-operational assets) were reduced and resources in the form of new technologies were developed. Simultaneously, the Holding undertook measures that would rationalise the portfolio of its resources. These measures improved the financial situation of the Holding. The Holding is still effectively interchangeably applying two resource management strategies (the “lord of a treasure” strategy and the “business architect” strategy). As a result of the crisis the Holding evidently changed the way of managing financial resources, shifting from the “business architect” strategy to the “lord of the rings” strategy.

\(^a\) Interview.

Source: own study.
The strategic logic however was based on strategic reasons. The goal of changes introduced in key resources management was temporary the best possible adaptation of the resources profile to the changes of development strategy or business model. According to this type of logic, changes in resources management were deep and referred to the entire entity.

Interestingly, only the Holdings applying the strategic logic were resilient to the crisis, not the ones applying reactive logic. The following parameters provided the criteria of classifying individual Holdings as permanently resilient to the crisis:

- The value of $Z_M$ index for 2013 higher than in 2007.
- Lack of significant fluctuation of $Z_M$ index value in the 2007–2013 period.
- The value of $Z_M$ index for 2013 > 1.
- The value of $Z_M$ index for a Holding higher than the average for the industry.

Only 2 holdings (Orbis and Impexmetal) among the analysed groups of companies were regarded to be permanently resilient to the crisis (see Table 5).

### Table 5. The Level of Resilience of the Analysed Holdings

<table>
<thead>
<tr>
<th>Name of the Holding</th>
<th>Resilience to the Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marvipol</td>
<td>For the entire period of the crisis the Holding’s index of crisis-resilience was positive, although always lower than indices for the automotive trade and services and for the construction industry (with the exception of 2011). Additionally, the $Z_M$ index was growing only until 2011, and it was falling for the subsequent years. The Marvipol holding has not been recognised as a crisis-resilient company because of the low level of crisis-resilience index in 2013 and its considerable fluctuation.</td>
</tr>
<tr>
<td>Budimex</td>
<td>In 2009–2012 the crisis-resilience index of the Holding was lower than the indices for the entire industry, although it was always positive. Additionally, the level of $Z_M$ index in the last year of the study was very low – only 0.18. Budimex Holding was recognised as a company not resilient to the crisis.</td>
</tr>
<tr>
<td>Ciech</td>
<td>For the entire period of crisis the Ciech Holding’s $Z_M$ index was lower than for any industry, although it grew in 2009–2011, but in 2012 its value was the lowest – 0.86 and it was negative twice. Ciech Holding cannot be regarded a crisis-resilient company, although the level of the index in 2013 was higher than in 2007 (other criteria were not satisfied).</td>
</tr>
<tr>
<td>Redan</td>
<td>Strong fluctuation of the crisis-resilience level prove that the Redan Holding is not resilient to the crisis, and the temporarily high index is mainly a result of the internal situation changes.</td>
</tr>
<tr>
<td>Orbis</td>
<td>For the entire period of the crisis the Holding’s crisis resilience index was higher than for the entire industry. After 2010 a fast index drop was reported. For the entire analysed period the Orbis Holding’s crisis-resilience level was positive. The $Z_M$ index in 2013 was higher than in 2007 and it reached the level of 7.00. Orbis was recognised as a company resilient to the crisis.</td>
</tr>
<tr>
<td>Impexmetal</td>
<td>The analysis of the crisis resilience index level against the background of data concerning business in the metal production industry in Poland shows that in 2007–2008 the Holding’s crisis resilience level was higher than indices for the entire industry and it was always positive. Due to the growth of index value in 2013 compared to 2007 and the fact that it has never been negative, Impexmetal Holding is considered to be crisis-resilient.</td>
</tr>
</tbody>
</table>

Source: own study.
Conclusions

The research carried out shows that, although the profiles of key resources of the analysed Holdings and their management strategies had much in common (e.g. building potential on the basis of flexible resources, domination of two resources management strategies – “business architect” and “the lord of a treasure”), the logic of changes in resources management caused by the crisis was different in the analysed entities.

The research proves that the reasons (or logic) of changes in key resources management influence the crisis resilience rather than the quantity and type of measures undertaken as a part of these changes.

A thesis can therefore be formulated that only strategic changes in resources management (i.e. those resulting from changes of the business model and development strategy) are able to improve a holding’s resilience to the crisis. Reactive changes cannot bring such results. It is worth carrying out further, deeper studies on a broader sample.

References

Holdings’ Level of Complexity During the Crisis

Abstract

The article presents the way the level of complexity of holdings was changing. The qualitative research made it possible to verify whether holdings modify their structure in response to the worse performance during a crisis period.

Keywords: structure, crisis, complexity

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1 The article presents results of research carried out as a part of the National Science Centre research project 2011/03/13/HSR/04922 entitled “Determinants of Polish Enterprises’ Resistance to the Macroeconomic Crisis”.
Introduction

Economic and technological development as well as other changes occurring in the economic environment force enterprises to work within more and more complex organisational forms. Organisational structures, capital structures and contract structures are the three most popular types of business structures. Many contemporary enterprises carry out business within at least two types of structures. Holdings (i.e. groups of companies) whose organisation is based both on hierarchical and capital bonds are particularly important for the economy. Their importance is proved by the fact that in 2012 they generated 53% of the total income of fall in the non-financial enterprises².

It should be highlighted that, in contrast to individual entities, holdings are more complex, which is often a result of enterprise development and of replacing ineffective solutions within the organisational structure. More or less complex entities can however be distinguished even among holdings. A complex entity is an entity consisting of many parts³. The complexity of a holding, or a group of companies, can be measured by the number of elements it includes, i.e. the total number of companies, the number of subsidiary companies, the number of second-tier subsidiaries or the number of tiers in the group. There are also combined measures, comprising of those listed above. The considerable complexity of a holding is often identified with its structure consisting of at least three tiers (parent company, first-tier subsidiary companies, second-tier subsidiary companies) and more than 10 first-tier subsidiary companies⁴.

The complexity of a holding can be a factor affecting its effectiveness. It seems that the excessive development of a holding can result in lower effectiveness due to the need for greater coordination measures and the growth of risk. The reference literature however provides little research showing dependence between a holding complexity and its effectiveness. Most research only identifies the level of complexity or indicates the need to form it along with strategy changes.

Research carried out by K.N.M. Dundas and P.R. Richardson is very interesting among the research verifying the influence of certain features of a holding organisa-

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³ Compare: Słownik języka polskiego, www.sjp.pwn.pl
⁴ Polskie grupy kapitalowe..., op.cit.
tion on its performance. They indicated the need to group companies along with the increase in their number. It seems however that if the number of subsidiary companies grows and they are not grouped, it significantly affects the decrease in performance of the entire enterprise. The existence of a large number of companies of various sizes, with various capital needs and efficiency has a negative impact on the possibility of management and control, as well as preventing possible problems. The researchers consider that it is the appropriate grouping of companies, especially in unrelated diversified entities, which is the source of success. M. Romanowska has come to similar conclusions. In her research she identified a dependence between the complexity of a holding, measured by the number of tiers, and its effectiveness, measured by the level of ROA. It resulted in the fact that the performance of more complex holdings is worse than that of holdings consisting of only two tiers, i.e. a parent company and subsidiary companies. The complexity of a holding is therefore negatively correlated with its performance.

This article presents the results of a qualitative research on the changes of the level of complexity of the analysed holdings during the crisis. The author was interested in the level of complexity of holdings during the crisis, and mostly in the direction of changes in the complexity level. Has the complexity level been reduced as a result of macroeconomic conditions (the crisis) and the general drop in effectiveness of the economic entities' business?

It should be noted that the complexity of holdings was one of the elements of examining structural changes in economic entities during the crisis. The complexity of holdings was evaluated with respect to the number of companies comprised by a holding or the number of its tiers. A high level of complexity was identified with the situation where a holding consisted of at least 3 tiers (i.e. a parent company, first-tier subsidiaries and second-tier subsidiaries) and more than 10 first-tier subsidiaries. The research indicated the changes in the number of companies and tiers in the analysed holdings in 2007–2013. The research focused especially on the changes in the holdings whose economic condition was assessed as very good and which were classified by broader research as resilient to the crisis (Orbis and Impexmetal).

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6 Polskie grupy kapitalowe..., op.cit.
1. Changes in the Number of Companies in the Analysed Holdings

It should be highlighted at the beginning that the examined holdings were considerably diversified in respect to their complexity level, scope of business and income volume. Apart from large holdings such as Ciech, Impexmetal and Budimex, smaller ones were also analysed, such as Orbis, Marvipol and Redan.

The research on the holdings’ complexity began from the identification of the general number of companies forming the holdings at the beginning and at the end of the research period. The Figure below presents the way the complexity level of the analysed holdings was changing in respect of the number of companies.

Figure 1. Number of Companies in the Analysed Holdings in 2007–2013

![Bar graph showing the number of companies in different holdings from 2007 to 2013](image)

Source: own work.

All the holdings introduced numerous changes that resulted in changing the number of companies in 2013 compared to 2007. Two holdings however increased the number. These were Budimex and Marvipol, who definitely raised the level of complexity by including more companies in the holding within the analysed period. In the case of the other holdings however the situation was the opposite and the level of complexity was lowered, although it was still relatively high in 2013.

The dynamics of changes in subsequent years is more interesting than the comparison of the situation at the beginning and at the end of the research period. Large holdings (Ciech, Budimex and Impexmetal) published detailed information about the number of companies divided into subsidiary companies, co-subsidiary companies
and associated companies. The Figures below (2–4) show the way the number of particular company categories changed in the holdings.

Figure 2. The Number of Subsidiary Companies in the Analysed Holdings in 2007–2013

Source: own work.

Figure 3. The Number of Co-Subsidiary Companies in the Analysed Holdings in 2007–2013

Source: own work.
Interestingly, the size of the holdings during the crisis changed definitely in respect to the number of companies, although the changes concerned different categories of companies in each holding.

Budimex was distinguished against the other holdings by increasing the number of companies from 20 to 34 during the analysed 7 years. The number of subsidiary companies was increased, as well as the number of co-subsidiary companies. The number of subsidiary companies was initially being limited, but in 2011 numerous companies were established to carry out various projects, such as the construction of the A1 motorway, bridges and car parks. The growth of the number of co-subsidiary companies was observed in 2008. Consequently, in 2013 the holding had more subsidiary and co-subsidiary companies than in 2007. Interestingly, the number of associated companies dropped.

The Ciech holding rather organised its structure in the research period. It was the most complex holding out of the entire research sample. In 2007 it consisted of 52 companies, while in 2013 it covered only 42 ones. The Ciech group introduced numerous changes in the analysed period, including getting rid of subsidiary and associated companies. For the entire analysed period it had one co-subsidiary company. Definitely the most important change in Ciech was the shift from structure based on divisions to the functional structure. In 2007 the organisation of the Ciech holding was based on the distribution of tasks between the Ciech SA corporate centre and the divisions. Initially, there were four divisions, which were reduced to three in 2010. In 2012 a decision was made to assume the functional business model.
In 2013 the company and holding management model was further being optimised. A restructuring process was implemented in the Ciech SA joint stock company and its Ciech holding, which covered selling entities, production lines and other assets from the agrochemical segment, the segment of silicates and glass, as well as the organic segment, and other areas of activities apart from the basic business. These measures were to concentrate the Ciech business activities on the soda segment.

Impexmetal was also the third largest holding. It was classified as permanently resilient to the crisis. An important change in this holding was the merger of Impexmetal and Aluminium Konin. However, in the analysed period the group was rather getting rid of its companies. The number of subsidiary companies was more or less the same for the entire research period. Radical changes and reduction concerned rather co‑subsidiary and associated companies. Particularly many changes were introduced in 2011–2012, when the holding experienced takeovers among its companies. The parent company sold part of the shares in the companies to its subsidiary companies. These measures were to organise the holding, although it is not expressly stated in the documentation. The liquidation of some companies is also a proof of organisation measures.

The subsequent three holdings (Orbis, Marvipol, Redan) are smaller groups of companies. They also published information on the number of companies divided into first-tier subsidiaries and second-tier subsidiaries, which is presented in the Figures below.

