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Ladies and Gentlemen,

We present you with the eleventh edition of the 'Journal of Management and Financial Sciences'. We hope these articles will present a contribution to the development of economic thought and contribute to a fuller understanding of the complex economic issues.

Andrzej Kaźmierczak in his article “Interest rate and corporate loans in the context of inflation” describes the nature of the monetary policy interest rate channel, central bank interest rate and the interest rates on bank loans, banking sector interest rates and corporate loan growth, corporate loans and inflation, issue of money market bills and the credit channel, foreign exchange loans and aversion to risk,

Adam Glapiński presents the article about animal spirits in economics. He describes revolution in molecular economics in relation to human biology in economics and evolutionary genomics.

Piotr Russel in his article Corporate Growth Barriers in Poland in the light of Empirical Research with Particular Focus on Payment Gridlocks concentrates on the problem of suitable legal and economic conditions of corporate growth

The EU Member States’ support for European SMEs’ internationalization on the US market (based on the research undertaken among EU Trade Counselors in Washington D.C.) by Paweł Pietrasiński presents variety of support programs aiming to help their domestic companies to enter other countries’ markets, including the Single Market as well as third (non-EU) countries’ markets.

Enterprise excellence by Sylwester Gregorczyk shows how differently enterprise excellence has been understood in various periods and how difficult it is to measure, evaluate, and what is the most important, how to reach excellence.

The problem of enterprise without leadership is presented by Sławomir Winch. Author describes the concept of substitutes for leaders, functions of the leadership, institutionalisation of leadership at an enterprise,

We wish you pleasant reading.

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Interest rate and Corporate Loans  
in the context of Inflation

1. The nature of the monetary policy interest rate channel

The principal channel for the operation of central bank monetary impulses and the bank’s influence on the real economy is the transmission mechanism generated by changes in the interest rate. Central bank interest rates shape the monetary basis (M0) and interbank market interest rates. Thus, the liquidity position of the banking sector reflected by the balances on the commercial banks current accounts at the central bank exerts a decisive impact on the deposit and credit rates in interbank transactions. The bigger the liquidity surplus of a banking sector, the lower the price of wholesale money, and vice versa. The key price that reflects the interaction between supply and demand in the interbank market is the interest rate on 1-day transactions, named the POLONIA rate in Poland. Changes in the interbank rate should translate into interest rates offered to commercial bank customers in loan transactions.

Thus a surge in banking sector excess liquidity should result in a decline in interest rates on loans to corporates and households. On the other hand, a fall in excess liquidity should bring about exactly opposite effects. A drop in interest rates in commercial banks should spur acceleration in the value of credit across the economy. Expansion in lending induces a rise in global demand, a rebound in the real economy sector activity and GDP growth. If a central bank intends to limit overall demand on account of inflationary pressures, it initiates a sequence of events that act in the opposite direction. Contraction in the liquidity surplus of the banking sector shall then become the driver of monetary policy tightening, which will be
reflected in a decrease in the M0 monetary base. A classic, textbook example of monetary impulse transmission mechanism through interest rate may be thus put in the following formula:

\[ M0 \rightarrow M3 \rightarrow i_{bc} \rightarrow i_{mb} \rightarrow i_r \rightarrow I(C) \rightarrow Y \]

where:
M0 – monetary base
M3 – money supply
i_{bc} – central bank interest rate
i_{mb} – interbank market interest rate
i_r – market interest rate
I – investment
C – consumption
Y – output

The traditional transmission mechanism of monetary impulses through changes in the interest rate a priori stipulates the existence of five cause-and-effect relationships in the area of the operation of the money market and the real economy:
1) interdependence between a change in the monetary base and in money supply.
2) interdependence between a change in money supply and a change in the central bank interest rate.
3) interdependence between a change in the central bank interest rate and a change in the interbank market interest rate.
4) interdependence between a change in the interbank market interest rate and the market interest rate on loans offered by commercial banks.
5) interdependence between the size of the commercial bank lending and GDP growth.

Expansion of the M0 monetary base indicates an increase in the liquidity of the banking sector. A real-life manifestation of this phenomenon is a growth in the balances of the commercial banks current accounts kept with the central bank. The Increase in the banks liquid assets breeds the expansion of a commercial banks lending, the additional creation of money and a growth in the M3 monetary aggregate. Larger money supply in its turn induces inflationary pressure in the economy, which inclines the central bank to raise its key interest rate. However, if a part of this excess liquidity is not allotted to an extra supply of commercial loans, and instead enters the interbank market as deposits, the following results in such actions as a decline in interest rates of deposit and credit transactions between banks. Deposit and credit interest rates on 1-day up to 1-year maturities decrease.

The key operational target for the central bank is to influence the POLONIA rate on one-day transactions. When as a result of increased liquidity of the banking
sector the POLONIA rate slides significantly, the central bank carries out liquidity absorbing operations to freeze this excess liquidity and bring the rate of 1-day transactions between commercial banks as close as possible to the central bank key interest rate. It does so through the sale of money market bills (NBP bills). By shaping the POLONIA rate the central bank automatically impacts all other interest rates, as these are derived from the 1-day rate. Market rates for retail clients depend on a 3-month debit and credit transaction rate WIBOR 3M. The latter is dependent on the 1-day POLONIA rate shaped by the central bank. Hence we may conclude that the central bank can shape the price of money in economy by influencing the balances on the commercial banks current accounts and the supply of and demand for lending funds located on the interbank market.

Additional funding of the corporate sector is of crucial importance to economic growth. Larger loan funds for enterprises stimulate investments. Increased lending also enables production capacity optimization. In the context of Poland’s economy, which is still undergoing transformation, economic agents experience the shortage of self development capital. This primarily concerns the sector of small and medium-sized enterprises, which account for 60% of Poland’s GDP. Therefore enterprises have to rely on external sources of funding, specifically on bank loans, as fundraising outside the banking sector is scarce in Poland. This special market feature stems from the underdeveloped capital market, especially the corporate bond market.

2. Central bank interest rate and the interest rates on bank loans

Given the assumption that credit rates in commercial banks follow developments in the central bank referential rate, we may assume that the prices of NBP money accurately reflect the size of monetary policy tightening and the extent of loan market tightening.

In the practice of money market operation, interbank rates follow changes in the central bank base rate. This also holds true for the 3-month interbank lending rate WIBOR 3M. It should be noted, however, that the WIBOR 3M rate only partially reflects the actual cost of interest of customer loans, as this rate is the cost of acquiring capital by banking institutions on just one of the markets, namely the interbank market. The WIBOR 3M rate is therefore one of several driving factors influencing the rate of interest of retail loans. Wholesale and retail rates do not necessarily develop in the same direction. Analysis of developments in the base rate, 3M rate
and retail rates offered to corporates and households by commercial banks in Poland is therefore legitimate.

**Figure 1. Central bank interest rate (repo rate), WIBOR 3M and the rate of interest on corporate loans**

The direction of changes in the reference rate and the rates of loans in commercial banks seemed convergent over the majority of the period of examination. The fall of the reference rate at the beginning of 2005 was accompanied by a decline in commercial rates. On the other hand, when the reference rate was growing over the second quarter of 2007 and the first half of 2008, the bank rates followed that growth. Similarly, when the period spanning the fourth quarter of 2008 and the first half of 2009 witnessed the NBP base rate cuts, commercial banks also slashed the price of money to corporates and households. The same tendency was observed in the first half of 2011, when the rise in the central bank base rate was accompanied by an increase in the price of credit in commercial banks. However, the situation seemed different in the second half of 2009. Despite the reference rate remaining unchanged until the end of 2010, an easing was visible in lending conditions to corporates. In the second half of 2010 and the first half of 2011, commercial banks initially raised and then subsequently cut rates, with the reference rate remaining at an unchanged level. Hence one cannot indicate an absolute convergence of tendencies in the prices of the
central bank’s and commercial banks’ money. Evidently, while shaping their price policies the latter group of financial institutions had taken into account a range of factors, one of which, no doubt, was an assessment of systemic risk in the economy.

Figure 1 indicates a relatively close link between changes in the retail rate for corporates and households and the 3M interbank market loan rate. This is because the 3M rate was a determinant of retail loan rates.

Noteworthy is the lack of absolute interdependency between the central bank base rate and the 3M rate. This divergence was particularly discernible in the period from May 2009 to January 2011. Despite the central bank repo rate remaining unchanged, the M3 interbank rate was fluctuating with an overall downward tendency. A parallel anomaly also occurred dating from May 2011, though currently we observe a rise in the price of money for longer terms on the interbank market. A weakening relationship between the central bank rate and the 3M rate is a manifestation of the turmoil on the interbank market. In particular, it stems from increased credit risk in the mutual transactions between banks. However, the subject deserves a separate study and therefore it will not be discussed here.

3. Banking sector interest rates and corporate loan growth

By the very nature of the interest rate channel, the crucial interdependency is related to developments in credit supply and changes in interest rates set by credit institutions. Price levels of credit money should shape the borrowers demand and, as a consequence, loan supply.

In the analysis, it seemed justified to distinguish among the economic agents two basic groups of borrowers, namely large enterprises (LEs) and small and medium-sized enterprises (SMEs). Each of these could have reacted to changes in the price of credit in a different manner. A methodological difficulty arises, though, of how to precisely isolate the portion of loans that may be ascribed to the SME sector and the ones that may be attributed to the LEs sector. The assumption was adopted in the analysis that loans of the value of up to PLN 4 million (approx. EUR 1 million) had been taken out by small and medium-size enterprises, whereas loans exceeding PLN 4 million – by large enterprises. Determining the rates at which credit had been extended to the two groups of enterprises posed another methodological challenge, this time an insurmountable one. Polish statistics lack data showing peculiarities of the commercial banks pricing policies. No data is available on credit interest rates in terms of the above adopted division. Therefore, it is unclear whether the interest
rate on credit to SMEs was, on a macro scale, higher or lower on average than the rate charged to big enterprises. The only solution was to adopt a single, average interest rate for all enterprise groups.

The figure below shows the impact of interest rates on the credit demand of small and medium-sized enterprises.

**Figure 2. Interest rate and value of new zloty loans contracts for the amount of up to PLN 4 million concluded by enterprises**

The operation of the interest rate transmission channel on the SMEs sector is supported by the statistics for the major part of the analysed period. Cuts in the rates of bank loans in 2005–2006 were accompanied by a marked rise in credit extended to the sector. A similar tendency was observed from the second half of 2009 to early-2011 and since September 2011. On the other hand, data for the period starting in early-2007 and lasting until September 2008 do not confirm the effects of the monetary impulses transmission mechanism discussed here as the price growth of credit funds was concurrent with increased demand for credit on the part of SMEs. At that time the price of money did not constitute a barrier obstructing commercial banks’ lending. The upturn in the economy compounded by positive profitability prospects for business undertakings were an incentive to take out loans despite their growing price.

The figure below illustrates the effects of the interest rate channel on the large enterprise sector in 2005–2012.
Statistical data on developments in the LEs’ demand for credit do not support the effects of the interest rate channel. In the years 2006–2009, i.e. over the dominant part of the analysed period, acceleration in credit taken out by LEs accompanied the rising interest rate. This holds true for almost the entire of 2011. In turn the subsequent drops in the interest rate were concurrent with the declining value of new loan agreements for LEs. The enterprises responded to the level of interest only over a short period of January–Mays 2005 and in the second half of 2008. These are, nevertheless, too short a sub-periods to attest to the efficiency of a monetary policy credit channel. The level of the interest rate was therefore not a barrier driving the enterprises off the bank source of business activity financing. The price mechanism of the transmission of monetary impulses by and large did not exist. The analysis of the above two figures leads to a conclusion that small and medium-size enterprises were more susceptible to the changes in market interest rate as compared to large enterprises.

4. Corporate loans and inflation

The price of credit was not a determinant in an enterprises decision as regards to borrowing activity. A range of factors other than an interest rate determined by development-related undertakings. Moreover, the size of the companies development-
related undertakings did not depend on the size of loans granted to those companies. Polish enterprises to a large extent, funded their investment projects with their own resources. After 2005, in Poland the prevalent tendency was the self-financing of the private sector. The mechanism of leveraging existed in the private sector but on a very limited scale. Enterprises possessed their own substantial financial resources which made it possible to cover development-related costs. Hence, enterprises were independent of banks. The private sector’s financial self-sufficiency was a vital factor explaining the resilience of companies to interest rate movements.

The sound financial standing of enterprises stemmed from high incomes on operational activity on the back of price hikes in production sectors. This is reflected in the following Figure 4:

**Figure 4. Profit/loss on non-financial corporations' economic activity**

![Figure 4: Profit/loss on non-financial corporations' economic activity](image)

Source: NBP data

The period between the third quarter of 2009 and the first half of 2011 witnessed an upward trend in the prices of the production sector (Producers Price Index). This translated into a significant improvement in enterprises’ financial results. Later, when the upward trend in PPI eased down, enterprises’ financial results deteriorated also. Therefore, it is as follows that in the period under analysis economic agents attained good financial results owing to the increase in the prices of produced goods. Evidently, a number of other factors may have also contributed, such as bigger labour efficiency, decreased costs of business activity or higher sales. The concurrence of developments in the financial results and producer prices is evident. The inflation-
ary processes must have largely generated financial profits of the economic agents sector. A slide in the purchasing power of the zloty created a secondary redistribution of national income to the benefit of the economic agents sector at the expense of households. Incidentally, it may be noted that inflation also benefited the tax receipts of the Polish state. However, this issue falls beyond the scope of this essay.

Advantageous financial results of the enterprise sector were reflected in a surge in the sectors bank deposits. Amidst tensions in the financial markets and a coincidental increase in risk aversion, economic agents preferred financing investments and inventory build-up with their own funds. Figure 5 shows this phenomenon.

**Figure 5. Sources of financing new investment by enterprises**

![Figure 5](image_url)

Source: NBP data

Between the first quarter of 2009 and the second quarter of 2012, the share of enterprises’ own funds in new investment financing went up from 38.3% to 47.0%. In financing development-related projects of the economic agents, the share of credit declined, in parallel to the share of non-bank external funds. The growing importance of self-financing took place in the context of a post-crisis rebound. Although business activity was accelerating slowly, it was accompanied by the falling aversion to risk. Returning confidence in financial markets should favour an increase in bank lending and benefit a growing share of credit in enterprise investment financing. It has not taken place, though. Rising producer prices pushed up enterprises’ own revenues, which set the stage for the self-financing of new investment.

Nonetheless, the financial standing of enterprises varied. Using funding from bank sources looked different in the SME sector than in the LE sector. This is shown in figure 6.
The sector of SMEs used bank loans to a larger extent than the LEs sector in financing business activity in the period 2009 Q4–2012 Q1. Around 60% of credit payables was attributable to SMEs, and only 40% to LEs. This does not indicate that the latter sector of enterprises was developing less dynamically. Such a structure of external funding stemmed from the fact that large enterprises preferred their own funds as a source of financing business activity. This tendency, however, was evolving.
In the period 2009 Q4–2011 Q4, the growth of credit receivables from large enterprises became more discernible and sizeable. In 2009 Q4 and 2010 Q1 the companies were still severely cutting their demand for credit on account of a pronounced economic downturn in Poland. Later on, however, they kept increasing their liabilities towards the banks. This was particularly prominent in 2011. The tendency reversed once more at the beginning of 2012. A similar, though by far milder, tendency was recorded by small and medium-size enterprises. Over the period spanning the fourth quarter of 2009 and the whole of 2010, they were reluctant to accrue new debt. This was still a period of slow recovery in business conditions. Their indebtedness policy changed for a brief period in 2011, when their demand for bank credit visibly rose. Beginning from 2011 Q4, however, the negative trend reappeared. In the first quarter of 2012, the growth of loans to SMEs was close to null.