**Figure 5. The Number of First-Tier Subsidiary Companies in the Analysed Holdings in 2007–2013**

Source: own work.
Evidently the pace of changes in the holdings’ structures was different for individual entities. The Marvipol holding was developing as dynamically as Budimex, discussed above, since it increased the number of companies from 7 to 23. Starting as a relatively simple holding in 2007, the Marvipol group transformed into a highly complex entity. For all the research period Marvipol systematically increased the number of subsidiary companies and in 2010 the structure of the group included the first second-tier subsidiary company. The largest number of companies was established during the final phase of the crisis, i.e. in 2011–2013. Mainly automotive companies joined the holding during the crisis, and these were mainly companies selling luxury vehicles. Several real estate development companies appeared in the holding structure only in 2011 and 2012.

The situation observed in the Orbis and Redan holdings was the opposite. In the case of Orbis, the second holding permanently resilient to the crisis, more companies left it than joined it, which was a result of the fact that the capital structure was under organisation and the strategy was being modified. These were mainly second-tier subsidiary companies. Before 2009 a small growth of the number of companies was observed. A third-tier subsidiary company also appeared: PMKS Sp. z o.o. Tarnobrzeg. Over the next years however, the Orbis holding was being reduced due to the change of strategy and the focus on one business area. Particularly large changes in the structure could be observed in 2012, when the number of companies dropped to 6, with a significant reduction of the number of third-tier subsidiary companies. It was a result of decisions made in previous years concerning the sale or liquidation
of some companies. Changes in the Orbis holding resulted in a low level of its complexity in 2013.

Also the Redan holding reduced its size within the research period. 2009 was significant, because restructuring decisions were made due to the crisis on the clothing market, which were aimed at eliminating the unprofitable part of Redan's business. Morgan stores were sold, companies in the Czech Republic and Slovakia were closed, liquidation of the Trendstation brand was completed. Troll mono-brand stores owned by the holding were closed. In particular many changes in the analysed period concerned about a dozen store companies. They were liquidated and replaced by new ones, although in a significantly smaller number. The holding's measures were aimed at concentration and restructuring rather than expansion. As a consequence, the group applied divestments or combined companies, although liquidations and sales were prevailing. As a consequence, in 2013 the holding consisted of a parent company and 4 subsidiary companies (including 2 foreign ones) considered to be of key importance. The level of complexity was therefore relatively low.

2. Changes in the Number of Tiers in the Analysed Holdings

Apart from the number of companies, the assessment of the holdings’ complexity level covers also the number of tiers. Unfortunately, it is impossible to establish unequivocally the number of tiers in some holdings in particular years of the research period.

Orbis, Redan and Marvipol holdings provided the numbers of first-tier and second-tier subsidiary companies. It can therefore be stated that these groups had at least three tiers. The first third-tier subsidiary companies of Marvipol appeared in 2010, and in 2013 there were already three of them. The Redan holding in 2008 reported having one second-tier subsidiary company. The situation remained the same until the end of the research period. Orbis holding had at least three tiers (parent company, first-tier subsidiary companies and second-tier subsidiary companies) for the entire research period. Additionally, in 2008–2011 a fourth tier appeared (third-tier subsidiary company).

Ciech, Impexmetal and Budimex holdings did not report their number of tiers. Due to their large size however, it was assumed on the basis of the scarce information published in the report that they had at least three tiers. The Ciech holding was especially expanded. Its considerable complexity is proved, apart from the large number of companies, by the fact that the parent company indicates lower level
holdings covered by a consolidated financial report. The maximum number of lower level holdings was 5 (in 2007) and the minimum number was 3 (2011–2012), which is shown in the Table below.

**Table 1. Lower Level Holdings Being a Part of Ciech Holding**

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<th></th>
<th>2007</th>
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Source: own work on the basis of the Ciech holding's data.

**Conclusions**

The research allowed us to answer the question about the way the level of complexity of the analysed holdings was changing during the crisis. It should be noted that the changes in the level of complexity of the holdings were significant, although they concerned mainly the changes in the number of companies in a holding structure. The number of tiers rather stayed the same, although in the case of Marvipol and Redan it can be unequivocally stated that it increased.

Considering the GDP in particular years and changes of the holdings’ complexity, it can be observed that the holdings assessed as permanently resilient to the crisis (Impexmetal and Orbis) had a constant number of direct subsidiary companies. Changes in the complexity (measured by the number of subsidiary companies) of the other holdings were related either to the organisation of structure and reduction of the companies number, or to new projects undertaken and increasing the companies number. The diagram below shows changes in GDP (where the previous year = 100) and the number of subsidiary companies and sister companies.
It should be noted that during the crisis large holdings focused rather on organising their structures and getting rid of companies. Two holdings among all the analysed ones increased their number of companies. These were Budimex and Marvipol. Increasing the number of companies was a result of undertaking new construction projects in the case of Budimex and establishing companies to operate on specific
markets and sell specific brands of cars in the case of Marvipol. The other groups of companies reduced their level of complexity.

The analysis of the level of complexity of six holdings provided a basis to formulate a thesis that holdings tend to optimise the complexity of their structure during the crisis. It can be related to the optimisation of operation of the entire group, covering the increase of its effectiveness. It seems that the relationship between complexity and effectiveness can be reflected by a “reversed U”, which however would be necessary to confirm. Qualitative research permitted the observation that holdings which developed either vertically (a large number of tiers) or horizontally (a large number of subsidiary companies) cope especially well with the crisis. Neither insufficiently complex, nor an excessively complex group of companies is good however. Insufficient complexity of a holding and a broad scope of operational activities carried out by the parent company can expose the entire group to a greater operational and financial risk. Excessive complexity can in turn lead to problems in management and supervision over subsidiary companies. The analysis of the holdings shows that those with a lower level of complexity (e.g. Marvipol) increased the number of subsidiary companies. Holdings with a higher level of complexity organised and reduced the number of their subsidiary companies. Holdings identified as permanently resilient to the crisis maintained a similar number of subsidiary companies.

These holdings (Impexmetal and Orbis) could also adapt their business structure to the strategic changes introduced during the crisis. The Orbis group is a good example, as it decided to give up transportation and travel agency businesses because of the crisis in the tourism industry. Efficient reorganisation allowed it to adapt the structure to the new strategy and to recover part of the invested capital. The second holding considered to be permanently resilient to the crisis, i.e. Impexmetal, changed its shape during the crisis. The number of companies directly subordinate to the parent company was reduced in the analysed period. Additionally, the companies were grouped depending on their scope of business, which facilitated management.

It would be advisable to carry out further research on the structure of holdings in the periods of crisis and prosperity, and to examine relationships between the complexity of a holding, or a group of companies, and its performance. Further research on the complexity of holdings should be carried out on a broader research sample. Statistical analyses of a big sample could possibly make it possible to verify the thesis on the relationship between the level of a holding complexity and its performance, reflected by a “reversed U” diagram.
References


Abstract

The article presents results of case study research on six holdings carrying out business in Poland. The goal of the research was to identify the influence of the crisis on the network structures created and managed by the holdings. To reach this goal various networks structures of the companies were analysed and their approach to inter-organizational relations was evaluated. As a result the research gave an insight into interesting inter-organizational practices used. Typical network structures tied with different strategic goals were identified. Additionally advantages of the network structures in the crisis were presented and a model of crisis influence on network structures was proposed.

Keywords: crisis management, network structures, network organizations, enterprise networks, polish enterprises
Introduction

This paper presents the findings of the study on network structures of Polish enterprises in relation to the macroeconomic crisis of 2007–13. Due to the wide scope of application of network concepts in management research, in the first part an overview of network perspectives and optics is presented. The second part focuses on the findings of case studies conducted as part of a research on the determinants of Polish enterprises’ resistance to the macroeconomic crisis1. As a result, various network structures are presented, together with examples of their applications to different strategic goals in response to the changes in the business environment.

1. Network Perspectives and Optics Used in Management Studies – an Overview

The question of networks in organization and management theory is the kingpin of a dynamic research and theoretic view, which is has been met with substantial interest on the part of academics since the 1980’s. Due to its wide scope and complexity, many authors imply that currently we may be witnessing the birth of a new network paradigm for management studies2. Although this proposition is still a subject of academic discussion3, there is no doubt that the network view on organizations, their behaviour and environment, is an inspiring scientific perspective with lots of potential applications. Based on past and contemporary research we are able to name at least four directions of such network studies:

- works on network characteristics within the business environment.

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1 This study was funded by the National Science Centre. Project title: “Determinants of Polish Enterprises’ Resistance to the Macroeconomic Crisis”, project number: 211/03/B/HS4/04922.


- papers on regional networks and cluster management.
- studies of the Asian enterprise networks phenomena.
- a structural perspective, which treats inter-organizational networks as a new mode of organization structures of contemporary companies.

Proponents of the environment-as-a-network view argue, that an organization's surroundings have a network structure. Thus the correct understanding of contemporary business conditions requires a detailed analysis of relationships, positions and interdependencies between all entities of which the business environment consists. As implied by various economic and social theories these interdependencies can be based on many different mechanisms, therefore it is possible to analyse network behaviours in at least four important dimensions (Table 1).

### Table 1. Dimensions of Network Activities

<table>
<thead>
<tr>
<th>Theoretical Perspectives</th>
<th>Dimensions of Network Activities</th>
<th>Examples of Inter-Firm Ties</th>
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</thead>
<tbody>
<tr>
<td>Transaction cost economya</td>
<td>Transactional</td>
<td>Contracts</td>
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<td>Evolutionaryb</td>
<td>Resource-based</td>
<td>Resource flows</td>
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<td>Knowledge sociologyc</td>
<td>Learning</td>
<td>R&amp;D projects</td>
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<td>Social networksd</td>
<td>Norms and values</td>
<td>Interpersonal ties</td>
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Another important branch of the network research focuses on the issue of the competitiveness of regions. According to these studies, clusters comprised of companies operating in similar industries in geographical proximity drive organizational innovativeness and flexibility⁴. This can be attributed not only to agglomeration

effects (i.e. the suppliers proximity, economies of scale, easy access to information about the competition, easy access to the specialized work force)\(^5\), but also to network effects such as knowledge diffusion, the intensity of social interactions and the common creation of market chances\(^6\). The role of trust and social norms is also evident in studies concerning the phenomena of Asian companies. Network forms of cooperation typical for the Japanese (keiretsu), the Korean (cheabols) and the Taiwanese (jituanqiye) economies are perceived as the main success factor of the Far Eastern firms on the contemporary global markets\(^7\).

The structural perspective seems to be a logical consequence of the aforementioned ways of thinking about inter-organizational relations. Many authors, referring to the Burns and Stalker’s\(^8\) mechanical and organic structures concept, interpret network emergence as the next step in the evolution of organizational forms due to the increasingly less stable business environment\(^9\). As a result, network structures can be viewed as a new form of business organization following functional, divisional and matrix structures. Some researchers argue that the reasons for this change can also be observed in the transformation of holding companies, which due to globalization were exposed to greater competitive pressure, especially originating from Asian firms\(^10\). The value chain disintegration observed in many industries, as an outcome of these market changes, is one of the main paths leading to inter-organizational structures. Another one is the internationalization of companies\(^11\), which loosens formal ties in order to improve effectiveness in long-distance cooperation. Above all, organizations use different external and cooperative modes to enter international markets, which

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loosens the structures of business activities even more. Therefore from the structural perspective, networks can be viewed as quasi-firms\textsuperscript{12}. They consist of autonomous units cooperating extensively in order to produce the final goods or services in a way attributed commonly to traditional organizations.

It is important to clarify, that all the aforementioned network studies should be also categorized based on the optics the authors presupposition. From a holistic viewpoint a “whole” cannot be understood by a simple aggregation of knowledge about its individual components. Therefore some network researchers call for the study of inter-organizational relations from a macro perspective – treating a firm as a part of a large system of interdependencies which ceaselessly influence behaviours and the results of others\textsuperscript{13}. On the other hand, some authors focus on a structure of relations around a purposely chosen organization and its direct partners. Studies\textsuperscript{14} on such ego-networks touch more deeply on the issues of shaping inter-organizational ties\textsuperscript{15} and the positions of various units in the structure. A cluster optic can be perceived as a half-way view, which is focused on parts of the network characterized by high inner density\textsuperscript{16}. Figure 1 illustrates the differences between these three network studies optics.


2. Research Outline

The study presented below was a part of a research on the determinants of Polish enterprises’ resistance to the macroeconomic crisis. The main goal of the study was to analyse the variations of network structures used by Polish companies, their relation to crisis resistance and to identify practices in the area of network structures management in connection with macroeconomic crisis.

The ego-network optic and the structural perspective were applied in the study. Both views were in line with the purpose of the research, which posited in-depth analysis of companies’ reactions to the macroeconomic fluctuations of 2007–13.

The research consists of quantitative and qualitative components. The study of the network structures management practices was conducted in the qualitative part, for the purpose of which six companies were chosen: GK Budimex, GK Ciech, GK Impexmetal, GK Marvipol, GK Orbis and GK Redan. In-depth analysis of the tactics and behaviours regarding network structures in the macroeconomic crisis were based on the sample of these companies.
3. Research Results

To identify different network structures used by the sample companies, five criteria regarding inter-organizational links were used: location in a value chain, collaboration areas, complexity of ties, networks identity and cooperation dimension. Table 2 presents detailed information on network structures identified in the examined enterprises.

Table 2. Network Structures Identified in the Study

<table>
<thead>
<tr>
<th></th>
<th>Budimex</th>
<th>Ciech</th>
<th>Impolmetal</th>
<th>Marvipol</th>
<th>Orbis</th>
<th>Redan</th>
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<td><strong>Location in a value chain</strong></td>
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<td><strong>Cooperation dimension</strong></td>
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Source: author’s own study.

All of the analysed companies create and maintain vertical network structures, cooperating with a chosen group of suppliers. Some of them (Orbis and Redan) form also inter-organizational ties with their sales partners based on franchising agreements. One enterprise (Budimex) arranged collaboration with competitors – these projects were based on consortium agreements. Additionally three companies were engaged in diagonal relationships of a various nature. Marvipol and Orbis participated in sales networks governed by international corporations, such as Jaguar and Land
Rover dealership networks and Hertz rental network. On the other hand Impexmetal collaborated with research institutes throughout the entire research period.

Three networks based on identities were identified among the aforementioned structures. All of them were based on brand identities (Marvipol: Jaguar-Land Rover; Orbis: Hertz and Accor Hotels; Redan: Troll and Top Secret).

Three social cooperation networks were identified: a learning network in the case of Impexmetal (cooperation with research institutes) and two advanced information exchange networks based on IT systems used in Orbis and Redan’s franchising networks. Both franchising networks were also qualified as learning structures due to activities facilitating collaboration with franchisees such as training programmes.

Most of the inter-organizational ties are established by basic contract agreements. The following exceptions were identified: franchising, licensing and consortia agreements used by Budimex, Marvipol, Orbis and Redan.

Comparing the different network types to strategies followed by the companies during the research period gives an insight into interesting inter-organizational practices. Four strategic goals tied with a characteristic network structure mix were identified: expanding business territorially, diversifying the business portfolio, increasing the efficiency of operations and reaching new segments of clients. Additionally it was discovered that, in all of the four cases the subject companies played different roles. Table 3 presents the details of the structures used and the role played by companies with reference to the strategic directions chosen.

Table 3. Ways of Using Network Structures for Different Strategic Goals

<table>
<thead>
<tr>
<th>Companies</th>
<th>Strategic Goal</th>
<th>Network Structures Mix</th>
<th>Role Played by the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redan, Orbis</td>
<td>Expand chains of establishments (stores, hotels)</td>
<td>Vertical networks (retailers and sales partners), Brands identity networks, Complex ties networks, Social cooperation networks, Areas of collaboration: sales and promotion</td>
<td>Dominant – creating and coordinating the networks</td>
</tr>
<tr>
<td>Marvipol</td>
<td>Diversifying into a new sector</td>
<td>Diagonal network, Brand identity network, Complex ties network, Areas of collaboration: sales and promotion</td>
<td>Dependent – applying dominant company’s strategy to Polish market</td>
</tr>
</tbody>
</table>
The dynamic analysis of the network structures in the sample group proves rather high stability of network approaches applied by the companies during the crisis. In the research period most of the enterprises followed a network structures model chosen before the crisis. Although, there were changes observed in supplier networks, these concerned rather operational details (such as substituting one partner with another or renegotiating the terms of cooperation), than general approach to network structures itself. Two important exceptions were identified. In 2011, Orbis decided to terminate cooperation with the Hertz network and formulated a new strategy for the hotel chains expansion, based substantially on cooperation with independent partners. In 2013, Redan applied a similar external approach to plans for international expansion.

There was no significant direct influence of the crisis on the network structures observed. Although, indirect crisis responses were identified, only minor operational adjustments in the suppliers networks could be attributed directly to macroeconomic turbulence. In the examined enterprises significant changes of network structures followed important strategy reformulations. This rule was especially valid for product-market modifications, which caused organizational structures rearrangement. Due to the above a model of a macroeconomic crisis’s influence on network structures is proposed. The details are presented in Figure 2.
Based on the case studies, a conclusion can be drawn, that network structures help to adjust organizational structures to new strategic goals. It can be attributed to higher elasticity of network structures compared to alternative modes of business organization. As a result in a turbulent business environment, inter-organizational modes of market expansion have a higher potential to facilitate the growth of the companies. Specifically two advantages were identified in the case studies: lower barriers of modification of products-markets strategies and an opportunity for a faster implementation of development strategies. Examples supporting the findings are presented in Table 4.

### Table 4. Advantages of Network Structures

<table>
<thead>
<tr>
<th>Network Structures Advantages</th>
<th>Examples</th>
<th>Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower barriers of modification of products-markets strategies</td>
<td>No assets liquidation in case of termination of parts of business activities</td>
<td>Budimex, Ciech, Orbis</td>
</tr>
<tr>
<td></td>
<td>No lay-offs costs due to recession</td>
<td>Ciech, Budimex</td>
</tr>
<tr>
<td></td>
<td>Termination of contracts with external partners can be conducted without any costs</td>
<td>Ciech, Impexmetal, Marvipol, Orbis</td>
</tr>
<tr>
<td>Faster implementation of development strategies</td>
<td>Building franchising networks can be a fast way to enter new markets and new locations</td>
<td>Redan, Orbis</td>
</tr>
<tr>
<td></td>
<td>Building supplier networks helps to access new resources required by new strategies</td>
<td>Budimex</td>
</tr>
<tr>
<td></td>
<td>Horizontal networks improves chances for acquiring contracts in new segments of clients</td>
<td>Budimex</td>
</tr>
<tr>
<td></td>
<td>Entering networks governed by a stronger partner can be a way to differentiate on markets (especially new ones), based on unique resources (brands)</td>
<td>Marvipol</td>
</tr>
</tbody>
</table>

Source: author’s own study.
References


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Business Models of Polish Enterprises During the Economic Crisis

Abstract
Well-structured business models allow to ensure relatively sustainable competitive advantage. Effective business model can also be a key factor facilitating survival during the economic crisis. This article presents characteristics of business models of selected Polish enterprises during the 2008–2013 economic crisis and demonstrates areas of models which determine enterprise’s resilience to crisis.

Keywords: business model, polish economic crisis; business model innovation
Introduction

The 2008–2013 economic crisis came as a big surprise to numerous Polish managers. Not many factors pointed to the possibility of economic downturn, in particular in Poland, country making up for the backwardness in social and economic development, strongly supported by EU funds. Numerous entrepreneurs wanted Poland to be a “green island”, far from world financial turbulence, consistently building its position on the international scene. Unfortunately, it turned out that because of globalisation of negative consequences of crisis spilt over on all entities of world economy. Ready or not, Polish enterprises had to face the challenges of economic crisis.

Research carried out by team lead by Professor M. Romanowska pointed to a number of strategic actions implemented by Polish enterprises between 2008 and 2013. This article will present one of the areas of strategic behaviour of enterprises – change in business models. The aim of the article is to analyse the behaviour of selected Polish enterprises during the economic crisis, related to the modification of their business models, as well to attempt to demonstrate features of models which determine enterprise’s resilience to crisis.

1. Theoretical Basis for Research

The business model concept treats enterprise as a system of logically linked elements which facilitate value creation and ensure a return on value created. M. Porter, in his value chain concept, was the first to describe the mechanism of added value creation. In later publications, the value creation issue was reflected by various concepts and management rules, e.g. enterprise value management concept, marketing value streams or process management. Common acceptance of the value creation mechanism has reinforced the conviction of managers that value to be sought after and intercepted to the greatest possible extent is created at each stage of the sector’s economic path. The mechanism of value added creation in business model is explained by R. McIvor’s concept combining resource-based and transaction cost

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1 Grant no. 2011/03/B/HS4/04922.
theory\(^5\). Value added suggested by McIvor is created by unique resources at the disposal of an enterprise. However, the real source of value for the enterprise is ultimate effectiveness of transaction. Consequently, business model of an enterprise represents a specific combination of resources generating value through effective transactions, both for customers and the very enterprise\(^6\).

The effectiveness of the enterprise's business model is thus determined by the idea of a business and the way it is organised, translating directly into high profit. It is particularly significant that the two elements are coherent since this is what allows to create special value for customers by an enterprise and simultaneously to intercept a considerable part of this value for the enterprise's stakeholders. Value of a business model is determined by nature and interrelations between areas of enterprise's business model (relevant to current risks and opportunities), which ensures an enterprise higher profitability and relatively sustainable competitive advantage\(^7\).

There is numerous research pointing to the relation between quality of the enterprise's business model and its ability to compete in the long-term. This relation is reflected both in declarations of responding managers\(^8\) and results of surveyed enterprises\(^9\). Interestingly, the relation is the more evident the later research is carried out. Recent research into enterprises during the economic crisis also point to a strong relation between the type of business model and the enterprise's ability to resist a crisis\(^10\). Moreover, necessity to introduce innovation in a business model is stressed as it is considered a key source of competitive advantage of an enterprise\(^11\).

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In the light of considerations set out above, in order to ensure long-term competitiveness, enterprise managers should focus on constant assessment of correctness/accuracy of business model implemented, which describes the enterprise’s offer to customers, the way it reaches the latter, resources, actions and partners employed to create value, the way it earns money\textsuperscript{12}. Modifications of a business model should be the more significant the greater the changes in the enterprise environment, and should relate to the following elements of the model:

- customer area – defining value proposal for a customer, composed of selected customer segments, value proposals and access channels adjusted to customers,
- actions area – value creation area describing necessary operations and processes implemented by an enterprise in order to create value for customers,
- resource area – value source area describing enterprise’s resources (financial, tangible and intangible) necessary to create value,
- profit area – area of interception of values by an enterprise, demonstrating income sources and cost structure relating to the creation and provision of value to customers.

2. Method and Research Sample

The 2008–2013 economic crisis brought a number of unexpected changes in the environment of enterprises. These changes should translate into their specific strategic behaviour. Effectively implemented actions of enterprises should facilitate the improvement or maintenance of good economic standing of an enterprise, and thus treating them as significant determinants of resilience to crisis. Research presented assumes that an enterprise should respond to crisis-induced changes in the environment through adequate changes in the business model. The greater the change of the business model, the greater the resilience of enterprise to crisis. Nature of changes in business models of enterprises was assessed on the basis of their depth and scope. Changes characteristic of great depth are significant modifications of all elements of a given business model area. Modifications with considerable scope of changes consist in restructuring all four business model areas. Enterprise’s resilience to crisis was measured by means of E. Mączyńska’s crisis resilience index\textsuperscript{13}.


\textsuperscript{13} E. Mączyńska, M. Zawadzki, \textit{Dyskryminacyjne modele predykcji bankructwa przedsiębiorstw}, „Ekonomista” 2006, no. 2.
Instrumental case study method was used in research. Six enterprises were surveyed. Research involved surveys and analysis of content of existing data – materials of enterprises published on their websites, press releases, stock reports etc.