If we focus on the long-term tendency in financing of only new investment in the SMEs and LEs sectors, the situation looked as follows:

**Figure 8. The use of bank credit in financing new investment of SMEs and LEs sectors in 2003–2012 (in PLN billion)**

With the exception of a short post-crisis spell of 2009–2010, SMEs employed banking leverage to a larger degree to finance their investment undertakings. This was particularly pronounced before 2009, i.e. prior to the financial crisis, and in 2011–2012, that is following its climax.
What startles is a different credit policy towards enterprises adopted by Polish banks and the banks with a majority of foreign capital. It particularly concerns a cyclical aspect of credit decisions taken. Foreign banks more accurately than Polish banks fine-tuned the volume of credit extended to the running phase of the business cycle. This is shown in Figure 9.

**Figure 9. Corporate loans extended by Polish banks and banks with foreign capital in 2008–2012**

![Graph showing corporate loans extended by Polish banks and banks with foreign capital from 2008 to 2012. The graph indicates that foreign banks extended substantially more loans than Polish banks. In 2008, foreign banks extended loans for a substantially higher total amount than Polish banks did. In the case of the first group of banks, the volume of credit receivables amounted to PLN 190 billion, whereas Polish banks’ claims from corporate loans reached merely PLN 60 billion, i.e. a level three times lower. A reverse reaction of the two groups of banks to the economic climate could be observed. In 2008, i.e. still in the phase of economic upturn, foreign banks extended to enterprises loans for a substantially higher total amount than Polish banks did.**

Source: NBP data

In the years 2008–2011, foreign banks extended to enterprises loans for a substantially higher total amount than Polish banks did. In the case of the first group of banks, the volume of credit receivables amounted to PLN 190 billion, whereas Polish banks’ claims from corporate loans reached merely PLN 60 billion, i.e. a level three times lower. A reverse reaction of the two groups of banks to the economic climate could be observed. In 2008, i.e. still in the phase of economic upturn, foreign
banks increased their credit growth faster than Polish banks. However, when the economy embarked on a marked downturn trend in the first half of 2009, foreign banks reduced the volume of corporate loans much more. An almost absolute drop took place in lending. Polish banks behaved differently. In the context of economic slowdown, they only moderated their lending activity growth, which still remained positive. In 2011, in turn, when the real sector rebounded, foreign banks more decidedly responded to the enterprises’ growing needs for external funding. The growth volume of corporate loans extended by foreign banks was again much higher than that of the Polish banks. Foreign banks took much more account of credit risk in their lending policy.

Generally, Polish banks were pursuing a more stable policy, as compared to foreign banks, of lending to corporates.

5. Issue of money market bills and the credit channel

A huge supply of money market bills issued by the central bank (NBP bills) was an important factor contributing to the lack of effectiveness of the interest rate channel. The aim of the issue of the NBP short-term debt securities was to freeze the structural liquidity surplus of the banking sector. Figure 10 presents the phenomenon.

Figure 10. NBP bills sold as at the last week of the quarter

Source: NBP data
In the years 2009–2011 there was an enormous surge in the purchase by commercial banks of the NBP 7-day debt securities offered at weekly tenders. The amount of NBP debt securities sold shot up from PLN 16.5 billion in March 2009 to PLN 97 billion in March 2011. As a result, the share of money market bills in commercial banks’ asset portfolios was growing. Although their yield, equal to the reference rate, was lower than the profitability of customer loans, the bills’ advantage was that they bore no risk of default. In the context of the financial crisis, this was a significant handicap. The issue of money market bills by the central bank inhibited the growth of the banking sector lending, as it absorbed free lending funds.

What is significant is why the National Bank of Poland had to expand its supply of money market bills amidst the credit crunch? After all, lower issue of the bills would incentivize banks to loosen credit conditions for corporates and households. From this perspective, ceasing NBP bills issues would be legitimate, as in the context of liquidity surplus banks would have to place amassed funds in profitable credit assets, bearing in mind the cost of acquiring funds from customers. However, confronted with an abundant supply of NBP bills the banks could abstain from such activity. Through its monetary policy, the central bank contributed to the slowing down of lending in the Polish economy.

The policy of money market bills issue had, nevertheless, its merits. It was aroused from the need to maintain the level of the POLONIA rate as close to the reference interest rate as possible and to counteract the POLONIA rate falling below the reference rate in the interbank market. A slump in the rate of 1-day interbank transactions would lead to a decrease in retail rates in the banks’ transactions with corporates and households. A decline in the price of credit would eventually pose a threat to the central bank inflationary target. The large issue of money market bills was inevitable from the point of view of controlling the level of inflation in Poland.

6. Foreign exchange loans and aversion to risk

Distortions in the operation of the interest rate channel in Poland were also caused by the developments in banks’ lending in foreign currency. The practice of taking out loans in foreign currency characterised both enterprises and households. In the case of enterprises, foreign markets were an alternative source of fund raising. Obtaining funds in foreign European markets was predominantly attractive at the time when the Polish interest rate stood at a relatively high level as compared to the price of money on these markets. Polish enterprises used to indebt themselves at foreign banks, foreign suppliers or tended to take out loans from foreign investors.
Furthermore, they used to raise capital by issuing commercial bonds on foreign markets. The domestic interest rate could only shape the Polish economic agents’ demand for loans in zloty. Market integration and liberalisation of financial transactions unleashed the mechanism of using alternative sources of financing. In the Polish loan market, the mutual dependence of the price and the demand for loan capital was weakened. The weakening of this relationship is particularly visible in small, open-economy countries, and Poland is one of them. The size of foreign financing of Polish enterprises is presented in Figure 11.

Figure 11. Debt of enterprises arising on loans and securities

![Figure 11. Debt of enterprises arising on loans and securities](image)

Zródło: NBP. Fitch ratings

The size of foreign financing of Polish enterprises rose steadily in the years 2005–2011. Whereas in 2005 enterprises’ foreign credit liabilities stood at PLN 113 billion, in 2011 they were almost three times the figure – totalling PLN 311 billion. The growth of indebtedness in Polish zloty towards the banking sector was substantially lower in value terms. Nonetheless, it is the sizeably lower level of domestic debt as compared to foreign debt that deserves special emphasis. In 2011, the domestic debt was lower than the foreign debt by PLN 135 billion. Interestingly enough, Polish enterprises took out foreign currency loans in Polish banks as well. The value of these loans was stable over the last three years, and amounted to PLN 50 billion.
Polish economic agents, specifically large enterprises, were not significantly dependent on Polish banks. As with regards to the SME sector, the situation looked differently. SME sector entities were still dependent on zloty loans in the Polish market.

The financial crisis and the real economy crisis reduced the capability of corporates and households to settle their credit liabilities. Figure 12 presents the phenomenon of the bad loans build-up.

Figure 12. Monthly changes in the banking sector’s receivables with a loss in value (according to the gross balance-sheet value)

As indicated in Figure 12, the years 2009–2012 saw a systematic growth of loan loss in the Polish banking sector. With some exceptions, the bad debt increase was quite stable. An extreme situation was observed in December 2009, when the monthly surge in “bad debt” reached an astronomically high value of almost PLN 5 billion. Although in subsequent months the size of this phenomenon moderated, the bank’s lost loan assets were rising visibly and at a stable pace. At the end of 2010, the value of receivables with confirmed loss of value from the non-financial sector totalled PLN 52.1 billion, which represented an increase by 6.8% as against the end of 2009 (i.e. in just three months). As a result, the share of receivables with confirmed loss of value from the non-financial sector in total receivables from this sector went up from 6.5% at the end of the first half of 2009 to 8.3% at the end of June 2010\(^1\). In the case of consumer loans of households, this share widened from 9.8% to 15.6%

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over the discussed period. As regards loans extended to large enterprises, this share increased from 9.8% to 11.8%. Bad debt growth reappeared in 2011 and 2012. Aversion to risk was a vital reason for a slow-down in the lending activity in the Polish economy and a vital factor behind the ineffectiveness of the interest rate channel.

The problem of stagnation in lending could be alleviated by allowing central bank purchase of commercial bonds. Such transactions would be a form of direct crediting by the central bank. In the context of a lending slow-down, this new, economy-stimulating solution would neither create inflationary pressure nor would it collide with monetary policy inflation targeting. In Poland, its efficiency would at first be limited owing to the underdevelopment of the commercial bond market. However, the conduct of such transactions by the central bank would enable the provision of money to the real economy. It is not a totally novel solution, as purchase of corporate debt instruments by the central bank are a normal practice used in highly developed economies under the conditions of economic downturn.

7. Conclusions

The interest rate channel involves two key segments of the monetary policy transmission mechanism. The first segment is the impact of changes in the central bank’s base interest rate on the banking sector interest rates used in credit transactions with enterprises and households. The second segment is the interdependency between commercial banks’ interest rates and the size of their lending activity. The analysis of the direction of changes in the above components did not confirm the existence of the postulated relationships in the Polish economy over 2004–2009. Absence of price flexibility of demand for credit applied mostly to economic agents. What is also important is that small and medium-size enterprises were more susceptible to changes in the market interest rate than large enterprises. Inefficiency of the discussed monetary impulse transmission mechanism was a result of an excess of debt securities in Poland’s financial market. This particularly concerned NBP bills, as they were an alternative to loans for placing the banks’ assets.

The size of the lending activity does not depend on the price of credit alone. The demand is shaped by other factors as well. Economic agents’ expectations regarding the future business climate and the size of their own funds are of crucial importance. The financial situation of Polish enterprises looked profitable in the post crises period. High producer’s prices inflation created additional incomes and

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2 Ibid.,p.13.
new sources of growth financing. Currently, enterprises assess the probability of a surge in global demand, sales and profits rather pessimistically. For this reason they abstained from new investment projects. Those enterprises that did engage in new investment projects prefer to finance them with their own funds. In their case the price of credit was of secondary importance. Simultaneously, the supply of loans to enterprises by banks also decreased owing to persistent risk aversion. The share of enterprises’ bad debts in banks’ portfolios has been rising. Banks’ reluctance to extend loans was evident not so much in the higher interest rates offered as in the tightened lending conditions.

A precondition to increasing the efficiency of the monetary impulse transmission mechanism is reducing the volume of the issue of money market bills. Such a policy would entail, however, a permanent decline in interest rates and would pose a risk of exceeding the inflation target. Obviously, a decrease in the interbank market interest rates does not have to result in higher inflation. It all depends on the use of the production capacity of the economy, the size of inventories, the rate of unemployment, inflationary expectations and the probability of changes in the currency’s exchange rate.

Nonetheless such a risk should be taken into account. A moderation in granting new housing loans denominated in foreign currency would expedite the improvement in the efficiency of the interest rate channel. This prohibition would eliminate the impact of foreign central banks’ interest policies on the size of the lending activity in Poland.

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Animal Spirits in Economics

1. Revolution in Molecular Biology in relation to Human Biology in Economics. J.M. Keynes, G.A. Akerlof, R.J. Schiller, A.A. Alchian, E.T. Penrose, M. Kimura

Since the 1950s there has been a revolution in molecular biology developing an increasingly vast knowledge of the process of heredity and evolution.

Since the 1960s there has been an avalanche in growth of the evolutionary interpretations of social behaviours of animals and people. The achievements of evolutionary biology in this area have been immediately transferred to the field of social sciences and evolutionary economics and allow for the interpretation of increasingly complex activities of human individuals and groups.

Our biological structure has not changed for approximately a hundred thousand years¹. A rapid spread of people all over the globe as well as a rapid growth of cultural patterns and technology makes the evolution cultural and not biological. The biological features and abilities of our brains set tens of thousands years ago are confronted with the new challenges derived from our civilisation environment. In particular, such events as for example sudden tremendous economic and financial crises resulting from multiplied irrational human activities make even economists who are away from evolutionary economics notice the power of the impact of human biology on the economic growth.

It was the case of J.M. Keynes, who in his General Theory of Employment, Interest and Money, from the perspective of the Great Depression mentioned animal spirits

¹ Cf. Institute of Human Origins www.asu.edu/clas/iho/
pushing the economic situation up and down. "The lack of stability does not result only from speculation, it should be attributed to certain features of the human nature which make our activities, whether in the area of morality need satisfaction or economy, depend to a large extent on spontaneous optimism rather than mathematical hope. Presumably, the majority of our decisions made to achieve something positive, whose overall consequences will spread over time may be considered only as a result of animal spirits, as a human inborn hunger for action instead of remaining in chaos, and not as a weighted average of benefits qualitatively expressed and multiplied by the qualitatively expressed probability. (...) Due to this, when the animal spirits are stifled and spontaneous optimism fails leaving us at the mercy of mathematical hope, entrepreneurship fades dies out, (...) the initiative of individuals is sufficient only when the calculation is completed and supported by animal spirits."”

G.A. Akerlof and R.J. Schiller, 73 years later, in the course of another great crisis say, "In order to understand how economy works and how we should manage it so that it would flourish, we should consider the mental processes driving the human invention and feelings, their animal spirits. It is not possible to really understand crucial events in the economy without being able to realise that reasons are to a large extent psychological. Regretfully, the majority of economists as well as authors writing on entrepreneurship evidently do not consider this at all, which sometimes results in reckless and extremely artificial explanations of economic phenomena. (...) It seems that animal spirits have their share in the majority of economic phenomena and behaviours, and their cognition allows for a much more comprehensive perception of the current macroeconomic models which have not taken these animal spirits into account so far. In our opinion the present models have serious defects. They do not explain the mechanism of euphoria of extreme pessimism which follows it."”

In the 1950s A.A. Alchian, and then E.T. Penrose, applied the model of biological selection in the corporate model. They claimed that within the competition among companies, they do not aspire to maximise the profit, but through a trial and error method, they apply the methods of adaptation and resemblance as well as implement innovation in search of the possibility of gaining an increasing profit.

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These studies gave rise to the construction of mathematical models of economic development applying biological evolutionary models. In these models, imitation, innovation and positive profit perform a function of genetic heredity, mutation and natural selection in evolutionary biology. However, neither Alchian nor Penrose appreciated and valuated the phenomenon of innovation in their models, treating the technological progress and its implementation as an external factor, which actually made them remain within the neoclassical dogma outside the evolution economy area.

Meanwhile, there was another milestone in the development of evolutionary biology, i.e. the publication of the study The Neutral Theory of Molecular Evolution by Motoo Kimura in 1983. Kimura summarised his long research of the neutralist molecular evolution, according to which the evolution of DNA sequence occurs primarily due to the random genetic drift and not due to the natural selection. As a matter of fact, it is a new non-Darwinian theory of evolution (molecular evolution). The existence of genetic drift, i.e. accidental change in the frequency of occurrence of given alleles in the population, raises no doubt. But Kimura and many others claim that mutations which are adjustably neutral are the essential factor of evolution. Much earlier before Kimura, i.e. in the 1930s many other biologists developed the concept of neutral mutations. However, it was him to create its coherent theoretical basis; although whether the neutralist theory is accurate or not is still a matter of dispute.