3. Research Results

Very diverse understanding of the business model concept was noted in surveyed enterprises. It is particularly vivid in responses given by respondents of the said enterprises. Respondents in the majority of surveys have very general, hesitant view of changes in business models. Often, they equate changes in enterprises with actions related to modifications of business models. The issue of business models was not discussed at all in two surveys (Table 1).

Table 1. Understanding of a Business Model Among Respondents of Surveyed Enterprises

<table>
<thead>
<tr>
<th>Surveyed Company</th>
<th>View of a Business Model</th>
<th>Changes of Business Model Introduced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impexmetal SA</td>
<td>Business model as a way to conduct business</td>
<td>Abandonment of metal production and initiation of production of more processed products</td>
</tr>
<tr>
<td>Ciech SA</td>
<td>Business model as a way to organise the enterprise</td>
<td>Reconstruction of organisational structure towards centralisation of functions for various business segments</td>
</tr>
<tr>
<td>Marvipol SA</td>
<td>Business model not defined, equated with quality</td>
<td>Emphasis on product quality and customer service level, enhanced by establishment of a quality director position</td>
</tr>
<tr>
<td>Budimex SA</td>
<td>Business model not defined</td>
<td>No changes</td>
</tr>
<tr>
<td>Redan SA</td>
<td>No mention in survey</td>
<td>–</td>
</tr>
<tr>
<td>Orbis SA</td>
<td>No mention in survey</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: own elaboration based on surveys.

The analysis of content of materials published by enterprises on their websites, press releases and stock reports made it possible to identify the main features of business models of surveyed enterprises and to assess their scale of changes (Table 2 and Fig. 1). In general, the surveyed enterprises adjusted the shape of their business models to the specificity of lines and sectors of business.

Manufacturing enterprises in the metal and chemical industries (Impexmetal SA and Ciech SA) focused on the offer of little processed products and attracted customers with low prices and capacity for processing large orders. Value generation by these companies was based on specialised production lines allowing enterprises for
confident competition on world markets with low costs of raw materials and energy. Unfortunately, in the majority of cases business models in question had no efficient mechanism to intercept value, which mainly affected the deterioration of economic standing of surveyed enterprises during the crisis.

Construction industry enterprises (Budimex SA and Marvipol SA) implemented construction investments dedicated to a selected customer group. The majority of stages of investments were implemented independently by companies, thus allowing the interception of greater part of value generated. Valuable resources provided basis for value creation and interception – mainly intellectual capital (people with knowledge of those resources, experience, business contacts, current and potential business partners), reputation of the company, access to financial capital and attractive land bank.

**Table 2. Description of Business Models of Surveyed Enterprises Before the Crisis**

<table>
<thead>
<tr>
<th>Description of Business Models</th>
<th>Customer Area</th>
<th>Actions Area</th>
<th>Resource Area</th>
<th>Profit Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impexmetal SA – copper segment</td>
<td>Specialisation in low-processed products based on copper and its alloys directed at institutional customers, requiring low prices, adequate quality, little diversity of products, offered in large quantities.</td>
<td>Own manufacturing activity processing billets and copper cathodes into company’s products. Sale on foreign markets was implemented via external subsidiary companies.</td>
<td>Key resource consists in specialised production facilities and technological lines ensuring adequate quality products and relatively low costs (because of cheap labour and low costs of raw materials). Recognised brand and wide world distribution network was an additional asset.</td>
<td>The main revenue stream of the company consists in the sale of low margin products intended for various customer groups. Activity carried out was very cost-intensive, and thus the company generated minor profits.</td>
</tr>
<tr>
<td>Impexmetal SA – aluminium segment</td>
<td>Specialisation in semi-processed products based on aluminium (cold-rolled and sheet products) offered in large quantities at low prices and in adequate quality.</td>
<td>Own manufacturing activity covering two intermediate product processing stages: hot-rolling and cold-rolling. Sale implemented mainly through a network of external warehouses.</td>
<td>Key resource consists in specialised production facilities and technological lines ensuring adequate quality products and relatively low costs, in close vicinity of key customers.</td>
<td>The main revenue stream of the company consists in the sale of average profit margin products intended for various customer groups. Lack of strong value interception mechanism.</td>
</tr>
<tr>
<td>Description of Business Models</td>
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</tr>
<tr>
<td>Customer Area</td>
<td>Actions Area</td>
<td>Resource Area</td>
<td>Profit Area</td>
<td></td>
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<tr>
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</tr>
<tr>
<td>Impexmetal SA</td>
<td>Own manufacturing activity processing primary inputs into company’s products. Foreign sale via external subsidiary companies.</td>
<td>Key resource consists in specialised production facilities and technological lines.</td>
<td>Lack of effective value interception mechanisms. The main revenue stream of the company consists in the sale of low margin products, exceeding costs to a slight extent.</td>
<td></td>
</tr>
<tr>
<td>– zinc and lead segment</td>
<td>Specialisation in low‑processed products based on zinc and lead, offered in large quantities at low prices.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impexmetal SA</td>
<td>Joined production (design, R&amp;D and manufacturing) and distribution of bearings among key customers.</td>
<td>Specialised production facilities and technological lines, location, effective distribution network and recognised brand.</td>
<td>The main revenue stream consists in the sale of finished products, exceeding costs to a slight extent.</td>
<td></td>
</tr>
<tr>
<td>– bearings segment</td>
<td>Specialisation in cheap bearings for the automotive and engineering industry, high flexibility in terms of quantity and range.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orbis SA</td>
<td>Provision of hotel and catering services by means of own human resources and facilities. Certain services (e.g. catering, recreational, Spa, beauty treatment, hairdressing services etc.) and construction services outsourced.</td>
<td>Network of hotels with attractive location and recognised brand as well as knowledge, skills and experience of employers, base of proven business partners.</td>
<td>Revenue on the sale of hotel services, plus the sale of ancillary services. Not very effective value interception mechanism.</td>
<td></td>
</tr>
<tr>
<td>Hotel services for the selected customer segments (demanding and economic). Value proposal based on attractive, properly designed structure of hotel and catering services, adjusted to location and customer type.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marvipol SA</td>
<td>Independent implementation of the majority of stages of developer investments process (from the time of geographical location of investment to management).</td>
<td>Intellectual capital (people with knowledge of those resources, experience, business contacts), current and potential business partners, reputation of the company, access to financial capital.</td>
<td>Because of effective value creation processes and relatively low functioning costs, the company intercepts considerable part of value.</td>
<td></td>
</tr>
<tr>
<td>Sale of flats in popular and luxury apartment segment. Value proposal focuses on the delivery of a given‑standard flat, on agreed date and in agreed time.</td>
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<tr>
<td>Description of Business Models</td>
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</tr>
<tr>
<td><strong>Customer Area</strong></td>
<td><strong>Actions Area</strong></td>
<td><strong>Resource Area</strong></td>
<td><strong>Profit Area</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Ciech SA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– soda segment</td>
<td>Specialisation in the sale of large quantities, competitively-priced products for the glass sector, detergent and cleaning products manufacture as well as the chemical industry.</td>
<td>Manufacturing activity (based on independently produced energy based on bituminous coal) and own commercial activity.</td>
<td>Comprehensively fitted, technologically advanced production facilities, located in the vicinity of raw material sources, recognised brand, strong customer base.</td>
<td>Effective value interception mechanism because of low costs and stable revenue.</td>
</tr>
<tr>
<td><strong>Ciech SA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– organic segment</td>
<td>Specialisation in cheap intermediate products and products for the furniture, automotive, construction and chemical industry (paint and varnish), high level of delivery reliability.</td>
<td>Independently implemented key stages of the manufacturing and sale process of primary products of the segment.</td>
<td>Comprehensive, technologically advanced production facilities. Long-term energy delivery contracts.</td>
<td>The main revenue stream of the company consists in the sale of intermediate products and organic products. Despite low operating costs and relatively cheap energy, lack of effective value interception mechanism.</td>
</tr>
<tr>
<td><strong>Ciech SA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– agrochemical segment</td>
<td>Specialisation in cheap intermediate products and products for agriculture via various distribution channels.</td>
<td>Partly independent implementation of selected stages of the manufacturing and product sale process, without appropriate coordination.</td>
<td>Comprehensive production facilities located in favourable geographical area (easy access to raw materials).</td>
<td>The main revenue stream of the company consists in the sale of intermediate products and phosphorous products, exceeding costs to a slight extent.</td>
</tr>
<tr>
<td><strong>Budimex SA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– construction activity</td>
<td>Construction within specific standard of performance, at costs specified in contract and by a specified deadline, in particular for public customer.</td>
<td>Comprehensive implementation of all stages of construction investment, in majority carried out by the company’s own units.</td>
<td>Financial resources (most frequently of external origin) and intellectual capital (people with knowledge of those resources, experience, business contacts, current and potential business partners and reputation of the company.</td>
<td>Effective value interception mechanism because of low costs and stable revenue, in particular from the public sector.</td>
</tr>
</tbody>
</table>
Description of Business Models

<table>
<thead>
<tr>
<th>Customer Area</th>
<th>Actions Area</th>
<th>Resource Area</th>
<th>Profit Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budimex SA</td>
<td>– developer activities</td>
<td>Financial resources and intellectual capital, land bank.</td>
<td>Lack of detailed information about value interception mechanisms.</td>
</tr>
<tr>
<td>Value proposal focused on higher-standard flats and luxury apartments attractive in terms of location and architectural design, intended for demanding customers of large Polish cities (Warsaw, Krakow, Poznań).</td>
<td>Independent implementation of key stages of the developer investment process (land purchase, design adaptation, preparation for investment, general contracting, sale of flats and real estate management).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redan SA</td>
<td>– fashion segment</td>
<td>Intangible resources (in particular brands and trademarks owned, knowledge and skills of employees and relations with business partners), financial resources and developed distribution network.</td>
<td>Revenues on the sale of clothing products and franchise fees. Not very effective value interception mechanism despite low costs.</td>
</tr>
<tr>
<td>Clothing for several customer segments. Value proposal based on attractive, logical, matched range of good quality textiles, attractive prices, dedicated distribution channels.</td>
<td>Sale through company’s own and franchise distribution channels, own collections of clothing, supported by intensive marketing activities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redan SA</td>
<td>– discount segment</td>
<td>Stores of the Textilmarket chain, knowledge of employees, business relations and financial resources. Sharing resources of GK Redan.</td>
<td>Revenues on the sale of products in Textilmarket chain stores. Effective value interception mechanism.</td>
</tr>
<tr>
<td>Clothing products for the segment of price-sensitive customers. Vide selection of products, plus home textiles, accessories and footwear.</td>
<td>Independent implementation of the majority of activities leading to the sale of products of the segment, except for the clothing sewing stage (design, marketing, sale in own discount chains).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration based on materials published by companies.

As regards the clothing business, Redan SA was present in two market segments: fashion and textile. Sharing resources between segments, process optimisation and effective value interception mechanism made the textile segment a more effective model.

The hotel company Orbis SA provided hotel and catering services based on attractive hotel locations, recognised brand and knowledge, skills and experience of employees. Unfortunately, the not much effective value interception mechanism
prevented the company from increasing its value and minimising dependency on economic fluctuations on the tourism market.

Economic downturn due to the 2008 economic crisis did not affect all the surveyed companies to the same extent. Ciech SA, Orbis SA and Impexmetal SA had the greatest problems. The other companies, having suffered temporary difficulties, noted increase in income. 2010 was the best year in the history of Budimex SA company. The scale of negative effect of the crisis on each of the surveyed companies translated into pace and nature of defensive actions taken (Table 3). Immediate restructuring processes were initiated in Ciech SA and Impexmetal SA. In the case of the first company, this resulted from a difficult financial situation due to unfavourable clearing of currency options. Deep financial and organisational restructuring of the company lead to the establishment of new, more effective activity structure, where the headquarters control the business and support functions while second-tier subsidiary companies focus solely on production activity. Changes introduced modified the company’s business models to an average extent.

Impexmetal SA has been implementing the restructuring programme since 2005. Its implementation was accelerated due to fluctuations caused by the economic crisis. The company invested in modern technologies facilitating the manufacture of products of higher level of processing. New products made it possible to reach another customer group, thus guaranteeing higher margin. In general, changes introduced restructured the company’s business model to an average extent.

As regards the other surveyed companies, reactions to crisis were noted only in 2010 (Orbis SA and Marvipol SA), and even in 2011 (Budimex SA and Redan SA). Changes in Orbis SA related directly to the restructuring of the activity model of Accor Group, which, according to the “asset light” rule, assumed gradual decrease of the number of hotels owned for the benefit of hotel activity in buildings owned by other investors. The company disposed of non-core business activities, thus improving its financial standing and focused on hotel activity. Despite considerable changes in the structure of businesses, the assessment of changes in the business model is low.
<table>
<thead>
<tr>
<th>Company</th>
<th>Time of Response</th>
<th>General Description of Changes</th>
<th>Depth and Scope of Changes</th>
<th>General Assessment of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impexmetal SA</td>
<td>Restructuring implemented consistently since 2005. Acceleration of implementation of earlier plans was a response to crisis.</td>
<td>Increase of technological level making it possible to enter the market with more processed products and reaching a different customer group, guaranteeing higher margin.</td>
<td>Average changes in selected segments, mainly in customer and actions area.</td>
<td>Average change of the business model</td>
</tr>
<tr>
<td>Orbis SA</td>
<td>2010, with the reconstruction of the whole Accor Group.</td>
<td>Gradual decrease of the number of hotels owned for the benefit of carrying out hotel activity in buildings owned by other investors. Withdrawal from non-core activities. Focusing on comprehensive hotel chain management (strategic marketing planning, organisation of service distribution process, HR, trainings as well as maintenance and design of hotel interiors).</td>
<td>Average changes within the actions area, insignificant changes in other areas.</td>
<td>Slight change of the business model.</td>
</tr>
<tr>
<td>Marvipol SA</td>
<td>2010, limitation of investment, offer modification.</td>
<td>Anti-crisis actions related mainly to renegotiation of contracts with contractors — design offices and general contractors — as well as seeking cheaper subcontractors; reduction in employment, halting investments and purchase of new plots.</td>
<td>Average changes within the customer area, insignificant changes in other areas.</td>
<td>Slight change of the business model.</td>
</tr>
<tr>
<td>Ciech SA</td>
<td>2008</td>
<td>Reorganisation of the management structure towards taking over full control of business and support functions on the parent company level, simultaneously focusing the Group’s companies on production activity only.</td>
<td>Significant change in the actions area, slight change in the resource and profit area.</td>
<td>Average change of the business model.</td>
</tr>
<tr>
<td>Budimex SA</td>
<td>2011</td>
<td>Conclusion of projects financed by the EU funds made the company extend the scope of construction activity, e.g. to include railway, industry, hydrotechnical investments, and diversify the customer segments.</td>
<td>Above-average changes in the customer area, average changes in the actions, resource and profit area.</td>
<td>Average change of the business model.</td>
</tr>
<tr>
<td>Redan SA</td>
<td>2011</td>
<td>Experiments with the value proposal, mainly as regards the product offer and distribution system of the fashion sector. Modification of the system of introducing new collections.</td>
<td>Average changes in the customer, actions and profit area, slight changes in the resource area.</td>
<td>Average change of the business model.</td>
</tr>
</tbody>
</table>

Source: own elaboration.
Marvipol SA recouped losses in the developer sector with relatively well-developing sector of luxury cars. Lack of pressure on greater changes resulted in the introduction of slight modifications in the business model, mainly in the customer area (limitation of value proposal).

Aware of infrastructural contracts terminating in 2011, Budimex SA took measures aimed at the extension of the scope of services offered with other customer segments. Measures taken brought about new construction contracts, but changes in business models focused mainly on company’s adjustment to a new customer type. Therefore, their nature is considered average.

Redan SA ignored the first symptoms of crisis, consistently investing in the development of sales network. Measures taken to modify the fashion sector in 2011 nearly lead to the company’s bankruptcy. Saving changes introduced, consolidation of actions around primal brands facilitated the improvement of the company’s situation. The scope and depth of changes in business models of the company are considered average-low. Serious modifications were not introduced in all model areas. The company focused mainly on improving the value proposal and model costs optimisation.

Relating the nature of changes noted in business models of surveyed companies to the level of their resilience to crisis, the nature of relation between the scale of changes introduced and resilience to crisis cannot be explicitly stated (Table 4). Impexmetal SA has been consistently introducing changes in business models from the beginning of the crisis and, despite average changes, improved its resilience index. Thus it is considered a crisis-resilient company. Orbis SA is another company in this category, although modifications of its business model were slight and have been introduced only since 2010. On the other hand, Orbis SA was the only of the surveyed companies to have a high crisis resilience index as early as at the beginning of the economic crisis. Probably the good standing of the company satisfied managers and did not force them to introduce changes. However, it should be indicated that the business model of Orbis SA at the beginning of the crisis was not sufficiently satisfactory. The company failed to develop an effective mechanism to create and intercept value. The crisis resilience index improved due to changes in the company’s business portfolio, and not necessarily due to changes in the business model.

The other surveyed companies are considered companies non-resilient to crisis due to low change indices, often reaching value far below the average for the business. Companies introducing average changes in the business model (Ciech SA, Budimex SA and Redan SA) are characteristic of considerable fluctuations of the crisis resilience index within the subsequent years of the crisis, which may be understood as the outcome of too late introduction of changes or too short period to note effects.
of the new business model. Ciech SA is a special case as it initiated modifications of its business models as early as in 2008, and still its crisis resilience index ranged from 0.27 in 2007 to 0.82 in 2013. Unfortunately, it never exceeded 1.0 in the period in question.

Table 4. Nature of Changes of the Business Model vs. Resilience to Crisis of Surveyed Enterprises

<table>
<thead>
<tr>
<th>Company</th>
<th>Nature of Change of Business Model</th>
<th>Date of Introduction of Change in Business Model</th>
<th>Level of Crisis Resilience Index</th>
<th>Assessment of Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impexmetal SA</td>
<td>Average</td>
<td>2008</td>
<td>0.82</td>
<td>2.21</td>
</tr>
<tr>
<td>Orbis SA</td>
<td>Slight</td>
<td>2010</td>
<td>2.62</td>
<td>5.78</td>
</tr>
<tr>
<td>Marvipol SA</td>
<td>Slight</td>
<td>2010</td>
<td>0.19</td>
<td>0.79</td>
</tr>
<tr>
<td>Ciech SA</td>
<td>Average</td>
<td>2008</td>
<td>0.23</td>
<td>–0.86</td>
</tr>
<tr>
<td>Budimex SA</td>
<td>Average</td>
<td>2011</td>
<td>0.10</td>
<td>0.18</td>
</tr>
<tr>
<td>Redan SA</td>
<td>Average</td>
<td>2011</td>
<td>–0.84*</td>
<td>–1.73</td>
</tr>
</tbody>
</table>

* 2009.
Source: own elaboration.

The decreasing level of crisis resilience index as regards Marvipol SA can be attributed to e.g. the lack of any measures for the benefit of business model modification, which would, to an extent, confirm the thesis presented in this article. However, it cannot be clearly stated since the company noted the resilience index below 1 between 2010 and 2011.

4. Assessment of Changes in Business Models and Conclusions

The analysis of strategic behaviour of surveyed enterprises did not allow to clearly demonstrate the relation between the scale of changes in the enterprise’s business model and its resilience to crisis. Positive relation between changes in the business model and the level of crisis resilience index was noted in only one case. However, it should be indicated that the qualitative survey in question could not be used to demonstrate statistically significant relation between variables in question due to an insignificant sample. Still, research allowed to identify numerous interesting issues related to the use of the business model concept in establishing an enterprise resilient to crisis.
Firstly, research demonstrated that the business model concept is relatively unknown and not understood in enterprises. Business model is not explicitly discussed (surveys with respondents) and written about (internal materials of enterprises) in surveyed companies. Little knowledge of the concept and failing to notice the relation between effective business model and ability to compete could significantly affect the nature of decisions made by boards of enterprises. They failed to make use of the possibility to revive their businesses, extend the scope of activity or differentiate the income streams.

Identified parameters of business models of surveyed companies from before the crisis demonstrate that models were not effective. Only certain companies produced effective mechanisms to create and intercept value. Therefore, the deterioration of macroeconomic situation due to the crisis resulted in sudden decrease of profitability of the majority of enterprises in question. This, in turn, made them seek savings, decrease costs and restructure basic operating processes. Namely, those modifications were mainly considered average changes in business models within the actions area. Certain companies decided to introduce slight corrections in the customer area, mainly in form of restructuring of the value proposal or reaching other customer segments. Hardly any enterprise decided to introduce slight modifications in the profit area and none of them changed the profit area. However, comprehensive changes of business models to ensure their high coherence were not introduced. Moreover, no innovative business models which would revolutionise the market, typical of decisive moments in the economy, were noted.

It was also interesting to note the response of enterprises to crisis. The majority of companies in question acted reactively, with varying time of reaction. Certain companies introduced any modifications of the business model only in 2010. Numerous boards of companies in question failed to consider crisis a serious threat and thus practically no action was taken in the initial period. Such attitude may be explained by the board’s belief in the strength of business models of companies in question. Undoubtedly, in the case of all enterprises in question one can indicate strong points of business models which increased the companies’ resilience to crisis and allowed to survive the most difficult period and function to this day (Table 5).
Table 5. Features of Business Models Increasing Companies’ Resilience to Crisis

<table>
<thead>
<tr>
<th>Company</th>
<th>Strong points of business models increasing resilience to crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ciech SA</td>
<td>Business models allowing to intercept value within several links of the sector’s economic path, basing on low energy production cost from bituminous coal.</td>
</tr>
<tr>
<td>Budimex SA</td>
<td>Business models basing on intellectual capital, adjusted to the interception of value of key stages of the developer investment process (land purchase, design adaptation, preparation for investment, general contracting, sale of flats and real estate management).</td>
</tr>
<tr>
<td>Marvipol SA</td>
<td>Business model based on valuable resources (land – flat segment and business contacts – vehicle segment) which allowed to survive the most difficult period of crisis and maintain financial stability (in particular in the flat segment).</td>
</tr>
<tr>
<td>Impexmetal SA</td>
<td>Business model based on specialised production facilities located in the vicinity of the main customers of the company.</td>
</tr>
<tr>
<td></td>
<td>High willingness to introduce changes in business and product offer facilitated the implementation of model modifications.</td>
</tr>
<tr>
<td>Orbis SA</td>
<td>Business model based on tested world solutions of a “hotel operator”, offering services to various customer segments via institutions of different makes.</td>
</tr>
<tr>
<td>Redan SA</td>
<td>Business models allowing joint creation of value and offering it to various customer segments. Sharing selected links of the economic path of various sectors allows the interception of a part of value created.</td>
</tr>
</tbody>
</table>

Source: own elaboration.

However, universal features of the business model, which determine enterprises’ resilience to crisis, cannot be demonstrated. There are too many variables affecting the strength of the model, largely depending on sector’s specificity. The most frequent features of a crisis-resilient business model noted in the research relate e.g. to the length of the value chain (presence of enterprises within several links of the path, allowing to intercept considerable part of value), nature of resources (basing on cheap raw materials or energy) or process organisation (sharing operations for various types of business).

**Conclusions**

Seeking features of an enterprise able to meet the challenges of the environment, in particular such unpredictable phenomena as those of the macroeconomic crisis, is an intriguing, though difficult, task. The aim of the article was to describe strategic behaviour of the selected Polish enterprises in the scope of shaping business models as a response to macroeconomic crisis and to attempt to identify features of models determining the enterprise’s resilience to crisis. Unfortunately, limitations of the research sample did not allow to clearly identify universal features of a business
model resilient to crisis or to demonstrate the relation between the scale of changes in the enterprise’s business model and the level of its resilience to crisis. Although no clear statement can be made, research identified numerous interesting phenomena describing strategic behaviour of enterprises which can make a considerable contribution in the development of knowledge on strategic management and may become basis for further research. Future research should have qualitative nature as well, but cover a far larger group of enterprises in order to identify greater recurrence of behaviour typical of enterprises of the same business.