2. Evolutionary genomics. Spontaneous market order.

C. Menger, F. A. Hayek, R. Nelson, S. Winter, R. Coase, H. Simon, R. Lucas, P.M. Romer

The development of evolutionary genomics, which examines the evolution of the whole gene complexes and the whole genomes, makes the knowledge of heredity advance rapidly, and the prospects for animal and human heredity steering is increasingly realistic. It is in the 1980 when a rapid renaissance of evolutionary economics took place together with essential changes in the world economy structures and the breakdown of the Keynesian economics. Since the mid-1990s Schumpeter has been quoted more often than Keynes. The renaissance of Schumpeter’s economics followed the publication of studies by Richard Nelson and Sidney Winter (in the mid-1990), which allowed for the formalisation and modelling of evolutionary phenomena only within evolutionary economics and on the basis of its essential

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5 An allele is a version of gene in a specific place on a given chromosome.
research programme. The main subject of the analyses conducted by Nelson and Winter is a competitive game played by the innovation seeking companies. Their routine behaviours and equipment are being changed under pressure of the changes taking place in the environment. These routines are replaced by innovations, selected not by an optimising calculation but as a result of the development of the logic of the so-far activities. There were macroeconomic and sectoral formal models created to present the processes of evolution and creative destruction in the individual sectors of economy.

The concept of biological evolution was used, either consciously or unconsciously, when developing the institutional corporate theory, beginning with the famous Ronald Coase’s work⁶ until numerous works by Herbert A. Simon⁷. In all these works it was assumed as an empirical certainty and for model analysis that individuals and companies never possess complete information, they do not perform optimally and are rational only to a limited degree. Actually, the performance of individuals and companies on the market, similarly to biological organisms including man, in changing environmental conditions, may be derived from the existing patterns of behaviours and their modifications made under the influence of external challenges and shocks as well as a sheer chance.

At the end of the 20th century within the mainstream economics, for example R. Lucas, Jr., P. M. Romer, certain growth models based on Schumpeter’s evolutionary economics appeared. Since then there has been a rapid development of evolutionary approaches in the modelling of economic growth and evolution as well as empirical research of sectoral growth processes and creative destruction⁸.

Schumpeter’s evolutionary economics appeared to be extraordinarily adequate to analyse the transformations in the post-communist economies. Modern evolutionary economics constitutes the basis for a different economic policy than that based of the Washington Consensus. Neo-Schumpeterian evolutionary economics postulates high public spending to increase economic dynamism and innovation in the areas like science research and development or education unlike the orthodox

method of improving the national competitiveness through the reduction of costs and remuneration.

The Austrian School followed another way of evolutionary reasoning. The Friedrich von Hayek cultural evolutionary theory, which developed Carl Menger’s concepts and referred explicitly to Adam Smith, developed the thought of self-organised spontaneous participation of man and other social institutions in the market order without conscious and rationally planned activity. This order is natural, i.e. unintendedly emerging like a natural regularity from independent activities of individual people and organisations.

Kenneth E. Boulding also followed an independent different theoretical track. He directly expresses a thought that the process of economic evolution (and generally social and cultural) is completely analogous to the process of biological evolution. “The process in which social species follow each other over time is in many ways analogous to the whole process of biological evolution. Even the division into genes and phenotypes may be referred to social evolution, although the genetic system itself and the process in which this genetic system creates a phenotype is considerably more complex in social systems than in biological systems. In social systems a gene is an image or an idea in the human mind; the idea like plans converted into projects which create a house or a car, an idea or an image of the future which leads to the establishment of a new company; a marriage proposal which will set up a new family or an image of a new kind of life which will create a new religion. It is all fully analogous to genes. The essential structure of both processes is included in the information which in the favourable conditions is able to launch a deliberate process an appropriate phenotype creation.”

The diagnosis that the weakness of economics and its missing the real, empiric economic phenomena results from the lack of consilience, conformity with all natural sciences is shared by evolutionary economists.

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11 “The transition from individual behaviours to their resultant at the collective level is a major theoretical problem in economics as well as other social sciences. In spite of this, social researchers seldom consider the appropriate nature and sources of individual behaviours, referring to popular psychology instead.” E.O. Wilson, Konsiliencja. Jedność wiedzy (Consilience. The unity of knowledge), Zysk i S-ka, Poznań 2002, pp. 305–306.
3. Final remarks

Scientific periodicals play an extremely important, crucial role in the development of evolutionary economics; it is on their pages where authors specialising in this area hold their discussions. First of all, it is the “Journal of Evolutionary Economics” published since 1991 by the International Joseph A. Schumpeter Society and “Evolutionary and Institutional Economics Review” published since 2004 by the Japan Association for Evolutionary Economics and to a lesser extent the “Journal of Institutional Economics” published since 2005 by the European Society for Evolutionary Political Economy or the “Journal of Economic Issues” published since 1967 by the Association for Evolutionary Economics.
On the basis of reading of these periodicals in recent years, one can easily confirm the results of the research conducted in 2004 by Ulrich Witt indicating that among the evolutionary economists, both “old” and “new,” there is a decisively dominant neo-Schumpeterian approach (in the spirit of R. Nelson and R. Winter) as well as naturalist approach (in the spirit of T. Veblen, F. Hayek or D. North).\(^\text{12}\)

It is difficult to say what the situation looks like among the Polish evolutionary economists due to the lack of research (perhaps they should be conducted) and a low number of scientists.

A hypothesis may be hazarded that the popularisation of ontological Darwinism is a function of the research progress in evolutionary biology and the popularisation of heuristic based directly on the Darwinian concepts is a function of the scale of research success resulting from the application of the models of diversification of selection and survival in economic dynamics.

The strengthening of evolutionary approach within economics in recent years has resulted from the financial and economic crisis in the whole western world. Evolutionary economics, in particular Schumpeterian and neo-Schumpeterian evolutionary economics are extremely adequate to refer the world, which is unpredictably volatile, uncertain, subject to sudden and powerful external shocks. Schumpeterian evolutionary economics, even in the time of global economic stability, with the dominating belief that the main economic and demographic factors can be balanced, dealt with the models of the world of incomplete information and limited rationality, where the balance states are only accidental intervals in in the dominating state of imbalance and development through shocks and later adjustments. Unlike the orthodox mainstream economics, evolutionary economists have never assumed that an appropriate pattern of scientificity for economics is mechanistic physics. The economic world, like the individual actors of the economic life, functions actually in the way which can be adequately described only by the economics based on the scientific pattern of evolutionary economics.

From the point of view of evolutionary economics, the present financial and economic crisis, irrespective of how deep it can be, is a normal and natural phenomenon, a not a deviation from the essentially appropriate rule of normality.

A thesis may be hazarded that as long as the world financial and economic crisis is disturbing the peace of economists, decision makers and the public opinion, evolutionary economics will attract the attention of researchers and have its great days.

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14. www.mnb.si.edu/anthrolhumanorigins/
1. Introduction

All European Union Member States offer a variety of support programmes aimed at helping their domestic companies to enter other countries’ markets, including the Single Market as well as third (non-EU) countries’ markets. A recent survey identifies more than 300 support programmes (with the budget in excess of 2 million Euros for the larger MS) to stimulate the business internationalisation in the EU and its Member States.

Although 25% of EU-based SMEs have been involved in export to the Single Market and beyond in the last 3 years, just 13% of them have been internationally active outside the EU through trade, investment or other forms of cooperation with foreign markets (only 3% of them have subsidiaries, branches or joint ventures abroad).

Having in mind the above, it is fundamental for Europe to increase the capacity and effective internationalisation of SMEs, since it has become the condition for them to survive in today’s greatly competitive environment. Therefore, there is a challenge of creating such conditions to make European SMEs equally engaged in markets outside the EU, especially those being the EU’s major trading and investments partners.

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1 Report, *Opportunities for the Internationalization of European SMEs*, European Commission, 2011.
One of the answers to the above is the recent European Commission Communication “Small Business, Big World – a new partnership to help SMEs seize global opportunities”, which proposes to review the existing support structures available to SMEs, identifies the main problem areas, proposes a set of measures where European-level actions can add most value, and set out guiding principles for the most coherent and efficient use of scarce financial resources in priority markets such as the United States, China, Brazil, India, Russia or Japan\(^3\). The whole communication is based on the premise that cooperation between the EU and Member States, among Member States, and between the public and the private sector will bring clear benefits to the internationalisation of the EU SMEs.

According to the Commission future efforts should focus on how existing service providers in the EU can collaborate more effectively, often across national boundaries, and comprehensive “mapping” of the European supply of support services should lay the foundation for this process. The Commission emphasises the need for partnering the involvement of all EU institutions and relevant SME stakeholders in the implementation of the new strategy supporting SMEs’ internationalisation.

The purpose of the communication has also been to encourage EU Member States to adopt a similar approach and work in close cooperation with the Commission in strengthening the support for European SMEs’ international growth – an approach which makes the EC document very relevant to the research presented in this article, undertaken in cooperation with the European Union Delegation in Washington D.C., within the framework of the EU Trade Counsellor Working Group.

The survey – based on an electronically distributed questionnaire – aimed at determining the tools and/or programmes that are perceived by individual EU Member States as best practices in helping companies access and be successful on the United States market. The author believes that collecting and assessing good practices implemented by the Member States in order to facilitate the exchange of knowledge and the dissemination of good internationalisation programmes that are currently put into practice can increase European SMEs’ chances in accessing the American market and their competitiveness when already present on it.

There were twenty EU Member States which actively participated, through their Trade Counsellors in Washington D.C., in the presented survey during the period of September-December 2011 (Austria, Belgium, Cyprus, The Czech Republic, Estonia, Finland, France, Greece, Germany, Ireland, Italy, Latvia, Netherlands,

\(^3\) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, Small Business, Big World – a new partnership to help SMEs seize global opportunities, Brussels, 2011.
Portugal, Slovakia, Slovenia, Spain, Sweden, The United Kingdom as well as – on the Presidency’s side – The Trade and Investment Section of the Polish Embassy).

2. The survey’s theoretical background

From a governmental point of view, the principal objective of offering programmes supporting the internationalisation processes of companies’ activity is to improve the international competitiveness of domestic businesses and, as a result, to achieve national advantages from the increased export activities of those companies. Thus, both the commercial policy of a given country as well as the competitiveness of its economy in relation to other countries have an impact on the involvement in promoting export.

From the point of view of the companies, the programmes supporting the internationalisation processes should promote pro-export attitudes among managers and employees who participate in international transactions, facilitate solving specific problems related to these processes as well as contribute to the positive effects of activities undertaken on foreign markets.

Due to a proliferation of various definitions of the governmental support programmes, it is assumed that a programme supporting the internationalisation of business activity refers to all public programmes and measures which, directly or indirectly, contribute to an increase in the activity on international markets from the perspective of a company, sector or country, region or the whole economic block.

Promoting national exports is therefore a top priority of many public policy makers, mainly because national exports provide the means to increase employment opportunities for the local labour markets, generate foreign exchange to finance imports, enrich public funds with additional tax revenues and – as a result – achieve higher economic growth and living standards.

The forms of public aid comprise of any governmental programmes which have been developed in order to support the target group of internationalising companies, having their registered offices in the countries represented by these governments. The forms of such support include:

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• national institutions and their domestic and foreign agencies which offer standardised and diversified, according to the needs of companies, information and consulting connected to internationalisation processes;
• governmental programmes offering support for the companies, from international market research to the actual participation of these entities in international markets;
• financial insurance of risk related to international transactions as well as providing companies’ access to export loans at favourable interest rates.

The first two groups of activities refer to supporting the internationalisation processes of the companies in a marketing sense based on informative and promotional support by the governments of individual countries. The third of the listed forms is more related to safeguarding international transactions than to supporting them. It is based on cash flows between a country and banking institutions safeguarding the businesses of companies on the foreign markets, and in particular, on the markets with high financial/transactional/political risks, or between a country and banks representing importers who order products and/or services from companies which export them.

Marketing support of internationalisation processes is based on providing companies with information which aims at eliminating uncertainty and the perceived risks attached to all internationalisation processes. The information may be standardised or diversified depending on the needs expressed by the companies seeking such support. The standardised information involves, among others, reports and foreign market analyses drawn up for the whole group of applicants. The diversified support may refer to identifying potential business partners for companies on foreign markets, organising trade missions for them, preparing their participation in fairs as well as business talks in countries of entry.

Having in mind the different needs of companies during their internationalisation processes, the criteria adopted in segmentation of the governmental support programmes are usually related to:
• the size of an enterprise (the most frequent division involves micro, small, medium-sized, and large companies);
• export specialisations which countries wish to promote around the world and/or assignment to a particular sector of their economies;

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7 P. Pietraśinski, Governmental programs supporting the internationalization of companies – good practices from the United States and CEE countries, “Business in Central and Eastern Europe. Cross-Atlantic Perspective”, Northeastern Illinois University, Chicago 2011, p. 120–146.
• regional diversification based on support limited to the companies from certain regions of the countries; as well as to the phase of the internationalisation of companies, including the period preceding the actual participation in international markets.

Following the above, the major goal of the survey was to identify the most efficient Member States’ programmes (according to the opinions expressed by EU Trade Counsellors):

1) Based on the segmentation of the benefiting companies dependable on their regional or sector affiliation or on their size.

2) Based on the internationalisation stage the company is currently at (from no experience on the American market, through export, to involvement in more advanced forms of internationalisation), and

3) Combining innovation with internationalisation – programmes making use of this link have the additional advantage of addressing companies for which the main driver to internationalisation is better access to innovation, high technology or know-how.

3. The segmentation of the EU Member States’ support for companies entering the United States market

As a major source of growth and job creation in Member States’ economies, SMEs are the target group of MS programmes dedicated to support their expansion to the US market. Yet, for the European SMEs the implementation process of transatlantic export strategies could represent a significant barrier to overcome (shortages of resources and skills). Then, there is no coincidence that the primary beneficiaries of the internationalisation programmes sponsored by the Member States in the United States – according to the Presidency’s survey – are smaller companies, defined in most cases by the number of employees. As some respondents indicated in the research, the SMEs as a criterion of segmentation is – in some of their support programmes – combined with the actual level of those companies’ experience on the US market.

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8 There is no single, unified definition of a small and medium-sized enterprise. SMEs are generally considered to be non-subsidiary, independent companies which employ less than a given number of employees (which varies between countries). The most frequent upper limit designating an SME is 250 employees (e.g. in the European Union Member States). However, some OECD member economies set the limit at 200, while the United States considers SMEs as firms with fewer than 500 employees. Small enterprises are mostly considered to be firms with fewer than 50 employees (in U. S. – 100 employees or less), while micro-enterprises have at most 10, but in some OECD countries – 5 employees or less.
In addition to the above, a sector approach is a popular segmentation criterion among the Member States supporting their SMEs’ activity in the United States. In this procedure, support instruments are offered to companies from certain sectors of the MS economies. In a few cases in the research a cross-sector approach has been used, like programmes which are offered to support the internationalisation of “green” SMEs (in the context of energy and/or technology) on the US market.

For the project purposes, the framework of the research, based on the segmentation procedure was proposed (shown in Figure 1). It emphasised the EU Member States’ programmes designed to support small and medium-sized enterprises as well as programmes focused on certain sectors and/or regions of the national economies.

Figure 1. Standardised and diversified forms of support of the EU Member States’ companies entering the United States’ market

![Diagram showing segmentation of support](image-url)

Source: own
The survey’s results showed that more than a half of the Member States’ programmes were designed for the particular segments of the support recipients (some of the segmentation criteria examples, indicated by respondents, are described below):

*The segmentation can be based: on the size of companies the programme is offered to (examples indicated among others by Estonia, limiting its support to small and medium-sized enterprises or by Ireland, where the support is predominantly granted for small companies, as well as by The Netherlands, focusing – in the case of the “Prepare2start” programme on the target group of companies with less than 100 employees); on the sector affiliation – in the case of the US market these are innovative sectors or certain groups of products exported by the EU countries to the US (among others Belgium’s high-tech sector, Italian industrial machines and the Spanish fashion industry). Regional segmentation – based on offering support to companies having their headquarters in certain regions of a Member State – is mainly offered in the US by Germany and Belgium.*

Some studies focus on segmenting companies that are receiving export assistance programmes according to the stage they have reached along the internationalisation path⁹. These studies perceive companies as being at a different stage of export development, with each stage requiring a different type of government assistance¹⁰.