References


Behaviour of Polish Holdings Carrying out Real Estate Development Business During the 2008–2012 Crisis

Abstract

The article presents results of case studies of the biggest holdings carrying out real estate development business in Poland during the 2008–2013 crisis. The qualitative research made it possible to identify behaviours that are most favourable and most unfavourable for building a company’s crisis resilience.

Keywords: crisis, real estate development, strategic behaviours during the crisis
Introduction

Each economic crisis significantly changes conditions of functioning of economic entities – not only enterprises, but often entire industries or even national economies, if the crisis phenomena are intensive. A crisis can pose a serious threat for the existence of many entities (thus it often stimulates introduction of accelerated changes). However, a crisis can also be a source of opportunities, which, if used properly, enhance the future strategic potential of an enterprise.

The crisis that started in 2008 translated also into the behaviour of Polish enterprises. The article analyses the way the 2008–2012 economic crisis affected strategic behaviour of some holdings, or groups of companies, which carry out real estate development business in Poland. The article presents results of research carried out as a part of the National Science Centre research project 2011/03/13/HSR/04922 entitled “Determinants of Polish enterprises’ resilience to macroeconomic crisis”.

The research task covered an analysis of strategic behaviours of all the real estate development holdings from the “Lista 2000” list of the Rzeczpospolita newspaper which were listed on the Warsaw Stock Exchange during the crisis (the fact that they were public companies conditioned the possibility to carry out qualitative research based on the analysis of internal documents) and which were classified into to the development sector (which made it possible to classify the enterprises unambiguously into particular sectors on the basis of strict WSE criteria, while the approach applied by the authors of the “Lista 2000” list to group the companies in sectors had some inconsistencies). These criteria were satisfied by the following companies: Dom Development SA, Echo Investment SA, Gant Development SA, Globe Trade Centre SA, Inpro SA, J.W. Construction Holding SA, Polnord SA, Robyg SA.

The real estate development sector in Poland had been chosen as a subject of research intentionally, since it is one of the economy sectors (apart from the construction sector) most vulnerable to fluctuations of the macroeconomic situation (which means that its companies are forced to undertake more radical measures during the crisis).

The second reason why the research was limited to the development sector was the fact that the businesses of its entities are less diversified than in the case of other sectors especially sensitive to macroeconomic changes (consequently, the reliability of research results was better due to elimination of the sector-related factor).

The crisis had an adverse impact on the condition of real estate development companies in the analysed period. 68 development companies went bankrupt between 2008 and 2013 (Fig. 1). Strong reduction of demand for new flats caused by the crisis, with simultaneous continuation of projects started earlier by the developers led to the drop of prices of new real estate placed on the market (Fig. 2), which translated into lower ROA and ROE of real estate development companies (Fig. 3).

Figure 1. Number of Bankruptcies of Real Estate Development Companies in 2008–2013

Source: own work based on the data of the Ministry of Justice and the Report on the research on the housing market – the primary market (Raport z badania rynku budownictwa mieszkaniowego – rynek pierwotny) carried out by the Office of Competition and Consumer Protection in March 2014.

Due to the life cycle of real estate development investment projects (and signing sales agreements before the closure of investment projects), the sector started to experience the results of the crisis that began in 2008 only after three years. In the initial period of the crisis some companies did not even change their strategy, considering that the fluctuations of demand are a consequence of natural economic fluctuations.
Average prices of real estate placed on the market dropped significantly in the first two years of the crisis. In the following years of the crisis development companies managed to stop further drops: the prices were maintained on the stable level due to reduction of real estate supply by freezing some development projects, as well as government programmes supporting the development of the sector (such as “Rodzina na swoim” (“A Family in its own place”)).
Although companies that went bankrupt were rather small and local, the adverse consequences of the crisis affected also the biggest entities of the sector, i.e. developers listed on the Warsaw Stock Exchange. By the end of the analysed period the stock index of development companies sector (WIG DEW) was only 20% of the value from before the crisis (Fig. 4).

![Figure 4. Rescaled Diagrams of Stock Indices of the Construction Sector (WIG-BUD) and the Development Sector (WIG-DEW) on the Warsaw Stock Exchange Compared to the Blue Chip Index (WIG 20) (rescaled index, 2nd quarter of 2007 = 100)](image)

The scale of price reduction during the crisis affected mainly companies from all the sectors listed on the stock exchange. The biggest price drops were reported by development and construction companies (WIG-BUD on the diagram). While the other industries managed to make up for part of the losses (WIG 20, the main stock exchange index after major falls was finally reduced by nearly 30%), quotations of development (and construction) companies did not make up for 80% of the loss compared to the period before the crisis.

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1 The sub-index methodology is the same as WIG 20 index, which means that it is a total return index, and both prices of shares it covers and income from dividends and preemptive rights are taken into account to calculate it.
The Z7 (INE PAN)\(^2\) index by Professor E. Mączyńska was used to show changes in the condition of the analysed holdings, which helps to evaluate financial conditions of enterprises and to predict possible bankruptcies.

The results are shown on Figure 5.

**Figure 5. Values of the Z Index for the Holdings Under Research During the Analysed Period**

Before the crisis in 2007 all the analysed holdings had a positive value of the Z index, which means that they were not threatened by bankruptcy. In 2007 three enterprises (Robyg SA, Inpro SA and Echo Investment) were in a good financial condition (the index value from 1 to 2), the other ones were in a very good condition (the index value > 2). Unfortunately, the crisis made the situation of almost all the analysed entities worse (except Inpro SA, for which the Z index value in the

\(^2\) Details concerning Z7 index are presented in the introduction to this book.
analysed period grew from 1.72 to 2.78 – the improvement of the index was a result, among others, of a successful stock exchange debut in 2010 and financial resources obtained from the IPO).

The index value was most changeable for Gant SA, Globe Trade Centre SA and Dom Development SA holdings, which will be the subject of further analysis, focusing on the most important strategic measures undertaken in the years of the crisis.

2. Response of Selected Real Estate Development Holdings to the 2008–2012 Crisis

2.1. Gant SA

2008

- introducing organisational changes in the functioning of the Holding: starting the process of restructuring organisational and legal forms of special purpose vehicles after prior transferring assets to GANT Fundusz Inwestycyjny investment fund in order to optimise taxes and improve liquidity, as well as to facilitate obtaining financing for new investment projects;
- providing considerable sales discounts for cash transactions, aimed at improving liquidity (the company was the first developer on the market to do this);
- developing a „land bank” in the biggest Polish cities.

2009

- issue of bonds (PLN 50 million) and a new issue of shares (PLN 17 million) for the company’s own contribution in the development investments;
- obtaining financial resources for three big development projects;
- intensifying marketing activities;
- announcements and plans of taking over smaller developers having problems with liquidity during the crisis.

2010

- starting 8 development investments;
- intensification of sales activities (maintaining the 3rd place in respect of the volume of real estate sales);
- focusing on a popular real estate segment, but also initial investment measures in the segment of detached houses and commercial real estate.
2011
- starting 6 development investments;
- continuing the strategy of expansion on the biggest local markets in Poland, offering functional flats in attractive areas at affordable prices.

2012
- works on launching new investment projects: Jan Kazimierz in Warsaw, Solaris Park Wrocław, 2nd stage of „Kaskada na Woli” in Warsaw and 4th stage of „Osiedle Karpia” in Poznań;
- developing a recovery plan – negotiations on the restructuring of debts caused by issued bonds (adjusting bonds maturity dates to surplus cash from operational activities).

2.2. Globe Trade Centre SA

2008
- completing four office buildings in Warsaw;
- completing the first investment in Wrocław: Globis office building;
- obtaining a EUR 90 million refinancing credit for Galeria Kazimierz;
- issuing bonds of total nominal value of PLN 350 million.

2009
- maintaining the pressure on the company’s Net Asset Value by reducing the pace of investment activity, cost cutting and cash retention;
- development of Platinium Business Park in Warsaw and completing Kazimierz Office Centre in Cracow;
- opening a third GTC shopping centre in Poland: Galeria Jurajska in Częstochowa;
- enhancing the position of GTC in the commercial real estate sector outside Poland – providing office complexes in Budapest and Bucharest;
- signing a credit agreement for EUR 147 million to complete Galeria Harfa in Prague;
- obtaining EUR 205 million refinancing credit for Galeria Mokotów.
2010
- completing first stages of office projects in Łódź and Katowice: University Business Park and Francuska Business Centre;
- opening next GTC shopping centres: Galeria Harfa in Prague and Galeria Stara Zagora in Bulgaria;
- obtaining EUR 80 million for refinancing City Gate office building in Bucharest;
- sale of Topaz and Nefryt office buildings in Warsaw with estimated value of EUR 79 million (resources for further investments projects);
- increasing the number of leased property in shopping centres under construction.

2011
- opening a second shopping centre in Croatia: Avenue Mall Osijek;
- sale of the remaining 50% of shares in Galeria Mokotów; in the moment of transaction the centre value was estimated for EUR 475 million;
- opening Galleria Arad shopping centre in Romania;
- completing construction of the 4th building of Platinium Business Park in Warsaw.

2012
- sale of Platinum Business Park property covering Platinium buildings from 1 to 4;
- the company obtained EUR 100 million from the issue of shares;
- tendering Platinium Business Park 5 for use;
- opening Galeria Burgas, the second GTC shopping centre in Bulgaria;
- completing construction of Corius building in Okęcie Business Park in Warsaw.

2.3. Dom Development SA

2008
- a priority measure in the second half of the year (in the face of the crisis symptoms) was the application of measures to maintain liquidity and adjust the company structure and scale of business to the worsening market and macroeconomic conditions;
- no new development project was started in the second semester of 2008;
• employment in the company was reduced by 23% and adjusted to the smaller scale of the business;
• measures stimulating sales, which in 2008 focused on real estate located in most popular areas of Warsaw (i.e. on the most liquid market);
• cooperation with selected banks in the field of support for the sale of real estate.

2009
• continuation of anti-crisis measures initiated in 2008;
• launching two investment projects with a real estate offer adjusted to the crisis client (smaller flats with more rooms).

2010
• enhancing liquidity by obtaining PLN 100 million from issued bonds;
• taking advantage of the signs of economic growth to start sale of 12 new projects (most of flats was bought before the construction);
• changing the structure of constructed flats (taking into account the needs of clients looking for two- or three-room flats up to 55 m2).

2011
• as a result of changes in the government programmes supporting housing, the company introduced its own financial instruments („Start”, „A student’s own place”, „A single person’s own place”);
• strengthening the leader’s position on the Warsaw market (focusing on popular flats segment);
• purchases carried out consistently in the land bank aimed at securing a sufficient quantity of land for at least four years;
• starting the sale of „Saska” property – the first investment project carried out by the company during the crisis since 2008;
• broadening the market range (investment projects in Wrocław).

2012
• obtaining PLN 120 million from the issue of 5-year bonds (the company had PLN 412 million in cash by the end of the year);
• further focus on the Warsaw market (maintaining sale by the reduction of prices and keeping the planned margin);
• the company is the first developer to adapt to legal changes concerning escrow accounts and prospectuses.
3. Recapitulation

Each of the analysed holdings reacted to the 2008 economic crisis in a different way and each of them was affected by its consequences.

Gant continued the strategy of strong expansion on the national market of popular flats, as if it did not notice any breakdown in demand. Launching new investment projects was related to an increased indebtedness of the holding. The corrective growth on the real estate market in 2010 strengthened the management board’s belief that the crisis was temporary and that the worst is over (the decision to launch 8 new investment projects and incurring further debts). Unfortunately, the continuous breakdown in subsequent periods along with the lack of stable increase in real estate sales caused the holding’s problems with liquidity. By the end of 2012 the losses of the holding were PLN 412 million (with PLN 403 million of consolidated revenue). The index of crisis-resilience was –4.5 and in September 2013 three of Gant owners filed a bankruptcy petition to the court.