*Polish “Passport to export” is an example of combining a size-based segmentation with stage approach¹¹. The programme is a design for micro-, small and medium-sized enterprises, whose export share in overall sale does not exceed 30% of total turnover. The co-financing of a company’s marketing activities may cover projects implemented in two consecutive stages which represent: (1) preparation phase (before actual internationalisation) focused on support for designing the export strategy, and – after verification procedure by the governmental agency – (2) implementation of the strategy on the chosen international market including the American one (max. duration of both stages of the programme is 30 months).*

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¹¹ A stage approach, based on diversified support needs of companies being in different phases of their internationalization processes, is described in the next 4th part of the article.
4. Member States’ support programmes in different phases of European companies’ expansion on the US market

When governments develop the marketing programmes supporting export but also the more advanced forms of enterprise internationalisation, such as licensing, franchising, joint ventures, or setting up foreign subsidiaries, they may diversify them in terms of the degree of business activity internationalisation of a target group of these programmes.

Support provided by the governments should correspond to a multi-phased progress of the internationalisation processes of companies. Thus, individual segments of the recipients of such support may consist of:

- companies not connected at all with the foreign market and usually not aware of the opportunities resulting from exporting products and/or services;
- companies aspiring to international business activity, that is those which have not dealt with export yet are aware of the chances resulting from expansion abroad (usually, these companies already have suppliers from abroad);
- current exporters who plan to further develop the internationalisation of their business activity;
- companies which have already been involved in more advanced forms of internationalisation which require a specific extent of cooperation with foreign partners, and which do not exclude or have even already had plans of increasing their involvement in host countries, for instance, forming subsidiaries.

In the case of the first group of companies which have not had international business contacts yet and are often not aware of the benefits of internationalisation, the role of the governmental programmes involves, above all, promotion of export as a chance of increasing sale. This group involves programmes aimed at decreasing the risks connected with carrying out international transactions which are perceived by the companies as high. The process is mainly based on making available standardised information related to the specific features of foreign markets, both in the sense of geography and sector division, as well as offering training and courses related to the general knowledge on starting export activity.

Most of the European small and medium-sized companies (63%) belong to the group of entities which do not internationalise at all. An in-depth analysis of the European research\(^\text{12}\) proves that export is more frequently combined with coopera-

tion with international suppliers (namely, importers) than as an independent form of enterprise internationalisation. Only 6% of companies run their business activity based solely on export, while as much as 10% of them undergo the internationalisation process in two directions simultaneously: to the inside, through cooperation with international suppliers, and to the outside, through export and other forms of involvement in foreign markets.

The second target group of support programmes comprises companies which are aware of the benefits resulting from offering products and/or services abroad but which have not carried out export activity yet. This group includes entities which already have contacts with foreign suppliers so those that carry out some forms of the import activity. In the case of this group, programmes prepared by governments based on both encouraging companies to begin export activity and presenting specific methods of entering international markets. Providing standardised information on foreign markets is, in this phase, accompanied with a specific scope of individualisation of provided support in respect of support expressed by individual companies. Such individualisation may take the form of support provided to companies by foreign diplomatic missions of a given country specialised in these type of activities, for instance, the Trade and Investment Sections of the Embassies and Consulates of the Republic of Poland.

Programmes aimed at supporting companies which have already carried out export activity are more individual than the ones which are targeted at potential exporters. This is a consequence of a significant diversification of the needs of companies which go through this phase of internationalisation. Some of them carry out activity based on a simpler form of export, namely, indirect exporting, involving the participation of domestic intermediaries between the enterprise and foreign purchasers, which significantly reduces the possibility of producers’ exerting impact on marketing strategies of their products being traded on foreign markets. The more advanced forms of export involve cooperative exporting based on cooperation with a foreign intermediary, as well as direct exporting, namely, offering products and/or services through their own channels of sale in a host country. The last case, which requires a specific level of investment on foreign markets, should be reflected in a more individualised approach to support programmes, referring not only to an informative function but,  

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13 The Uppsala model, extended with the import activity which usually outstrips other forms of internationalization, may serve as an explanation to the above situation. For example, cooperation with foreign business partners contributes to broadening knowledge and experience in carrying out international transactions. Taking into account that import is the simplest form of enterprise internationalization, it may be assumed that this activity is the beginning of a process which leads to developing competences facilitating further phases of company internationalization.
more importantly, a consulting one, connected with consultancy on promotional issues (e.g. consultancy on the selection and supporting participation in specialised fairs), as well as providing direct support to companies in host countries (legal counselling, arranging business relations, identification of distribution channels, etc.).

The last – fourth – target group of governmental support should consist of companies which plan to or have already carried out international expansion, and implement also other – apart from export – forms of business internationalisation. The advanced forms of internationalisation, such as licensing, franchising, joint venture, and in some cases also the setting up of subsidiaries in host countries by acquisition of foreign companies or green field investments, impose on governments an individualised approach to support provided to companies. It is a result of both specific conditions of companies which – apart from transferring products abroad – also transfer production processes engaging significant resources of the enterprise outside the exporting country, as well as combining several methods of entering foreign markets by the companies.

The stage approach of the Member States’ support in the processes of companies’ internationalisation on the US market is presented in Figure 2.

**Figure 2. EU Member States’ support programmes in different phases of companies’ internationalisation**

![Diagram showing the stages of EU Member States’ support programmes in different phases of companies’ internationalisation.]

Source: own
Several surveyed countries offer support tools adjusted to the companies’ internationalisation stage. Below are the most sophisticated examples of the phase approach in the Member States’ support for European companies expanding on the US market:

**Spanish ICEx offers specific programmes to companies depending on their internationalisation stage:**

- **Phase I: LEARNING TO EXPORT PROGRAMME** – in one-day sessions the programme makes SMEs aware of the importance of international operations. They receive a tailor diagnosis about their internationalisation potential plus specific services for overall competitiveness improvement (branding, internet strategy, legal counselling, etc.);

- **Phase II: FOREIGN PROMOTIONAL PLAN FOR NEW EXPORTERS (PIPE)** – supports companies taking their first steps as exporters by giving them access to professional specialists who will help them design their internationalisation and new market penetration strategies. It lasts 2 years and it is developed in 3 standardised phases: (1) analysis of the exporting potential of the company; (2) design of the internationalisation strategy; (3) implementation of the strategy. Phases 2 and 3 of the PIPE are delivered close to US customers (the programme is designed and carried out with the support of the Spanish Commercial Offices in the USA, located in NY, LA, Chicago, Miami and DC). To complete the process, PIPEnet offers tailored advice to companies looking to transfer or improve their internationalisation strategies on the Internet (all SMEs with none or limited international experience are eligible for the programme);

- **Phase III: SECTORAL INTERNATIONAL MARKETING PLANS, PROGRAMME MADE IN /MADE BY SPAIN, MACROSECTORAL MARKETING CAMPAIGNS IN THE UNITED STATES:**

- **Phase IV: ADVANCED FORMS OF SUPPORTING INTERNATIONALISATION** (investment related): forums of investment and enterprise cooperation, business meetings for cooperation, investors’ missions, support to specific investment enterprise projects, etc.

The “Export Window” operates under the Slovenian Public Agency for Entrepreneurship and Foreign Investment (JAPTI). The main purpose of the programme is to help SMEs in a tailored way which takes into account that companies are at different stages of internationalisation. The programme provides diversified information and consultancy for potential, existing and experienced exporters (phases II, III, and IV):
– **Phase II: INTERNATIONALISATION BEGINNERS**: companies which are in need of a very basic introduction to internationalisation (major instrument: web portal with standardised information);

– **Phase III: EXISTING EXPORTERS**: companies which need consultancy and help in organising participation in international trade fairs, business visits and/or providing education on international business (seminars, lectures, working sessions, etc.) as well as providing contacts with foreign agents and distributors;

– **Phase IV: EXPERIENCED EXPORTERS**: Slovenian business centres abroad provide home-state companies with customised information, professional language services and help in establishing contacts with the US companies potentially interested in cooperation.

5. Supporting internationalisation of the innovative European SMEs

The findings on the link between innovation and internationalisation do suggest – even if the direction of the casual effect is not always clear – that this is a good thing to design and present policy support measures aimed at stimulating innovation and internationalisation in conjunction as both issues are policy objectives in their own right. Therefore, policy bodies should consider a unified approach to both issues including a possibility to merge the implementing agencies into a single body

On the other hand, governments should also improve the access of micro, small and medium-sized enterprises to existing public financial support mechanism and to relevant information sources, including services designed specifically for SMEs to enter international markets. For example, the primary beneficiaries of internationalisation programmes sponsored by state governments in the United States are small to medium-sized enterprises.

Sorting out the overlaps between internationalisation, innovation and SME (or generally entrepreneurship) policies appears to be a challenge for many governments and international organizations. A close collaboration between the public sector and academia, as well as R&D sector institutions, should ensure the beneficial role

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of government assistance for “start-ups” or young technology companies in the processes of their internationalisation.

Bearing in mind that some support programmes referred to by the Trade Counsellors as “good practices” combine internationalisation not only with innovation, but also limit them to the SMEs’ target group, the intersection of Member States’ policies supporting all of those areas are presented in Figure 3.

**Figure 3. Promoting the internationalisation of innovative European SMEs as a highly recommended “good practice” on the US market**

The majority of the EU Member States, which participated in the survey, acknowledge the role played by the innovation in entrepreneurship development and the SME’s expansion to the United States Market (results presented below):

*The most popular form of support offered to technology start-ups is placing them in one of the incubators or accelerators in Silicon Valley. To date 14 EU countries have decided to introduce 16 such programmes to their companies in the form of partnerships with:*

**Plug & Play Tech Center** (mostly oriented on startups looking for VC investors and/or strategic partners) currently works with 6 MS: **Austria** (Austrian Trade Commission), **Belgium** (Flanders Investment and Trade and IBBT), **The Czech Republic** (CzechInvest), **Greece** (Ministry of Education), **Portugal** (Leadership Business Consulting) and **Spain** (Barcelona Chamber of Commerce and Barcelona Activa).
**US Mac Access Center** (non-profit business accelerator and incubator) hosts Soft Landing Zones for The Czech Republic, Catalonia as well as for Poland (since January 2013) and organises Start Up Camps in Denmark, Estonia, France, Hungary, The Netherlands, Italy, Spain and Sweden.

The latter is undertaking an extensive programme, beginning with 3 bootcamps in 3 different cities, with a total of 50 participating companies. The US MAC partner in the programme is the InnovativeBridge Sweden. The programme includes pitch practice and development, concluding with a pitch session, for which a representative from Silicon Valley’s Garage Technology Ventures is being flown to Sweden solely to oversee the judging. After the pitch sessions, 15 Swedish companies will be in residence in the MAC’s facility in SV, with six weeks of pre-arrival mentoring, meetings and so on. They will then return to Sweden, and a subset of this group, statistically 5 companies, will return for a 3-months market immersion programme.

It is worth mentioning that in the questionnaire, programmes combining innovation with internationalisation were described by the responders as one of the best methods of the EU companies’ promotion not only on the US market, but also globally. Combining an innovation support with sector policy has been another interesting approach found in the survey, proving that the most sophisticated export programmes are also the most valuable ones for the EU Trade Counsellors, stationed in the Washington D.C. area:

**Going beyond Silicon Valley in promoting innovative solutions of its companies abroad, Germany launched the Renewable Energy Export Initiative. Under the leadership of the Federal Ministry of Economics and Technology numerous agencies and experts provide support to the promotion of the renewable technologies exports, mainly on the US market.**

The important aspect of the energy policy tailored towards the fostering of renewables in Germany (which account for 20% of German electricity generation and has become one of the showcases of German technology) is the support of export in this specific sector, e.g. providing information about foreign markets in the specific sector, offering business trips abroad focusing on renewable energy, providing help in the search for business partners, providing marketing support (an evaluation by third-party experts has shown that the Renewable Energy Export Initiative has contributed significantly to the success of German companies, in particular SMEs, in exporting to foreign markets, especially to the United States).
6. Marketing approach in the EU Member States’ support for companies entering the US market

In addition to the segmentation and stage approaches, an important part of the survey’s questionnaire was based on the redesigned 4-instruments’ marketing formula (described below).

Having in mind that from the customer’s point of view every marketing instrument should deliver benefits for the consumers, it has been suggested that market entities should view classic “4Ps” in marketing-mix as a “4Cs” for the customer. In this “new”, more customer-oriented formula, the marketing instruments are called: customer needs and wants, describing a solution for him (“old” product), cost to satisfy the customer (“old” price), convenience to buy (“old” place) and communication (“old” promotion).

This approach could be especially useful in analysing services offered by the governments to the companies which want to internationalise their activities. Having in mind the above, these companies should be treated by governments as customers in search of concrete solutions designed to meet their needs and wants.

Thus, “4Cs” represent in the research: (1) **company solution** as a governments answer to companies’ needs; (2) **convenience** as ease of companies’ access to governmental programmes (means of the programme’s delivery in the Unites States); **cost to the company** as the costs associated with participation in governmental programmes (system of sharing expenditures between the company and the government); and (4) **communication** between the government, which offers the internationalisation support, and the companies being a target group of these services (ways and means of introducing programmes to the companies, promoting awareness about them and the evaluation of the end-users’ satisfaction).

In the process of “good practices” identification, respondents were additionally asked in the questionnaire about the most unique aspects/elements of the chosen programme that, in their view, make it successful and worth sharing with other Member States.

The most **CONVENIENT SOLUTIONS** in internationalisation tools, chosen and described by the EU Trade Counsellors, vary in character and target recipients:

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19 Because one of the survey’s goals was to investigate on the internationalization tools that from companies’ perspective are most valuable, which means also convenient, answers to the questions on the “Company solution” and “Convenience” have been combined here in one bullet point.
Among the most interesting programmes in the internationalisation programmes for SME’s are the **Austrian** “Go Silicon Valley” that allows 20 innovative IT companies per year to spend 3 months at a business accelerator in Silicon Valley. So far 30 enterprises have completed the programme and 3 companies have set up subsidiaries in SV. All companies have found strategic partners. **The Finnish** agency Finpro has developed a two-stage accelerated market entry programme named Gasseli. A 1-year programme is composed of kick-off Bootcamp led by the US experts and Finpro and followed by 6–9 months of mentorship by Finpro’s US staff. The programme is used mainly by ICT and life science companies but designed to work with all industries by changing or adding coaches. **The goal of the Irish** “US Government Sales Bootcamp” project is to introduce new companies to the potential US Government procurement opportunities. Entities eligible for support (customised to the individual needs of companies) are Irish technology firms. The project is managed by the Enterprise Ireland (EI) – the Irish Government agency responsible for supporting the development and growth of Irish companies in world markets. The US Government procurement space is a particularly distinctive and difficult environment for exporters – that is why the programme is very popular among Irish entrepreneurs. A more traditional approach toward internationalisation is presented by **Italy** – in their opinion one of the most efficient approaches to assist SMEs in identifying US counterparts and potential partners is organising the participation, with an official Italian Pavilion, to international trade shows in the US. This approach is similar to the **Polish** export support initiatives, such as the Polish Pavilion at the BIO International Conventions in Washington D.C. (2011) and in Boston (2012), co-organized by the Trade & Investment Section of the Polish Embassy.

**COST** sharing between governmental agencies and recipient companies depends entirely on the programme and can range from free of charge, through co-financed, to paid solely by the companies:

A **Belgian** grant of 200 thousand € is offered free of charge to the carefully selected companies for the establishment of the commercial office/representation in the U.S. For a period of 1 year (renewable for another year) it covers the salary of the representative, office space rent, computers leasing/or acquisition, telecommunications expenses, travel, etc. **British** companies don’t pay for certain services offered by UKTI (briefings on the US market, discussions about export readiness and information on business procurement opportunities). General support for the **Slovenian** companies is also free. Most of the instruments are based on shared costs between the two parties (US events for the **Estonian** companies, The **Czech** Trade’s services, **Austrian** GSV tool, **Latvian** export support programmes, etc.).
Most often companies have to bear the costs of logistics (travel expenses, hotels). The Finnish Gaselli is financed entirely by the companies (which can however apply for governmental support).

Regarding the promotional element of marketing strategies, it has to be emphasised that close communication with government agencies responsible for providing export-support assistance should help increase companies’ familiarity with the programmes offered and appreciation of their usefulness. Policy makers should first access the specific needs of private sector companies and – as a result – identify any problems that might obstruct their international expansion strategies20.

Most EU Member States COMMUNICATE with the companies via institutions’ and/or the programme websites, specific industry organisations and embassies or other institutions based in the USA. However, they often take advantage of other means of communication:

Italian SME’s which want to participate in the Pavilions during trade shows in the US are assisted by the Italian Trade Commission network in the USA, close to the American buyers and/or final customers. The Austrian “Go Silicon Valley” has been receiving wide media attention and is promoted in daily newspapers, magazines and National Broadcasting. The Finnish Gaselli is marketed by Finpro’s staff. A general invitation is sent out and followed up by the phone calls and face to face meetings. Moreover, recipients’ satisfaction is measured at the conclusion of the first 2-day boot camp, one month later and on-going during mentorship. A similar method is used in the Irish programme mentioned above. The British agency UKTI has staff in the US that visit and maintain relationships with the companies that are ready to export. UKTI also has a performance monitoring framework that measures customer satisfaction. Some countries, like Greece, measure satisfaction by sending out evaluation forms to the companies but they face the problem of a small percentage of replies.

It is also worth underlining that – according to the survey results – half of the EU countries implement national marketing and/or branding strategies specifically developed for the American market.

7. Conclusions

Presented research on good practices in European SME’s internationalisation corresponds with the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Small Business, Big World – a new partnership to help SMEs seize global opportunities” published in Brussels on Nov. 9, 2011. Based on the communication, the EC encourages cooperation between Member States in order to better promote EU exports on foreign markets. According to the document, the EC plans – with the assistance from the MS – to identify gaps in the existing programmes and increase support efficiency which will allow European companies to better compete abroad. The main goal of the EC strategy, complementary with the research presented in this article, is to ensure equal internationalisation opportunities for all EU entrepreneurs, e.g. through exchanging “good practices” in Member States’ export to third countries’ markets.

The information provided by EU Trade Counsellors in the survey showed that in the wide range of implemented programmes there are a few mainstream tendencies. According to the survey, the most popular forms of combining innovation and internationalisation support in the US market are Member States’ partnerships with business incubators and/or accelerators located in Silicon Valley (Plug & Play Tech Center and US Mac Access Center were mentioned by more than half the Member States). It is worth underlining that the instruments promoting local innovations abroad, especially in Silicon Valley, where even micro- or small enterprises, provided with the relevant support, have a chance to go global, were viewed – by responders – as the most efficient.

Therefore, promoting internationalisation of innovative European SMEs through the partnership with Silicon Valley accelerators and incubators is – in the authors’ opinion – a highly recommended “good practice” in the US market. Then, it is obvious that lack of supporting tools for technology start-ups in some of the Member States’ promotional systems (e.g. in the Polish one) could have a negative impact on their companies’ chances to successfully enter the US market.

The most popular form of segmentation indicated by EU Trade Counsellors has been the one related to the experience of companies seeking support to enter or to expand on the US market. The majority of respondents described different support programmes depending on a company’s stage of internationalisation, but the most advanced forms of “stage” segmentation, dividing the whole internationalisation
process on four phases (starting from companies unaware of export opportunities, through those aware but still inexperienced, then actual exporters and finally those looking for co-operative and/or investment opportunities in the US) are implemented in the American market by less than half of the EU Member States.

Therefore, Member States offering support for home-based companies should first of all be aware of the stage of international operations these companies are at and then design the programmes suitable for their different needs dependable on the internationalisation processes.

The research results clearly indicate that smaller enterprises and companies with less experience in internationalisation have a greater need for export promotion programmes. The Presidency’s research, based on the redesigned “4Cs” marketing formula, has also shown that European companies are treated by the Member States’ governments as customers in search of concrete solutions designed to meet their needs and wants on the US market. The major task of this part of the survey was to identify solutions offered by governments to the companies, which are not only the most efficient from member countries’ point of view, but also the most convenient to use by enterprises, small and medium-sized in particular (“convenient solutions” describe the programmes that are better suited by Member States’ governments to their companies’ needs). It is also very important – as the research results indicate – to develop a system evaluating a programme’s efficiency from the governmental point of view and satisfaction of the entrepreneurs. More than half of the Member States implemented at least one form of Customer Satisfaction Measurement (CSM) to evaluate effectiveness and/or efficiency of the support programmes provided to their home-based companies on the US territory.

Hence, in the author’s opinion, there is no doubt that governments’ focus on their customers (meaning: companies) is of crucial importance for raising the productivity of the delivered programmes. Another element boosting European companies’ competitiveness in the US market should also be a good network of export promotion infrastructure that the majority of the EU countries maintain in the United States. Promoting internationalisation without being present in the most important business centres in the US (being closer to the final customers) proves to be difficult and decreases the chances for the companies from the respective Member States.

The active participation of twenty EU Trade Counsellors in the survey has indicated that this kind of cooperation in export promotion practices is considered an added value by all respondents to the research. The author believes that collecting and assessing “good practices” implemented by the Member States, in order
to facilitate the exchange of knowledge and the dissemination of internationalisation programmes already introduced in the US market, can actually increase European SMEs’ chances to actively participate in transatlantic business relations.

**Bibliography**


1. Introduction

The problem of suitable legal and economic conditions of corporate growth is presently extremely significant in Poland and elsewhere. Since 2009 in numerous European countries there has been a phenomenon of recession, and in Poland a distinct slowdown in the economic growth. The decisions which determine the conditions of corporate growth may to a large extent affect the duration and intensity of the crisis. The decisions made have an impact on the way the economies will operate when the present crisis is over.

The major aim of the present article is to identify and present the main barriers to the corporate growth in Poland in light of empirical research. In order to achieve this, the author will use the results of the survey Small Business DNA conducted in March and April 2012, a cyclical World Bank survey devoted to the conditions of running business in over 180 countries in the world (Doing Business) as well as the quarterly survey conducted since January 2009 by the National Debt Register and the Conference of Financial Companies entitled “Polish Companies Liability Portfolio”. The first part of the article identifies the key barriers hampering the corporate growth

1 The present study is a part of research conducted within the mandatory research entitled "FISCAL AND NON-FISCAL CORPORATE GROWTH BARRIERS IN POLAND. Stage 3. ENTREPRENEURSHIP GROWTH DETERMINANTS IN POLAND AFTER THE SUBPRIME CRISIS" carried out in 2012 under the scholarly supervision of prof. Janusz Ostaszewski
in Poland: both fiscal and non-fiscal. Then, it synthetically presents the elements of the tax system which adversely affect the corporate growth. The majority of space is devoted to the payment gridlocks, which have negative consequences on both the micro- and macro-scale. The author intends to show the undertaken and projected legislative operations aimed at the mitigation of the negative consequences resulting from the deepening problem of payment gridlocks in Poland.

1. Identification of the key barriers to the corporate growth in Poland

Figure 1 presents the results of the survey conducted in 2012 among entrepreneurs doing business in Poland\(^2\). The survey was aimed at the identification of the factors which worry entrepreneurs most and constitute a barrier to their development.

\[\text{Figure 1. What worries entrepreneurs doing business in Poland (in \%)}\]


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\(^2\) The survey Small Business DNA was conducted by the 4P research mix in cooperation with RISK PARTNER. The survey was conducted in March and April 2012 on a random sample of 616 micro and small companies employing up to 49 people from the whole territory of Poland.
According to the respondents the most important reason for complaints made by entrepreneurs in Poland is:

- charges in favour of the State Treasury – 82% of indications,
- financial liquidity maintenance – 82%,
- rise in corporate operational costs – 80%,
- unclear (changing) regulations – 78%,
- economic situation – 77%,
- late payments made customers – 68%.

Taking into account the results of the survey, the author focuses in the next part of the study on two major issues, i.e. tax system and payment gridlocks as the determinants which have a crucial impact on the further corporate growth.

2. Tax system in Poland in relation to corporate growth

The fact that entrepreneurs give priority to high public and legal charges allows for the formulation of the hypothesis that we have to do with the excessive individual fiscalism in Poland. Relatively high public spending and a large size of the grey zone lead to the situation in which the entities honestly paying taxes and other quasi-tax charges indicate that in many cases the burden may set a significant barrier hampering the development of entrepreneurship. Interesting conclusions can be drawn from the answer dealing with a more detailed question concerning the elements which according to the entrepreneurs are most troublesome in the Polish tax system (Figure 2).

**Figure 2. What is most troublesome for companies within the tax system (in %)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High taxes</td>
<td>53%</td>
</tr>
<tr>
<td>Frequent changes in regulations</td>
<td>51%</td>
</tr>
<tr>
<td>High number of taxes and quasi-tax charges</td>
<td>47%</td>
</tr>
<tr>
<td>Complicated tax regulations</td>
<td>46%</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>42%</td>
</tr>
<tr>
<td>Discrepancy in treasury offices judicature</td>
<td>41%</td>
</tr>
<tr>
<td>Officiousness of treasury officials/ aggressive interpretation of regulations</td>
<td>41%</td>
</tr>
<tr>
<td>Unclear operational procedures of treasury offices</td>
<td>36%</td>
</tr>
<tr>
<td>Legal loopholes</td>
<td>31%</td>
</tr>
</tbody>
</table>

According to entrepreneurs, nearly the same barrier as high taxes (53% of indications) are frequent changes in regulations (51% of responses), a high number of taxes and quasi-tax charges (47% of indications) as well as bureaucracy (42% of responses). The surveyed entities pointed to other problems related to the Polish tax system as follows:

- discrepancy in the judicature of treasury offices (41% of responses),
- officiousness of treasury officials manifested for example in the aggressive interpretation of regulations (41%),
- unclear operational procedures of treasury offices (36%),
- loopholes in the tax regulations (31%).

The Polish tax system is also referred to as being entrepreneur unfriendly by the annual ranking published by the World Bank. In the *Doing Business 2012* ranking, which concerns the easiness of tax payment, Poland is classified 123 out of 183 included in the list. The poor assessment results from three factors taken into consideration:

- the number of tax payments required from entrepreneurs,
- the time necessary to meet the tax commitments,
- overall tax rate.

The World Bank data indicate that a Polish entrepreneur needs to go through 29 tax procedures, which takes nearly 300 hours annually. Despite a certain progress in comparison with the World Bank research conducted 4 years ago (*Doing Business 2008*), where the number of procedures connected with payments was estimated in Poland at 41, which took on the average 418 hours, the data explicitly indicate the need for further changes in order to simplify the Polish tax system. The data presented in Table 1 allow for the conclusion that Poland is among the European leading countries which have very complicated tax systems, including also other well developed countries like the USA, Canada or Norway. Considering the time consumption with regard to meeting the tax commitments within the EU only the Czech Republic and Bulgaria have a higher ratio than Poland. Interestingly, the richest countries, like Luxembourg, Switzerland, Norway or Ireland have very friendly systems: the time spent on tax formalities does not exceed 100 hours annually in these countries. Among the so-called new EU member countries, Estonia is outstanding, on the average, with 8 tax payments and 85 hours spent on tax formalities by entrepreneurs (about 3.5 times less than in Poland).
Table 1. Number of tax payments, time necessary to make them and the overall income tax rate

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of tax payments annually</th>
<th>Time necessary to meet tax commitments (hour/year)</th>
<th>Overall tax rate (as % of income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>14</td>
<td>170</td>
<td>53.1</td>
</tr>
<tr>
<td>Belgium</td>
<td>11</td>
<td>156</td>
<td>57.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>11</td>
<td>500</td>
<td>28.1</td>
</tr>
<tr>
<td>Canada</td>
<td>8</td>
<td>131</td>
<td>28.8</td>
</tr>
<tr>
<td>Cyprus</td>
<td>27</td>
<td>149</td>
<td>23.1</td>
</tr>
<tr>
<td>The Czech Rep.</td>
<td>8</td>
<td>557</td>
<td>49.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>10</td>
<td>135</td>
<td>27.5</td>
</tr>
<tr>
<td>Estonia</td>
<td>8</td>
<td>85</td>
<td>58.6</td>
</tr>
<tr>
<td>Finland</td>
<td>8</td>
<td>93</td>
<td>39</td>
</tr>
<tr>
<td>France</td>
<td>7</td>
<td>132</td>
<td>65.7</td>
</tr>
<tr>
<td>Germany</td>
<td>12</td>
<td>221</td>
<td>46.7</td>
</tr>
<tr>
<td>Greece</td>
<td>10</td>
<td>224</td>
<td>46.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>13</td>
<td>277</td>
<td>52.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>8</td>
<td>76</td>
<td>26.3</td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>285</td>
<td>68.5</td>
</tr>
<tr>
<td>Latvia</td>
<td>7</td>
<td>290</td>
<td>37.9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>11</td>
<td>175</td>
<td>43.9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>23</td>
<td>59</td>
<td>20.8</td>
</tr>
<tr>
<td>The Nederlands</td>
<td>9</td>
<td>127</td>
<td>40.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>8</td>
<td>172</td>
<td>34.4</td>
</tr>
<tr>
<td>Norway</td>
<td>4</td>
<td>87</td>
<td>41.6</td>
</tr>
<tr>
<td>Poland</td>
<td>29</td>
<td>296</td>
<td>43.6</td>
</tr>
<tr>
<td>Portugal</td>
<td>8</td>
<td>275</td>
<td>43.3</td>
</tr>
<tr>
<td>Romania</td>
<td>113</td>
<td>222</td>
<td>44.4</td>
</tr>
<tr>
<td>Slovakia</td>
<td>31</td>
<td>231</td>
<td>48.8</td>
</tr>
<tr>
<td>Slovenia</td>
<td>22</td>
<td>260</td>
<td>34.7</td>
</tr>
<tr>
<td>Spain</td>
<td>8</td>
<td>187</td>
<td>38.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
<td>122</td>
<td>52.8</td>
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<tr>
<td>Switzerland</td>
<td>19</td>
<td>63</td>
<td>30.1</td>
</tr>
<tr>
<td>Great Britain</td>
<td>8</td>
<td>110</td>
<td>37.3</td>
</tr>
<tr>
<td>USA</td>
<td>11</td>
<td>187</td>
<td>46.7</td>
</tr>
</tbody>
</table>

Source: own material based on the World Bank research *Doing Business 2012.*
Some interesting conclusions are also provided by the analysis of the third synthetic measure taken into consideration by the World Bank when setting the ranking of tax system "friendliness", i.e. the overall tax rate calculated in relation to the entrepreneur’s income. The new members with a higher tax rate are: Estonia (58.6%), Hungary (52.4%), The Czech Republic (49.1%), Slovakia (48.8%), Lithuania (43.9%) and Romania (44.4%), while Cyprus (23.1%), Bulgaria (28.1%), Slovenia (34.7%) and Latvia (37.9%) have lower rates. On the basis of these data, a conclusion may be drawn that in Poland, the problem that is equally important to that of high tax rates is the complexity of our tax system consuming a great amount of time necessary to meet the tax commitments defined by the regulations.