Also for Globe Trade Centre the crisis seemed a good opportunity for further expansion, according to the strategy adopted earlier. In the analysed period the holding focused on the sector of office buildings and shopping centres in European capitals and the biggest regional cities, complementing the investment project by flats dedicated entirely for sale. In the management board’s opinion, the holding’s presence in various segments of the development sector and geographical dispersion of its business (involvement in investment projects in Central Eastern Europe) was to provide a sufficient protection against the adverse effects of the crisis. This strategy however, accompanied by continuous economic breakdown, was insufficient, and in the second part of the analysed period the holding had to focus mainly on measures aimed at improving its liquidity.

The approach of Dom Development to the crisis was totally different. As soon as the first signs of the breakdown occurred in 2008, the company immediately introduced anti-crisis measures focusing on ensuring a secure liquidity level. The undertaken measures (such as freezing new investment projects in 2008, reducing liabilities, limiting operation costs, focusing on the popular flats segment susceptible to the crisis) made it possible not only to go through the first period of recession safely, but also to gather sufficient financial resources for secure expansion and enhancing the holding’s strategic position in 2010–2012.

The research confirmed the significance of correct perception of crisis and quick response to the crisis for the effectiveness of anti-crisis measures. The Gant holding’s strategy consisted in practically ignoring the crisis and, consequently, the company
failed to undertake any measures (especially in the first period of the crisis) that would be a strategic response to the surrounding changes. The approach of GTC holding proved a belief that the best strategy of defence is diversification (in respect of products and geographical dispersion), which also made the managers ignore the crisis symptoms and almost lead to overinvestment and potential problems with liquidity. The managers of Dom Development holding turned out to be most sensitive to the crisis: this company left the crisis as the strongest one. The sensitiveness and accompanying anticipation measures were a result of earlier experience of the managers who remembered the 2001–2002 sector breakdown.

References

Three dimensions of Leadership

Abstract

Three enterprises' case studies are presented based on the grounded theory. Leadership style before the macroeconomic crisis of 2008 and during the crisis is described. Its different dimensions shaped by relationships inside the managing group are shown, as well as connections with the administrative and political system and using leadership substitutes. In crisis situations decision-making processes are usually concentrated, control is enhanced as well as pressure on the results and application of procedures in the management process.

Keywords: leadership, leadership style

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1 NCN subsidy (2011/03/13/H34/04922): Determinants of Polish Enterprises’ Resistance to the Macroeconomic Crisis Carried out by the Chair of Management in Economy of the Institute of Management at Warsaw School of Economics (SGH) under the direction of professor M. Romanowska.
Introduction

The scientific knowledge on leadership gained so far does not provide a sufficient answer for the question about its impact on an organisation’s effectiveness. Many authors explain this by both leadership paradigms restrictions and related research methodology. Thus, there are attempts of a “global” approach to the discussed issue in the form of integral theory or flexible leadership.

It is relatively easy to present general factors determining leadership in an enterprise by dividing them into economic, social, legal, cultural and psychological ones etc. It is much more difficult to show, on the level of quantitative research, the statistic strength of the relationship between variables. Taking all the factors into account in this type of research it is impossible from the practical point of view, since filling in a questionnaire could take a few days and would not guarantee the receiving of all the necessary information. It is one of the reasons why, apart from the quantitative research trend, a qualitative one is developing in the form of case studies and company leaders biographies. In the case of the first trend the measurement of relations between the variables seems insufficient, while in the case of the second trend spreading the results on other economic entities is not possible.

The grounded theory, changing the approach to research methodology, proposes another perspective. Research methodologies applied so far have started with creating theory, formulating problems and their verification. In simple terms, the grounded theory recommends in the first place the carrying out of research, and then the construction of a mid-range theory on its basis. This concept stems from interpretative paradigm focusing on the instability and relative nature of reality. It is characterised by constructivism, i.e. emphasizing the way the interaction participants construct meanings and actions in certain situations. This perspective is present in works by M. Hatch, A.K. Koźmiński, M. Kostera and B. Czarniawska – in the form of...
of organisational narration, stories describing organisations. The grounded theory method was used, among others, in B. Turner’s research on the organisational culture or in L. Smirchich’s research on the symbolic aspect of an organisation. In Poland it provided a basis for the research on “employee trajectory” by K. Konecki and B. Czarniawska. The description of enterprises provided herein is also based on its methodological assumptions. In the leadership context it refers to “global” approaches searching for behaviours and measures in the management area among the biggest possible number of factors. The aim of the article is to describe leadership style in selected enterprises and the way it changes under the influence of macroeconomic crisis.

1. Methodological assumptions

A researcher carrying out research from the grounded theory point of view should not formulate the research problem and related hypotheses subject to further verification. It does not mean that he or she does not have a prepared set of terms, specified research area or initial hypotheses. They indicate a direction for collecting data, but if other factors appear that explain phenomena of interest, there is nothing that would restrict their inclusion in the research process. According to this approach, the theory becomes a derivative of collected empirical data. What is more, Ch. Karmaz claimed that the researcher themselves determine the choice of methods and issues depending on the situation context and their subjective view on the reality.

The authors of theory intend to minimise the impact of initial assumptions on the analysed phenomena. It could be compared to the situation of a questionnaire survey, where an author asking closed-ended questions imposes “the structure of a phenomenon analysis” on the respondents. There are also open-ended questions allowing the possibility for presenting the respondents’ subjective views. In the case of the grounded theory researches approach to the analysed phenomenon it is based on “open-ended questions.”

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7 K. Charmaz, Teoria ugruntowana..., op.cit., p. 17.
A theory based on the received survey results is built in three steps. The first one is to formulate categories. They emerge during the process of differentiating elements of phenomena of the analysed reality according to a chosen criterion. “Leadership style”, for example, can be divided into authoritarian and democratic, where the criterion is the level of consultation in the decision-making process. Consequently, a range of further questions is formulated to broaden the research area, e.g. what conditions are favourable for generating a certain style? The second step covers properties – specific features of a certain category that are established for the needs of further analysis, e.g. a property (feature) of an authoritarian leadership style is the non-consultation of decisions and putting pressure on the subordinates’ behaviour.

The last, third step, is to discover relationships between the categories, or to create hypotheses. They are formulated in the form of theses, e.g. the leadership style at an enterprise is the consequence of the macroeconomic crisis's impact on an enterprise's market position8.

The aim of this method is not to show the statistical strength of relationships between variables (which is the case for a positivistic approach and related quantitative research), but to prove empirically the relationships between the distinguished categories. A researcher is supposed to collect material using the largest possible number of tools: interviews, observations, various kinds of data and quantitative research. Data collected this way can be described as “empirically proven”, or grounded data, which is the source of the name of the discussed theory.

A critical approach to the grounded theory, and most of all to the interpretative paradigm being its basis, refers mainly to its resignation from the positivistic methodological regime, subjective attitude to the analysed reality and to the use of ambiguous metaphors to describe the analysed data and to the lack of possibility to generalise the research results9.

The advantage of the theory is that it highlights the significance of using the largest possible number of research methods and creating a procedure for formulating hypotheses which can be verified by another research methodology.

The article provides analysis of leadership in three holdings: Marvipol, Ciech and Orbis. The case descriptions use interviews with company representatives.

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9 The theory refers to the interpretative paradigm, the essence of which is to assign meanings to phenomena by interaction between parties. The multitude and changeability of relationships makes the meanings equally changeable over time. From the management point of view any attempt of generalising data is becoming impossible, as well as, most of all, formulating stable, specific recommendations for solving an enterprise’s problems. Compare: Ł. Sułkowski, Epistemologia w naukach o zarządzaniu, Polskie Wydawnictwo Ekonomiczne, Warsaw 2005.
consolidated reports and articles presented on websites. Before the data collection, a general definition of leadership was adopted: leadership is the ability to influence the others. The location of leadership in the organisational structure was not defined, as this issue was left for the respondents.

2. Marvipol – the First Dimension of Leadership

According to the respondents’ opinion, the leader of the Marvipol holding is its founder, M. Książek, graduate of the Faculty of Law at Warsaw University. He started his business career at the end of 1980 as an agent selling cars from Western Europe. His next step was to establish a currency exchange office in Warsaw. During his business ventures he met A. Nizio (a physics student from Warsaw University), who created an Internet programme supporting the work of currency exchange offices.

Subsequently he developed a car wash network called Robb Wash Centre. The capital he collected allowed for the establishment of the Marvipol SA company, in which A. Nizio also held important positions (Board Member and chairman of the Supervisory Board). Financial resources and professional experience provided a basis for the company and justified the position of its leader, M. Książek.

His position is also based on legal regulations, such as those of the Code of Commercial Companies. M. Książek is the majority shareholder of Marvipol SA, in 2013 he held approximately 71.0% of the votes at the General Shareholder’s meeting (in 2007 he held about 82.0%, while in September 2014 – about 80.0%). According to the company by-laws, its management board can consist of two to five people. In the case of a two-person board, M. Książek appoints both the chairman and its deputy. If the board covers more people, the choice is left to the General Meeting (let us remember that the President has over 2/3 of the votes). It is also stated in the company’s code that the main tasks of the board cover the management of the company’s property, its external representation, defining the strategy and goals, the coordination and control of current tasks and the settlement of competence disputes etc. From the point of view of the by-laws provisions, M. Książek can make any holding decision independently.

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12 Report of Marvipol SA. The management Board for the period from 1 January to 31 December 2012. In 2013 no changes were introduced into the by-laws in this area.
In the year before the macroeconomic crisis M. Książek was the President, from which he resigned in 2010 to take the post of the Chairman of the Supervisory Board. In 2012 he became the President of the Management Board again. According to the respondent’s opinion, he returned because “(...) The whole reorganisation was made on the initiative of the owner, and it was carried out by him. It mainly consisted in making the majority shareholder the President of the Management Board, after which the entire Management Board and executive staff was exchanged in a year and a half (...)

Personnel changes in the company affected also key persons: in 2012 the Extraordinary General Meeting dismissed A. Nizio, who was a member of the board and held the positions of the Board President. In January 2013 he gave up the function of the Chairman of the Supervisory Board13. E. Nizio and C. Książek also resigned.

In the described holding the issues of leadership should be discussed in two time lapses. With reference to the first lapse, i.e. until 2012, we cannot exclude the type of leadership, which, according to G. Avery, refers to emotions and is described as charismatic, inspiring or visionary14. This diagnosis is supported by the members of the Management Board and Supervisory Board, where the similarity of names is not accidental. It should be mentioned that the composition of the management board was almost the same at all the companies of the holding15. The situation changed radically when the crisis came. All the listed persons resigned from their functions. It seems therefore that in the years before the crisis, leadership that was open to other’s ideas, cared about the team’s harmony, shared power and allowed for initiative was dominating on the highest management levels.

At the moment of diagnosing the situation in crisis categories, leadership based on the very strict execution of responsibilities of the subordinates and dismissing them because of the lack of effects is beginning to dominate, both in the holding management and in relationships with other structure levels. In the President’s view, someone had to take responsibility for the lack of response to the crisis. The respondent states that “the entire management staff was replaced during one year”.

Since 2012 the actions of the President have been focused on reaching the current results. In the respondent’s opinion it is difficult to evaluate the effects of the

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13 As of April 2014 A. Nizio is the head of the Nizio Company dealing with economic consulting in the area of construction processes, establishing networks of vehicle distribution. The scope of the company’s activities does not exclude cooperation with Marvipol SA holding. What is more, the hypothesis about the continuation of the cooperation is very probable taking into account the legal regulations.


undertaken measures. He states: “I think that their effectiveness could be evaluated in twelve or eighteen months (...), and I evaluate it on the basis of the growth of the company, profits etc.” His statement is optimistic: “(…) the first signals are positive indeed, because 2013 was in every respect better than 2012 (…) such current evaluation is positive for me (...).”

Leadership in the described group is related to two kinds of dependences. The first one is the subject of the company’s activities. It is the developers’ business. The owner of many real estate properties are state legal persons or municipality entities, as well as municipal legal persons. The Central Anti-Corruption bureau in its report on the state of corruption in Poland based on statistical data provided by state bodies for 2004–2009 states that corruption in state administration and municipal bodies refers mainly to the area of issuing permits for construction, concessions, land development conditions and the organisation of tenders16. The Government Programme for Counteracting Corruption for 2014–2019 adopted in April 2014 is comprised of similar information17. The leader of Marvipol operates in the sector where corruption is becoming the mechanism of resources distribution regulation. The collected material does not provide a basis for formulating a hypothesis about its application in the discussed company. Carrying out business of this type however, one should take such phenomena into account in the decision making process.