The degree of complexity of the Polish tax regulations also translates into the most costly system of tax collection in Poland in comparison with all other OECD countries. With regard to the relation of tax collection costs to tax revenue, the Polish treasury administration is twice more expensive than for example the Finnish, Austrian nor German and three times more expensive than Estonian, American or Norwegian. Additionally, it is worrying that from 2006 the costs of treasury administration in our country were constantly rising to reach 4.92 billion zlotys in 2011.

3. Payment gridlocks

The granting of trade credits by companies to their customers is a common phenomenon observed in business turnover all over the world. It is assumed that the trade credit granted to a domestic customer should not exceed 45 days. In practice, in many industries an average period of settlements related to the delivery of goods and services often exceeds customary standards. It happens so because there is a difference between the actual period of payment receipt for the sold goods and services and the period of deferred payment. The extension of maturities causes payments gridlocks in the economy. Deliberate corporate defaults are treated simply as a method to obtain a free of low interest loan. Certainly, payment gridlocks are

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3 It is worth remembering that in Estonia in the case of reinvestment of profits, income tax is not due at all.
4 Regulowanie podatków zabiera 2 miesiące w roku (Tax settlement takes 2 months a year). Puls Biznesu of 9 July 2012.
an international problem, but the scale of the problem is considerably diversified in individual countries (Figure 3 and Table 2).

**Figure 3. Percentage of invoices paid on time and delayed up to 30 days in selected countries**

![Chart showing percentage of invoices paid on time and delayed up to 30 days in selected countries.

Source: A. Fandrejewska, „Spowolnienie sprzyja zatorom” (Slowdown favours gridlocks), Rzeczpospolita of 4 June 2012 based on the report of the international economic intelligence unit Dun&Bradstreet

**Table 2. Structure of late payments above 30 days of delay in selected countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>30-60 days of delay</th>
<th>60-90 days of delay</th>
<th>90-120 days of delay</th>
<th>above 120 days of delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Poland</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Portugal</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Hungary</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>USA</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: see Figure 3.

Analysing the data presented in Figure 3 and in Table 2, one can observe that with regard to the timely settlement of dues the situation looks definitely best in Germany: at our Western neighbours’ as many as three fourths of invoices are settled on time
and it is the only examined country, where delays over 60 days do not occur (24% of invoices are delayed up to 30 days, and 1% – from 30 to 60 days).

For comparison, on the average, only 38% of invoices in Europe are settled on time, more than half (53%) have delays not exceeding 30 days, the remaining 9% of overdue invoices are characterised by the following structure:

- 4% of invoices are delayed from 30 to 60 days,
- 2% of invoices are delayed from 60 to 90 days,
- 1% of invoices are delayed from 90 to 120 days,
- 2% of invoices are delayed over 120 days.

The situation in Poland with regard to overdue payments is worse than the European average or the scale of the problem in the best developed economies like the USA or China. This assessment results primarily from the structure of overdue payments. In Poland, the percentage of overdue invoices above 90 days amounts to 10%, including those over 120 days constituting 8% of the total. For comparison, on the average, in Europe overdue invoices up to three months account for 3% of the total, including those most difficult to recover overdue above 120 days of 2%. In the USA and China liabilities delayed by at least 3 months amount respectively to 7 and 8%, with every twentieth invoice delayed by at least 120 days.

The results of the presented research indicate that overdue payments from customers and the problem of financial liquidity at a suitable level directly related to this phenomenon are the most significant difficulties which the Polish entrepreneurs face. The results of the cyclical research project conducted since 2009 by the Conference of Financial Companies in Poland (KPF) and the National Debt Register (KDD) entitled the Portfolio of Liabilities of Polish Companies indicate that since the second half of 2011 the situation in the area of Polish companies, liabilities has significantly deteriorated. It is synthetically shown by the so called Index of Corporate Liabilities. This synthetic measure is built on the basis of six areas concerning liabilities:

- the state of problems with the receipt of receivables in the quarter prior to the research,
- the forecast of problems with the receipt of receivables in the current quarter,
- the percentage of overdue payments in the corporate portfolio,
- an average overdue payment period,
- the percentage of companies which due to receivables problems may settle their own liabilities untimely,
- an average percentage of costs incurred by companies in connection with overdue payments from their customers.
Figure 4. Index of Corporate Liabilities in the period January 2009 – July 2012


Figure 5. Scale of problems with receivables recovery from Polish customers in January 2009 and July 2012 (in %)

Source: own materials based on the KRD and KPF reports the Portfolio of Polish companies' liabilities
The analysis of results of the survey conducted by the KPF and KRD in January 2009 and July 2012 presents the scale of problems with receivables recovery by Polish entrepreneurs.

The comparison of the results of the latest survey of July 2012 with those obtained in January 2009 allows for the following conclusions to be drawn:

- the share of entrepreneurs who declare they have no problems with receivables recovery from customers declined by 2.2 percentage points,
- the share of entrepreneurs who have problems with their customers’ settlement of liabilities but indicate that its scale is falling also declined by 1.4 percentage points,
- the share of entrepreneurs who have problems with receivables recovery and declare that they remain at a constant level rose by 4.2 percentage points,
- the share of entrepreneurs who have problems with receivables recovery and declare that the problem is growing declined by 0.6 percentage points.

The data shown above indicate explicitly that the scale of problems connected with untimely settlements of liabilities to their creditors is very big and in the course of the analysed 3.5-year-long period became even larger. While in January 2009 this problem was not indicated by the surveyed entities or was reported as declining by 30.4% of the surveyed entities, in July 2012 the share of this group of entrepreneurs declined to 26.8%. Simultaneously, the share of business entities declaring overdue invoices remaining on the same level rose by 4.2 percentage points, and the share of companies claiming that the problem was growing declined by 0.6 percentage points.

The forecasts of entrepreneurs with regard to the recovery of receivables in the future are even more pessimistic (Figure 6).

**Figure 6. Expectations of the scale of problems with settlement of liabilities by customers of Polish companies (July 2012) (in %)**

The data presented in Figure 6 indicate that nearly a third of the surveyed entities (32.3%) expect the situation to deteriorate in the area of receivables recovery, whereas nearly half of them (45%) expect the scale of the problem to remain at the same level. Every seventh respondent thinks that recovery problems will decline, and only 8.5% of the surveyed entities claim that the problems would not occur. The examination of the current situation of companies in the area of receivables recovery and their forecasts concerning the development of the situation in this area indicates that the surveyed entrepreneurs expect the present situation to deteriorate.

Some interesting conclusions may also be drawn from the analysis of an average overdue liability ratio. In the examined period, i.e. January 2009 until July 2012, the highest overdue liability ratio occurred at the beginning, in the period of January-March 2009, when 28.5% of liabilities were delayed. In the following periods we can observe a slight downward trend, with at least 23.3% of overdue liabilities in each of the analysed periods, see Figure 7.

Figure 7. An average percentage of overdue liabilities in Poland in the period January 2009 till July 2012

![Figure 7](image.png)

Source: own materials based on the KRD and KPF reports the Portfolio of Polish companies’ liabilities

It is also worrying that from November 2011 we can again observe the rise in overdue liabilities; in July 2012 an average of this share of this category of liability amounted to 26.6% (Figure 7).

Examining the structure of overdue liabilities, we can notice that the dominating ones are those that are delayed up to 3 months: the share of this category fluctuated from 56% to 60.2%. Disturbingly, there was a rise in overdue liabilities over 6 months; in both April and July 2012 the total share of overdue liabilities which were
delayed by 6–12 months and over a year amounted to 27.5%, which means one of the highest levels within the whole examined period (there was a higher level in January 2011: 27.9%), see Table 3.

Table 3. The structure of overdue liabilities in Poland in the period January 2009 till July 2012

<table>
<thead>
<tr>
<th>Period</th>
<th>Jan 09</th>
<th>Apr 09</th>
<th>Jul 09</th>
<th>Oct 09</th>
<th>Jan 10</th>
<th>Apr 10</th>
<th>Jul 10</th>
<th>Oct 10</th>
<th>Jan 11</th>
<th>Apr 11</th>
<th>Jul 11</th>
<th>Oct 11</th>
<th>Jan 12</th>
<th>Apr 12</th>
<th>Jul 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 3 months</td>
<td>58.9</td>
<td>56.1</td>
<td>56.9</td>
<td>59.8</td>
<td>57.7</td>
<td>56.6</td>
<td>58.3</td>
<td>57.9</td>
<td>56.2</td>
<td>57.2</td>
<td>59.3</td>
<td>60.2</td>
<td>56.8</td>
<td>56.6</td>
<td>56</td>
</tr>
<tr>
<td>from 3 to 6 months</td>
<td>16.6</td>
<td>18.2</td>
<td>17.8</td>
<td>16.8</td>
<td>17.9</td>
<td>17.6</td>
<td>17.1</td>
<td>16.2</td>
<td>15.8</td>
<td>16.3</td>
<td>15.7</td>
<td>16.5</td>
<td>16.3</td>
<td>15.9</td>
<td>16.5</td>
</tr>
<tr>
<td>from 6 to 12 months</td>
<td>10.9</td>
<td>12.7</td>
<td>12.2</td>
<td>10.4</td>
<td>11.8</td>
<td>11.2</td>
<td>11.6</td>
<td>11.3</td>
<td>12</td>
<td>10.5</td>
<td>11.7</td>
<td>11</td>
<td>11.6</td>
<td>12.4</td>
<td>11.7</td>
</tr>
<tr>
<td>above 12 months</td>
<td>13.7</td>
<td>13</td>
<td>13.1</td>
<td>12.9</td>
<td>12.6</td>
<td>14.6</td>
<td>13.1</td>
<td>14.7</td>
<td>15.9</td>
<td>16</td>
<td>12.9</td>
<td>12.2</td>
<td>15</td>
<td>15.1</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: own materials based on the KRD and KPF reports the Portfolio of Polish companies’ liabilities

According to the data of the research conducted in July 2012 by the KRD and KPF, an average delay amounts to 4 months and 12 days and is nearly the highest in the whole analysed period (except for January 2011).

Figure 8. The share of companies whose costs connected with irregular settlement of liabilities by customers amount to:

The companies which do not receive payment within the agreed time incur certain costs due to it. The data presented in Figure 8 indicate that in July 2012 11.3% of the surveyed companies declared that these costs exceeded 20% of the total corporate
costs, and 20% estimated these costs in the 10–19% bracket. For comparison, in January 2009 the share of the entities declaring 20% overdue payment related costs was lower by 1%, whereas the share of companies whose costs amounted to 10–19% was 19.2%, i.e. lower than in January 2009 by 0.6 percentage point.

The lower share of the companies which declare that costs connected with the delayed settlement of liabilities by their customers do not exceed 10% translates into the average cost incurred by the analysed companies on this account (Figure 9). The survey indicates that this average cost rose in July 2012 to 8.2% of the total costs of the analysed companies (compared with 8.0% at the beginning of the analysed period).

**Figure 9. An average cost incurred by companies due to delayed settlements of liabilities by their customers (in % of the total costs)**

![Graph showing average cost incurred by companies]

Source: own materials based on the KRD and KPF reports the *Portfolio of Polish companies' liabilities*

The incurrence of high costs connected with the delayed servicing of liabilities by customers forces companies to undertake specific adjustment activities. Nearly throughout the whole time horizon of the research (January 2009 until July 2012), the companies pointed to the problems with settling their own liabilities as a consequence of delayed payments made by their customers, which adversely affected the image of the company and resulted in less favourable financial terms from their suppliers. These effects of delayed liabilities were indicated by a third of the surveyed entities (in January 2010 this share was the highest and amounted to 41.4%) – see Table 4. However, the survey conducted in July 2012 showed that according to entrepreneurs the most frequent consequence of delays in the receipt of receivables from customers was the shortage of funds, which made them limit investments. This effect was pointed to by 37.3% of the surveyed entities, i.e. a rise of 7.3 percentage points compared with the survey conducted in January 2012.
Table 4. The share of companies declaring selected actions due to irregular settlement of liabilities by their customers

<table>
<thead>
<tr>
<th></th>
<th>Jan-09</th>
<th>Jan-10</th>
<th>Jan-11</th>
<th>Jan-12</th>
<th>Apr-12</th>
<th>July-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>We cannot settle our commitments on time, which</td>
<td>39.6</td>
<td>41.4</td>
<td>33.4</td>
<td>34.3</td>
<td>35.8</td>
<td>34.5</td>
</tr>
<tr>
<td>ruins the corporate image and results in the worse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial terms of deliveries from suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have to reduce investment</td>
<td>30.1</td>
<td>34.1</td>
<td>31.2</td>
<td>30</td>
<td>34.8</td>
<td>37.3</td>
</tr>
<tr>
<td>We have reduce employment and/or reduce the</td>
<td>9.7</td>
<td>11.2</td>
<td>8.7</td>
<td>7.5</td>
<td>10</td>
<td>11.5</td>
</tr>
<tr>
<td>remuneration fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have problems with launching new products on</td>
<td>8.9</td>
<td>8.4</td>
<td>7.7</td>
<td>6.7</td>
<td>8</td>
<td>8.8</td>
</tr>
<tr>
<td>the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have to raise the prices of our products and/</td>
<td>5.7</td>
<td>4.8</td>
<td>5</td>
<td>5.4</td>
<td>7</td>
<td>6.7</td>
</tr>
<tr>
<td>or services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>5.8</td>
<td>3.3</td>
<td>2.8</td>
<td>2.8</td>
<td>3.2</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: own materials based on the KRD and KPF reports the Portfolio of Polish companies’ liabilities

The reduction in employment or remuneration fund is a worrying consequence which results from the delays in settlements of liabilities by customers. While in January 2012 this activity affected by the situation in the area of liabilities was indicated by 7.5% of the surveyed entities, in July the share rose up to 11.5%. This fact is confirmed by the data of the Central Statistical Office: an average gross remuneration in the sector of business companies amounted to 3,700 zlotys, which means that in annual terms it nominally rose by 2.4%, but in a month to month relation it declined by 1.5%.

The aforementioned problem of payment gridlocks has also an impact on the number of corporate bankruptcies in Poland. It should be remembered that the issue of overdue liabilities directly affects the level of financial liquidity of the surveyed entities, and its lack leads to insolvency and as a consequence to the bankruptcy. In the first half year of 2012 bankruptcy was declared by 472 Polish companies, i.e. a rise of 25.9% compared with the first half year of 2011, when 375 companies went bankrupt (Figure 10). Experts assess that the number of bankruptcies in the whole 2012 may exceed 800 companies, which would mean the worst result in the last 8 years.

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8 http://firma.pb.pl/2630117,55414,800-firm-zagrozonych-bankructwem (as of 21 September 2012)
Figure 10. The number of bankruptcies of Polish companies in the 1st half of 2012 compared with the 1st half of 2011.

Source: Euler Hermes.

It should be stressed that the problem of payment gridlocks may seriously affect the situation on the labour market. According to the GUS data, the unemployment rate in Poland at the end of July 2012 amounted to 12.3%, i.e. a rise of 1.9 percentage points compared with the state of January 2009, when the registered unemployment rate was at the level of 10.4%\(^9\). Unfortunately, forecasts indicate that the situation on the labour market in the nearest future will continue to deteriorate; in the 2013 budget draft it is assumed that the unemployment rate at the end of 2013 will amount to 13%, which may be regarded optimistic in view of the current trends.

Importantly, there are certain current activities and the planned changes in the Polish legislation, whose goal is to improve the situation of the existing payment gridlocks. One of the industries hardest hit by the crisis is the construction industry. At the same time, it is the industry which is troubled most by payment gridlock in the time of economic decline. In the first half of 2012 many subcontractors of road works, whose major contractor was chosen in a tender announced by the General Directorate of National Roads and Highways (GDDKiA) were on the edge of bankruptcy. In order not to allow for this, some relevant legislative work was undertaken by the Polish legislator. As a result, on 28 June 2012 the Polish Parliament passed an Act on the payment of some unsettled receivables resulting from the implementation

\(^9\) In the last 20 years the lowest unemployment rate was registered in Poland in October 2008 and amounted to 8.8%. Compare Stopa bezrobocia w latach 1990–2012 (bezrobocie rejestrowane). (Unemployment rate in the years1990-2012) (registered unemployment) GUS, http://www.stat.gov.pl/gus/5840_677_PLK_HTML.htm [as of 17 September 2012]
of public procurement contracts\textsuperscript{10}. The Act defines the principles of repayment by the General Directorate of National Roads and Motorways of the unsettled major receivables of entrepreneurs by the contractor within the contract concluded by the entrepreneur with the contractor in connection with the implementation of the public procurement contracts for construction work granted by the General Directorate of National Roads and Motorways. On the basis of the new regulations SMEs as well as micro companies may, since 3 August, i.e. since the aforementioned Law came into effect, apply for the due compensation to the General Directorate of National Roads and Motorways (if the contractor delays the payment for the implemented and approved work at least 30 days or if the court declared this contractor bankrupt). Entrepreneurs will be able to apply to GDDKiA also in the case of the court’s dismissal of the petition for payment due to the fact that the property of the insolvent contractor is insufficient to cover the costs of the bankruptcy proceedings. The GDDKiA will pay these amounts to the aggrieved entrepreneurs from the National Road Fund, to demand the return of the transferred money from the contractors\textsuperscript{11}.

The law passed at an accelerated pace evokes numerous controversies. The objections include\textsuperscript{12}:

- the lack of possibility of the application of these regulations by subcontractors employed to implement road construction work based on the order of other entities than the General Directorate of National Roads and Motorways,
- the lack of the possibility of lodging claims by large companies, i.e. those employing more than 250 people,
- time limitation: the Act refers only to those public procurement contracts with regard to which the proceedings have already begun and/or the contact was granted before it came into effect,
- in the situation when the unsettled liabilities are higher than the amounts contributed by the contractor on account of the adequate implementation of the contract, the liabilities will be settled in proportion to their volumes,
- the lack of the possibility of lodging claims on the basis of the aforementioned Act by the suppliers of machines and construction materials – they will be able to demand their rights following the ordinary method of civil suit.

\textsuperscript{10} The Act of 28 June 2012 on the repayment of certain settled liabilities by entrepreneurs resulting from the public procurement contracts granted. Journal of Laws 2012 item 891.
\textsuperscript{12} Ł. Mackiewicz, „Kontrowersyjna ustawa o wypłacie należności podwykonawcom” (Controversial Law on the payment of receivables to subcontractors). Gazeta Prawna of 10 September 2012.
The Act may also raise constitutional doubts. The President of the Republic of Poland addressed it to the Constitutional Tribunal within the mode of subsequent control. The president’s motion refers to individual regulations, for example Art. 1 in its part concerning the limitation of the scope of the law with regard to entrepreneurs who concluded contracts with the main contractor as well as Art. 4 reducing the number of beneficiaries to SMEs, which leads to the situation in which the Act cannot be used by large companies which are subcontractors or the suppliers of materials for subcontractors^13.

Apart from the aforementioned objections, there is a doubt whether the Act on the payment of some unsettled receivables resulting from the implementation of public procurement contracts is compliant with the European Union law. There is a risk that the payment in favour of subcontractors from the National Road Fund may be regarded as illegal public aid. In such a situation, the companies which benefited from the aid would have to return it together with the due interest.

Taking into considerations the aforementioned reservations, there is a serious fear that the goal of the Act defined in justification of the draft as ”the prevention of negative financial effects resulting from unsettled payment by the general contractor in favour of subcontractors, harmful not only for the subcontractors but for the whole economy” may not be implemented.

According to the author, it is indispensable to undertake a legislative effort to change the common market practice of delaying payments, also deferred payments, for the delivered goods and services. The regulation should deal with all the business sectors, not only selected some selected construction subcontractors. Therefore, a positive assessment should be given to the legislative initiative to change the regulations of the Law on the payment deadlines in commercial transactions. The document approved by the Council of Ministers on 10 July 2012 assumes^14:

- in the case of setting the payment periods longer than 60 days, the creditor will be entitled to interest for delay; it will only be possible when the setting of such a date is grossly unfair to the creditor,
- in contracts in which a state institution is a debtor, a 30-day payment period is proposed for the delivered goods and services (in the case of a specific character or specific contract elements, it will be possible to extend this period to a maximum of 60 calendar days^15),

^14 Zmiany w ustawie o terminach zapłaty w transakcjach handlowych przyjęte przez rząd (Ammendments to the Act on the payment dates in commercial transactions approved by the government). Ministry for Economy, http://www.mg.gov.pl/node/16471 [as of 18 September 2012]
^15 a 60-day period as a rule refers only to public entities rendering health services (in particular hospitals).
• the contractual determination of the a payment period longer than 60 days will be treated as payment delay and the creditor will be allowed to demand interest for late payment,
• the introduction of a 30-day period to conduct the so-called verification procedure which confirms the compliance of goods and services with the contract,
• the introduction of a permanent compensation amount equivalent to 40 euros on account of the refund costs incurred by the creditor when demanding the due receivables from the debtor; its calculation would be possible from the moment of late payment interest maturity and would not require a separate demand for payment.

The proposed regulations should be assessed as moderately positive. The goal of the proposed regulations is to discipline debtors and to limit the period trade credits. According to the draft regulations, setting the payment periods longer than 60 days in the contracts will be treated as a late payment and the creditor will be entitled the interest for late payment. It will be only possible when setting the period over 60 days is unfair for the creditor. However, in the draft prepared by the Ministry for the Economy, it is not clearly defined what is meant by grossly unfair for the creditor. Thus, this regulation in practical terms may appear to be dead, like the situation in the regulation passed more than 10 years ago included in the Act of 2001 on the payments dates in commercial transactions, which allowed small companies to calculate the mandatory interest for the thirty first and every following day of the granted trade credit, even if the parties agreed on the payment period longer than 30 days. Large entities demanded then commercial declarations from their smaller customers that they were not small entities according to the Law on business activity.

However, the author regards as interesting what the Ministry for the Economy proposed in draft, i.e. the introduction of a new instrument in the form of a fixed amount of compensation on account of liability demand cost refund. According to the draft regulation, the burden of cost connected with the recovery of company receivables from their customers would be transferred to the debtor. Obviously, the compensation amount itself remains disputable. However, the draft regulation assumes that if the liability recovery costs exceed the amount of 40 euros, the creditor will be able to take legal action to recover all the costs incurred in the course of liability recovery proceedings. It is important due to the fact that according to the current regulations, entrepreneurs resign from claims in the form of civil suit, in particular with regard to those resulting from the costs incurred in the course of receivables recovery from their debtors.

From the perspective of the entrepreneurs troubled with the problem of payment gridlocks, certain changes in the tax law seem indispensable. The suggested solutions
include: the possibility of paying tax only after the receipt of receivables from the customer\textsuperscript{16} or the principle of automatic rise in the debtor’s taxable income by the amount of unsettled payments\textsuperscript{17}. The author regards these solutions to be well justified, taking into consideration the causes of payment gridlocks in Poland (Figure 11).

**Figure 11. The causes of payment gridlocks in Poland (in %)**

- too high taxes – 11% of responses
- unfavourable economic situation – 16%
- lengthiness of court proceedings – 18%
- mentality of companies and borrowing at the expense of others – 21%
- larger companies forcing smaller firms to grant them trade credits – 24%

Source: „Zatory przyczyną hamowania inwestycji i podwyżek płac” (Gridlocks to hamper investment and pay rises). Rzeczpospolita of June 2012.

The research results presented in Figure 11 indicate the most essential causes of payment gridlocks in Poland. The three most important are:

- larger companies forcing smaller firms to grant them trade credits – 24% of responses,
- the mentality of companies and borrowing at the expense of others – 21%,
- the lengthiness of court proceedings – 18%.

The following places are taken by causes like an unfavourable economic situation (16%) or too high taxes (11% of indications). Thus, the research results show that companies, aware of the lengthiness of court proceedings made conscious borrowing decisions at the expense of their suppliers. It is, in particular, small companies that are in an adverse position as large companies force them to grant trade credits in their favour.

4. Conclusions

The results of surveys conducted among Polish entrepreneurs explicitly identify the major problems they face in the period of economic slowdown which we have

\textsuperscript{16} Such a solution is presented for example in the opinion of the Employers of the Republic of Poland.

\textsuperscript{17} Such a solution is suggested for example by the National Chamber of Commerce (KIG).
had to deal with in Poland since 2009. The major problems indicated by the surveyed companies include the volume of charges in favour of the State Treasury and problems with the maintenance of financial liquidity caused by late payments made by their customers. Entrepreneurs regard the complexity of our tax problem equally important to the tax rates as they are forced to waste much time to meet the tax commitments specified by the regulations. Taking into account the significance of financial liquidity, whose appropriate level makes companies remain on the market or not, the author of the article devotes a separate analysis to the problem of payment gridlocks. The analysis allows for the following conclusions:

- the situation in Poland with regard to delayed receivables is worse than the European average or the scale of the problem in the best developed economies, e.g. Germany, the USA or China,
- since the latter 2011 there has been a significant deterioration within the liabilities of Polish companies, the so-called Index of Corporate Liabilities, from July 2011 until July 2012, declined from 87.5 to 83.1 points, which means the lowest level since October 2009,
- in January 2009 the problem of delayed liabilities was not reported or the decline was indicated by 30.4% of the examined entities; in July 2012 the share of these companies declined to 26.8%,
- entrepreneurs are awaiting a further deterioration in the area of collection of receivables, i.e. nearly a third of the surveyed entities (32.3%) expect the situation to deteriorate, while nearly half of them (45.0%) expect the scale of the problem to remain on the same level,
- in July 2012 the average period of delayed liabilities amounted to 4 months and 12 days and was one of the longest in the whole examined period since January 2009,
- the rise in delayed liabilities over 6 months is a worrying phenomenon – in April and July 2012 the joint share of delayed liabilities in between 6 and 12 months and above 1 year amounted to 27.5%, which means one of the highest levels since January 2012,
- in the period from January 2009 until July 2012 there was a rise in costs connected with the delayed settlement of liabilities by customers: in July 2012 companies estimated this cost at the level of 8.2% of the total corporate costs (in January 2009–8%),
- in the period from January 2009 till April 2012 companies indicated, as the main effect of delayed receivables, the fact that they could not timely settle their own liabilities, which made the corporate image deteriorate and resulted in less favourable financial terms of deliveries from their suppliers, i.e. 41.4% of entities indicated this consequence in January 2010 and 35.8 in April 2012,
• in July 2012 37.3% of the surveyed companies pointed to the necessity of the limitation of investment as the main consequence of delayed receivables, which means a growth of 7.3% in comparison with January 2012,
• another effect of payment gridlocks pointed to by the surveyed companies is the necessity of reducing employment and/or the remuneration fund – this consequence was indicated in July 2012 by 11.5% of the surveyed.

Recognising the scale of the problem connected with the delayed settlement of liabilities by customers, the legislator undertook some legislation activities in Poland. The first of them is the Law on the repayment of certain unsettled liabilities resulting from the implementation of public procurement contracts. The limited subjective and objective scope of these regulations as well as doubts about their compliance with the Constitution and the EU law indicate that the law will not contribute significantly to the improvement in the area of payment gridlocks. The amendments with regard to the payment dates in commercial transactions proposed by the Ministry for the Economy should be rated as moderately positive. The aim of the proposed amendments is to discipline debtors or to limit the period of the trade credits granted by companies. The legislator also intends to charge the debtor with the costs connected with the recovery of receivables.

In the author’s opinion, the most effective way of reducing payment gridlocks in Poland would be to effect respective changes in the tax law consisting in the possibility of paying taxes by the creditor only after the receipt of receivables from the customers \(^ {18}\) or the acceptance of the rule that the debtor’s taxable income would automatically grow by the volume of unsettled payments.

**Bibliography**


\(^ {18}\) According to the current regulations a tax payer may decide to apply the cash method consisting in the arising of the tax duty at the moment of settlement of the whole or part of the receivables (receipt customer’s payment, not later than 90 days from the despatch of goods of provision of service.)

5. Regulowanie podatków zabiera 2 miesiące w roku (Tax settlement takes 2 months a year). Puls Biznesu of 9 July 2012. „Puls Biznesu” z 9 lipca 2012 r.


7. World Economic Outlook Database, International Monetary Fund, April 2012.

8. „Zatory przyczyną hamowania inwestycji i podwyżek płac” (Gridlocks to hamper investment and pay rises). Rzeczpospolita of June 2012.


Enterprise Excellence

1. Introduction

Striving for excellence is a characteristic feature of the contemporary world. People want to have a perfect body, perfect weight, they want to be perfectly fit. This behaviour translates to their functioning in organisations – they want to be perfect employees, perfect managers, they want to work in perfect organisations. This article aims to show how differently enterprise excellence has been understood in various periods and how difficult it is to measure, evaluate, and what is the most important, how to reach excellence.

2. Excellence in human life

According to the “Mały Słownik Języka Polskiego” “ (The Small Polish Dictionary) " “excellence" means "the highest level of positive features, being perfect, the lack of disadvantages, being ideal, perfection", while the adjective 'perfect' means: "featured by the highest quality, without mistakes, faults or defects; having also the positive features, the best, excellent, exemplary, unequalled, splendid, superb". This rather wide, yet detailed definition of this term results from its rich past, because as early as in the era of antiquity, Aristotle understood excellence as something which was and is: "complete, which contains all the requisite parts; which is so good that nothing of the kind could be better; which has attained its purpose". Definitions

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of excellence which have been referred to, to a greater or lesser extent, are part of
the definition used in antiquity: "What is accomplished and thus complete, to what
nothing can be added and simultaneously from which nothing can be taken away
(Aristotle, Thomas Aquinas, Barbaro); what performs all its functions (Aristotle,
Galen); what has attained its purpose (Aristotle); what is simple, uniform, incomplex
(St. Ambrose); what is harmonious, built according to one rule; unity in diversity
(Ch. Wolff, A. Baumgarten)"

3. In Search of Business Excellence

a) Excellence with regard to management classics

The term "excellence" within the context of economic activities was discussed
by organisation theoreticians and researchers commencing at the beginning of
the 20th century. The representatives of scientific management (inter alia F. Tay-
lor, H. Gantt, the Gilbreths, H. Le Châtelier, H. Emerson, K. Adamiecki, H. Ford)
perceived organisation excellence as an effective use of labour force, therefore they
concentrated their efforts on raising the efficiency of individual workers.4 Accord-
ing to the authors, a sign of excellence was the tendency to organise work in a way
that would eliminate idleness, delays and waste. Thus, many proposals of scientific
organisation representatives focused on exemplary rules and norms, coordination,
harmony, model organisational solutions of production processes and distribution of
work.5 The implementation of solutions suggested by the theoreticians and research-
ers of that period made it possible to significantly raise work efficiency and resulted
in the considerable growth of the economic results of "improved" enterprises.6. Many
solutions from that period are successfully implemented by contemporary organisa-
tions and steps developed by W. Taylor in the field of scientific management have
become the basis of research on work improvement.