The second area of dependences is connected with emotional relationships between management board members. Its basis is the long-term professional experience and family relationships. The strength of this type of relationship is trust, while their weakness is rating emotional relationships higher than professional competence. It seems that in a crisis situation the leader came to the same conclusion and replaced members of the board. It does not mean that emotional relationships were broken and the cooperation was finished, but it is not represented in the formal authority structures of the Holding.

3. Second Dimension of Leadership – Ciech Holding

During the research over 38.0% of shares in the holding belonged to the State Treasury appointing the Presidents of the Management Board. It seems that the main reason of actions in the enterprise was the fear of losing jobs. According to our respondent “the President wanted us to declare whether we would follow him

or have a different view. *If somebody has a different view, it is his or her choice*. This proves a controlling and command-based management model, where the subordinates perform all the tasks either because of fear of the consequences of disobedience, or because of respect for the leader.

In this case the leader is a person influencing the others’ actions and simultaneously holding the function of the President of the Board. Until the end of May 2012 the Extraordinary General Meeting of CIECH SA appointed D. Krawczyk for this position.

Ever since the middle of the last century CIECH, as a state-owned company, seemed to have a clearly defined vision and development strategy. There are no reasons to state that this situation changed after privatisation in 1995. Its subsidiary companies are relatively autonomous and the leadership in the entire holding concentrated on the implementation of the development vision from its creation: production and sales on the chemical market.

The situation was rapidly changed in the crisis and after D. Krawczyk assumed the position of the President of the Board. The respondent says: “when the supervisory board states that we have a serious problem, after consultation it appoints a man who is considered a good manager, knows how to solve difficult issues, and whose name and experience guarantee that the difficult and painful processes will be carried correctly.”

D. Krawczyk graduated from the Warsaw University of Technology, he also completed postgraduate studies at the Warsaw School of Economics. He was, among others, a director of the Investment Banking Department at PKO BP, a member of the Management Board of Nafta Polska SA, a director of the Corporate Supervision Department at PKN ORLEN SA and a member of several supervisory boards, including KGHM SA18. The State Treasury is a significant shareholder of many companies in which he holds decision-making positions. Practice shows that in such companies the process of appointing people for key positions becomes a political one. In January 2007 for example, one of the members of the holding management board was M. Trosiński, who was the coordinator responsible for security in the City of Warsaw Municipal Office during the term of office of Lech Kaczyński, who was connected with the Law and Justice party19. Political support, due to the scope of employment and turnover, is necessary because of employment reduction resulting from the crisis. By the end of 2013 it reached 30.0%, while in the next semester it planned to

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18 www.ciechgroup.com (31.05.2014).
19 http://wiadomosci.dziennik.pl (31.05.2014).
reach the level of 35.0%. Our respondent considers that it is the lesser of two evils: “Sometimes you have to dismiss five hundred people to save three thousand jobs”.

The subsequent decisions of the President were about limiting costs and the centralisation of management processes: “we take all those controlling, HR, strategy, communication issues from the parent company, while the daughter companies are to do business and production”.

Leadership consisted in executing results, control and focusing on current actions: “I would describe the leadership model proposed by the current President of the Management Board as an operational leadership model (...) controlling all the most important processes, including subsidiary processes, many things depend on his decision. Which by the way is natural at the moment of such a deep restructuring and defending against all those adverse external factors.”

Employment reduction, changes in the management processes are sources of tensions and conflicts: “(...) such changes unfortunately cause tensions, discomfort etc. (...) and additionally it is planned to deprive people of their privileges and instead to propose them a system of bonuses depending on their results (...) people are not glad about it”.

It seems that without the mentioned legitimisation of the State Treasury and the political support of the ruling party in Poland such actions would not be possible.

The respondent strongly highlights the significance of the “human factor” in the process of the holding’s coping with the crisis situation. He states that “the President enforced continuation and such final implementation of anti-crisis measures that would give the broadest possible effect”. Command-and-controlling-based management, also called forcing/operational management, gives effects. In September 2011 prices of Ciech stocks on the Warsaw Stock Exchange reached their historical lowest level – PLN 10.83. In May 2014 it was about PLN 31. It is lower than the historical highest level by more than PLN 1402, but from the Stock Exchange’s perspective a growth of investors’ trust in the discussed company is visible. It seems that one of the reasons are the undertaken measures and the change of leadership style.

Formal leadership in the discussed holding belongs to the President of the Management Board, but due to the structure of ownership, strategic decisions are taken by the State Treasury represented by a competent minister, and they are of political nature. The situation in the discussed company changed rapidly in June 2014, when Kulczyk Investments SA lead by J. Kulczyk became the owner of about 51.0%. One

20 www.forsal.pl (31.05.2014).
21 www.gpw.pl (31.05.2014).
of the hypotheses appearing in the mass media is that the reason of the purchase was the Russian's plan to take over the Polish chemical industry\(^{22}\).

Connections of the political sphere with the economy are nothing extraordinary, irrespective of the political system. From the point of view of the economic system, or even broader democratic governance and the interest of the State, it is important to answer the question to what extent such actions are favourable for particular groups of interest and to what extent – for the citizens and the state. During the research the leadership of Ciech is subordinate to the state and decisions are taken by the major shareholder.

### 4. The Third Dimension of Leadership – Orbis

The holdings described in the previous sections included: Ciech – 36 entities\(^{23}\) (including 20 national entities) and Marvipol SA – 23 entities\(^{24}\). Orbis holdings has a totally different organisational structure. The owner, who is located outside Poland, takes the strategic decisions (as a hotel operator it owns 3500 hotels). By the end of 2013 the holding had 6 subsidiary companies, while Grupa Hotelowa Orbis has 60 hotels, mainly in Poland and Central Europe\(^{25}\). The organisational structure suggests a different leadership style. It has three forms:

1. **Dispersed leadership**, typical for enterprises with several centres of authority. Although the holding is headed by a management board, cooperation with most hotels is based on franchise agreements. Each entity therefore has its leader responsible for decision-making.

2. **Irrespective of the will of the management**, almost each enterprise has leadership substitutes stemming from the organisation features. The latter play a key role for the discussed holding. The features of this organisation are, among others, procedures resulting from the management system. In the case of Orbis – it is the franchise system, programmes of employee development (School of Hospitality Management) or motivation instruments. A respondent stated: “we distinguish the best baristas and chefs. It is most of all to motivate them. Accor has launched the first internal School of Hospitality Management. Last year we opened its first branch in Warsaw (...).”

\(^{22}\) http://niezalezna.pl/ \((14.09.2014)\).

\(^{23}\) As of 31 March 2014 http://www.ciechgroup.com \((15.09.2014)\).

\(^{24}\) As of the end of 2013 http://marvipol.pl/ \((15.09.2014)\).

\(^{25}\) http://wiadomosci.dziennik.pl \((31.05.2014)\).
3. Strategic leadership. This refers to the enterprise's effectiveness measured by measurable indicators of financial, technical, social and environmental analysis. They cover finance, marketing, production, logistics and human resources management. The practice of effective strategic leadership focuses on the results of economic organisations, searching for sources of knowledge and its development, enhancing organisational learning and coping with diversity and developing intellectual capital. This type of leadership is strongly related to the company performance and takes different forms depending on its specific features (e.g. organisational culture). It is also defined as brand leadership.

The interview with the respondent does not provide a basis to establish a change of leadership style in the analysed time lapse in Orbis holdings. Both before the crisis and after it was identified, we have been dealing with strategic leadership. In June 2010 the President of the Management Board resigned, and an official communication indicates the personal reasons of this decision. The financial results of the holding could also possibly influence the decision, but the leadership style applied so far was maintained.

It was supported by a significant substitute, i.e. procedural reasons: cooperation with hotels based on franchise agreements. The respondent stated: “A new director responsible for franchise issues became such a new leader. The “Hotelarz” magazine, our industry periodical, chose her as the man of the year in the hospitality business for 2013. This person was definitely important on the hospitality market.” Consequently, the leadership became dispersed and the person who introduced it became an exemplar to be followed, the entire industry could see how well her measures work.

In the previous holdings the leadership was concentrated on the highest management levels and it was dependent on interpersonal relations and administrative and political sphere. In this case leadership was transferred by creating its substitutes on various levels of organisational structure. This function is performed by procedures and franchise agreements. Leadership is mostly dependent on economic performance.

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5. Features of Dimensions of Leadership

The main feature of the first dimension of leadership applied in Marvipol holdings is the emotional basis of relationships between the leader and the other members of the board. It is the result of long-term cooperation and family bonds. They become the basis of trust, belief in the others’ behaviour consistent with our expectations. It is a key feature establishing cooperation in a team. It has a dangerous tendency to be closed to external signals and adopts a routine as a mechanism of action. The leader balances between loyalty to the company and the necessity of introducing changes caused by the external environment. The behaviour of the leader is verified by the market, but he also takes into account the decision-making mechanisms applied in the state administration, which are not disclosed.

The main feature of the second dimension of leadership applied in Ciech holdings is the interest calculation basis of relationships between the leader and the other employees. Cooperation is carried out as long as they work. The lack of planned economic results breaks down cooperation. Other regulation mechanisms are located in the political sphere determining who should take the key positions and goals of the company. They have the form of secret games in which various groups of interest participate. All parties are aware of this, they focus on the implementation of a previously established company vision and control of current operational measures.

The third dimension of leadership, applied in Orbis holdings, is based on transferring leadership to other levels of the organisational structure and other economic entities. Internal procedures and agreement provisions take over the roles of people. Leaders located outside the geographical area of employees’ activities and their interrelations are only formal. Economic calculation is the only factor determining the time of cooperation.

In each holding key decisions are taken by its owner. At the moment when the crisis situation was diagnosed, Marvipol introduced radical changes in the interpersonal relations and, consequently, the leadership style. The emotional sphere started to be less important, while the significance of the employees’ competence increased. The control of effects of current measures was improved. In the Ciech holding the decision-making process was also concentrated on higher levels, control was broadened and effects of the measures were accounted. No changes in the areas indicated above were introduced by Orbis holding. Features of the described dimensions of leadership are presented in Table 1.
### Table 1. Features of Dimensions of Leadership

<table>
<thead>
<tr>
<th>Categories</th>
<th>I – Marvipol Holding</th>
<th>II – Ciech Holding</th>
<th>Orbis Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimensions of Leadership – Before the Crisis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships based on: emotions</td>
<td>+</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>economic calculation</td>
<td>+/-</td>
<td>+</td>
<td>+</td>
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<tr>
<td>political calculation</td>
<td>–</td>
<td>+</td>
<td>–</td>
</tr>
<tr>
<td>Focus on the implementation of vision and strategy</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Control of current measures, emphasis on performance</td>
<td>–</td>
<td>–/+</td>
<td>–/+</td>
</tr>
<tr>
<td>Main external areas of influence on decision</td>
<td>administration</td>
<td>politics</td>
<td>market</td>
</tr>
<tr>
<td>Influence on the others’ actions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>decisions and behaviour of the leaders</td>
<td>+</td>
<td>+</td>
<td>–</td>
</tr>
<tr>
<td>procedures</td>
<td>–/+</td>
<td>–/+</td>
<td>+</td>
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<tr>
<td><strong>Dimensions of Leadership – After the Crisis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships based on: emotions</td>
<td>–</td>
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<td>procedures</td>
<td>–/+</td>
<td>–/+</td>
<td>+</td>
</tr>
</tbody>
</table>

Source: own study.

### Conclusion

A macroeconomic crisis usually introduces revolutionary changes in the leadership style of two of the analysed holdings. It is possible that practices applied so far are blamed and new rules of action are looked for. It is especially evident, where the relationships are based on emotions and the owner can see the need to build other kinds of bonds. The Marvipol and Ciech holdings started to put emphasis on performing current tasks and performance instead of on the vision and strategy.

These processes are different for the Orbis Holding, where no changes are visible. It could possibly result from the nature of the tourism industry, the global area of the holding’s activities and leadership based on procedures.
References