3 Ibidem, pp. 10–11.
4 Compare: R. W. Griffin, Podstawy zarządzania organizacjami, [original title: Management] PWN,
5 For example the rule of harmony by K. Adamiecki refers to "perfect " efficiency of organisation:
"in order to attain exemplary efficiency in terms of economy (…) it is necessary to select units with
their typical diagrams, and subsequently it is necessary to make these units work in close relationship
with each other, so that each activity would be performed in its due time"; compare: J. Penc, Leksykon
6 H. Emmerson in his speech for the Interstate Commerce Commission in 1910 claimed that the
American Railroads could have saved USD 1 million a day, if they had applied rules of scientific mana-
gement; compare: R. W. Griffin, Podstawy …, op. cit. p. 75.
While scientific management focused its efforts on raising the effectiveness of work with individual workers, administrative management concentrated on the improvement of an organisation as a whole. Prominent representatives of this trend (inter alia H. Fayol, L. Urwick, M. Weber, C. Barnard) have defined elements of an efficiently functioning organisation: the distribution of labour, organisational structure, functions and principles of management, manager's competences and authority. That period resulted also in M. Weber's bureaucratic model of organisation, which, according to the author's vision, was a logical, rational and efficient form of organisation. Bureaucratic organisation was to be a model for which all organisations should strive for, "the only and the best method" of work. Later it resulted in the fact that the bureaucratic model does not fully ensure excellence of an organisation, however many of its elements influenced the improvement of an organisation’s operation.

Management classics imagined a perfect organisation as an efficiently operating mechanism (machine), where workers perform the function of cogs, perfectly adjusted to their tasks. Only the behavioural approach appreciated the behaviour and attitude of people in the context of reaching the full efficiency of an organisation. Representatives of this approach (inter alia M. Follet, H. Münsterberg, E. Mayo, D. McGregor, A. Maslow) proved the influence of the individual and social processes on the attitudes and behaviour of workers, have described the mechanism of the human behaviour motivation, thereby showing that an efficiently operating organisation has to treat people not as tools but as a valuable resource. The behavioural approach, despite interesting observations and conclusions, did not indicate explicitly, how an organisation can strive for excellence. Even developed recommendations resulting directly from the new concepts were not accepted by the managers due to the complexity of individual behaviour. The reason why the concept was rejected was often its complex and incomprehensible form.

The Second World War and the quantitative school of management which was developing during that period brought even more complex instruments of raising an organisation’s efficiency. Numerous quantitative techniques and mathematical models were designed to help managers make the appropriate decision and thus effectively manage their organisations. As it has turned out however, they could not fully explain or predict human behaviour in organisations, but they proved the correctness of the process of planning and control, especially for operational processes. This moment in world economic history practically initiated the era of the

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7 R.W. Griffin, Podstawy ..., op. cit. p. 363.
8 Ibidem, p. 82.
9 Ibidem, p. 85.
detailed measurement of expenditure and organisation operation effects, which also led to the optimisation of managerial decisions. This trend was enhanced during the period of the enterprises’ fight for the highest quality, the lowest costs and the highest value for the shareholders\(^\text{10}\). The quantitative school suggested how to reach excellence in planning operational processes, but it did not give reliable guidance how to attain comprehensive organisational excellence.

b) Quality Versus Business Excellence

Works on quality assurance have had a very significant impact on the development of activities aimed at enterprise excellence. E. Deming is considered as being the pioneer of this trend, which resulted in greater focus on the activities preventing the occurrence of defects\(^\text{11}\). The principles of quality management (the Deming circle, minimising variability, quality planning, quality control, quality improvement) in development since the 1950s by the quality management classics (such as E. Deming, J. Juran and Ph. Crosby) have led to the emergence of a concept of Total Quality Management, the main features of which were: focused vision, continuous improvement, internal customers, performance measures, prevention, company-wide application, breaking down interdepartmental barriers, management leadership\(^\text{12}\). Undoubtedly, the works of the authors above-mentioned were influenced by the Japanese cultural and operational philosophy, according to which “man” cannot reach total excellence, but they should persistently strive for it. The best way to improve “man” is to make small improvements. It is the aspiration for the continuous improvement of all organisational processes that have become the basis of the \textit{kaizen} approach – a philosophy initiated by Toyota, which has become the basis of the subsequent successes of Japanese entrepreneurs\(^\text{13}\). The result has been that when looking for enterprise excellence in the scope of quality, improvements should be sought for in all areas, since it is the efficiency of individual units and their adjustment which determines the overall efficiency of the organisation.

c) System Approach to Business Excellence

The comprehensive approach to organisation excellence results from the systemic approach, which was the first one in the history of management science to look at

\(^{10}\) This is perfectly expressed by R.S. Kaplan, co-author of the \textit{Balanced ScoreCard} concept: “If you can’t measure it, you can’t manage it”, compare R.S. Kaplan, D.P. Norton, \textit{Strategiczna Karta Wyników}, [original title: \textit{The Balanced Scorecard}] CIM, Warsaw 2001, pp. 1–7.

\(^{11}\) \textit{Podstawy zarządzania operacyjnego}, ed. Z. Jasiński, Oficyna Ekonomiczna, Kraków 2005, p 364.


organisations in a comprehensive way. The systemic approach consists of analysing organisations as a system composed of intentionally linked elements and relations. Perceiving an organisation as open systems (subject to the influence of the environment), managers are in a better position to understand the significance of the environment they operate in, as well as the extent of interdependencies among the organisation subsystems (synergy and entropy). The concept of G. Nadler, based on the systemic approach, describes the way of raising an organisation’s effectiveness by referring its current state to an ideal system, which in the analysed approach could be called perfect, where the unit cost of the system equals zero. Of course this is just a theoretical ideal, impossible to be reached in reality (it would be difficult to consider a system with zero costs and/or expenditures), still it is an excellent starting point to look for various solution options, which are aimed at the reduction of complex system parameters (not only unit cost). According to G. Nadler, after defining an ideal system, organisations should design an ideal system in terms of perspective, i.e. a system assuming the ideal conditions of its functioning based on the state of the art. The next stages of an organisation’s improvement are the design of an ideal system implemented in a technological context, created on the basis of already implemented solutions in the organisational and technical sphere, featured by high performance effectiveness. The last stage of enhancing an organisation’s efficiency is switching the system to the proposed level (taking into account all the environment-related circumstances, as well as the organisation inside, and highlighting the specific changes and directions of those modifications, which by design are supposed to be effective). The G. Nadler model was one of the first ones to show how to measure excellence (unit cost of the system equalling zero) and indicated reaching the target solution by going from an ideal proposal through solutions taking into account restricting circumstances and the gradual approach to a practically viable proposal. This approach was different to methods which had been applied so far, based on improving a system after prior diagnosis of its incorrectness.

The systemic approach to management introduced numerous concepts describing the mechanism of an organisation’s functioning, thereby indicating the conditions of effective operation. The H. Leavitt model treated the organisation as a social and technical system, where basic functions are performed by tasks, people, technology and structure. The condition of an organisation’s success is the mutual adjustment to the highlighted subsystems, actively responding to changes in the organisation’s

14 R.W. Griffin, Podstawy ..., op. cit. p. 88.
environment. T. Peters and R. Waterman have come to similar conclusions, expanding the number of factors affecting the organisation’s effectiveness. The authors above-mentioned, seeking the features of a perfect organisation, indicated seven interrelated elements ("the 7s Model"), which determine the organisation’s condition: structure, strategy, systems, style, skills, staff, superordinate goals (nowadays, *shared values* is the term more frequently used). The excellence of an organisation is not only a resultant of the quality of individual elements, but to a considerable extent it depends on their conformity and also mutual adjustment. The above-mentioned authors highlighted the "soft" attributes determining business success, which at the same time influenced organisational excellence. For those times it was a ground-breaking idea, as in most works, mainly the significance of the so-called hard success elements, i.e. strategy and structure, were underlined. The "7 s Model", used mainly in consulting, has turned out to be extremely helpful in diagnosing the reasons of organisation problems and in drawing up correction programmes. However, it was not able to expressly evaluate the level of organisation excellence. Still, it is used in management practice and education as a diagnostic and correction tool for organisations.

Many authors examining the effectiveness of organisation operation indicated the need of having in an organisation a mechanism ensuring its efficient operation, which makes it possible to adjust its various areas to the constantly changing environment. According to L. Krzyżanowski and M. Bielski, a mechanism keeping an organisation in balance is the management subsystem – an additional subsystem of the H. Leavitt model. The management subsystem is to keep track of and analyse the situation within the environment, it sets and modifies the organisation’s targets, sets up its strategy, provides the directions of current actions, chooses the technique and technology, builds the system of managing and motivating people as well as controlling the course of the transformation processes.

G. Bełz and J. Skalik present an interesting concept of the management system, defining it as "the entirety of values and targets, regulations and structures, manage-
ment methods and practices as well as their interrelations resulting from regulation mechanisms, where this entirety conditions the way of implementation of the management process”. According to these authors the management process is a continuous and organised complexity of information, decision and coordination actions, which are used for attaining the organisation’s targets. The discussed model covers four interrelated elements: values and targets, structures and regulations, management methods and practices, and finally regulation mechanisms. The authors define the first three elements as "stabilising", attributing to them the role of keeping the organisation in a state of relative balance in certain external and internal conditions. The last element, regulation mechanisms, is responsible for the transformation of the management system in the case of frequent or deep changes in the environment or inside the organisation. These mechanisms lead to the demolition and reconstruction of the stabilising components, as a result of which the organisation is able to reach a new state of balance. These changes can be treated as a constant process of the organisation improvement, which is implemented by three processes: innovation and initiation, transformation and integration, optimisation and standardisation. The primary one focuses on capturing signs from the environment and the inside of the organisation, which are identified as opportunities and challenges to introduce favourable changes. The second one focuses on the dynamics of human interrelations and their underlying aspirations and concerns. The process, by building a sense of community and involvement, stimulates people to assume new attitudes and behaviours, necessary for the successful implementation of a permanent change. The third process focuses on creating order among the organisational components, thereby leading to the growth of work efficiency and the optimisation of operation costs. In the opinion of G. Bełz, the organisation’s ability to reach new levels of organisational balance and, consequently, its ability to adjust to the changing internal and external conditions, depends on the adjustment potential of the organisational management system. In accordance with this view, it can be assumed that the highest adjustment potential of the management system could be the higher level of enterprise excellence. The afore-mentioned author also developed a method of measurement of an organisation’s management system adjustment potential, which can be identified with its excellence measurement. However, a question arises: can this measurement

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22 G. Bełz, System zarządzania jako regulator odnowy i wzrostu przedsiębiorstw, UE Wrocław 2011, p.147.
23 Ibidem, pp. 147–159.
be treated as a method enabling the measurement of the general excellence of an organisation, excluding the valuation of the organisation’s management system stabilising elements? Possibly only the measurement of all the four management system components can provide a full image of the organisation’s excellence and verifying it simultaneously by the results it attains.

The above-mentioned evolution of the concept of enterprise excellence emphasises the constant concern of humans to find determinants that influence high efficiency. Current recommendations based on the heritage of researchers represent the outcome of cumulated knowledge. A restrained approach toward enterprise excellence represented by the first researchers of academic management has reinvented itself over the years and turned to the complex tool that facilitates running the enterprise and enables us to measure the level of excellence.

4. Measurement of Business Excellence

Apart from a purely theoretical aspect, the problem of organisation excellence evaluation has also a very practical aspect. Many enterprises in their decision to cooperate with other organisations want to collect a vast amount of valuable information about a potential partner. The concern is not only its financial condition, but also the level of implemented management solutions, staff competences or type of organisational culture. Having this kind of information gives an enterprise a view on the level to management professionalism, thereby protecting it from a risk of cooperation with an incompetent partner. The pursuit of a method enabling the evaluation of the level of enterprise professionalism was the driving force of the authors of the organisation maturity models.

The problem of an organisation’s maturity was for the first time addressed by Ph. Crosby in his works, where he discussed the issue of quality management maturity.24 In “Constructing a so called Quality Management Maturity Grid”, Ph. Crosby created an instrument for the evaluation of an organisation’s professionalism in quality management. Enterprises have become able to independently evaluate their skills of applying management tools and techniques, using a five-point scale. The Ph. Crosby model comprehensively covers the problem of quality management in the following areas: the level of understanding and the attitude to the problem expressed by the management, the status of quality organisation, the attitude to problems, the share of costs of quality compared to receipts from sales, activities aimed at qual-

ity improvement, evaluation of the enterprise attitude. The higher the maturity level assumed by an enterprise, the higher the level of its ability to manage quality in an efficient way. It can be manifested by the coherent understanding of quality across the organisation, comprehensive, adjusted to the organisation's needs quality management system and the philosophy of continuous improvement at each level of the organisation. The ease of the model application and its universal character have contributed to an enormous interest in the problem of organisation maturity and to creating tools for examining organisation maturity in various categories. In short, many models have been created to evaluate, among others, the maturity of brand, location, knowledge management or Internet services. The most popular maturity models are however process maturity models and project maturity models. They enable the evaluation of the extent of knowledge, skills and an enterprise's professionalism in processes or projects management. Examples of process maturity models are: Capability Maturity Model Integration (CMMI) developed by Software Engineering Institute, Software Process Improvement and Capability Determination (SPICE) created jointly by the International Organisation for Standardisation (ISO) and The International Electro-technical Commission (IEC), The Process and Enterprise Maturity Model (PEMM) by M. Hammer. The best known project maturity models are The Organizational Project Management Maturity Model (OMP3), The Kerzner Project Management Maturity Model, PRINCE 2 Maturity Model, OGC Project Management Maturity Model or PM Solutions Project Management Maturity Model. Each of the mentioned models defines various levels of organisation maturity – from the lowest to the highest – indicating a detailed method of its measurement and conditions of reaching particular development stages. The highest maturity level usually means the continuous improvement of an organisation according to the kaizen philosophy.

27 Ibidem, p. 47.
Table 1. Principles, values and concepts of management in the models: ISO 9000, EFQM, MBNQA, DAP and PNJ.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles, values and concepts of management according to ISO 9000</th>
<th>according to EFQM</th>
<th>according to MBNQA</th>
<th>according to DAP</th>
<th>according to PNJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. Customer focus</td>
<td>2. Creating value for the customer</td>
<td>2. Excellence in the area of managing customer focus</td>
<td>–</td>
<td>2. Customer focus</td>
</tr>
<tr>
<td>2</td>
<td>2. Leadership</td>
<td>3. Leadership based on vision, inspiration and reliability</td>
<td>1. Visionary leadership</td>
<td>1. Leadership of the top management</td>
<td>3. Constancy of targets</td>
</tr>
<tr>
<td>5</td>
<td>5. System approach to management</td>
<td>Management by processes</td>
<td>Systems perspective</td>
<td>Processes control</td>
<td>Management by facts</td>
</tr>
<tr>
<td>9</td>
<td>–</td>
<td>1. Achieving sustainable results</td>
<td>10. Focus on results and value creation</td>
<td>–</td>
<td>1. Results focus</td>
</tr>
<tr>
<td>11</td>
<td>–</td>
<td>Assuming responsibility for sustainable future development</td>
<td>6. Focus on the future</td>
<td>4. Planning the future</td>
<td>–</td>
</tr>
<tr>
<td>12</td>
<td>–</td>
<td>–</td>
<td>5. Agility</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>13</td>
<td>Continual Improvement</td>
<td>Creativity and innovation</td>
<td>7. Improvement based on kaizen</td>
<td>Improvement and progress</td>
<td></td>
</tr>
</tbody>
</table>

Source: R. Haffer, Samoocena i pomiar wyników działalności w systemach zarządzania przedsiębiorstw, Wydawnictwo Naukowe Uniwersytetu Mikołaja Kopernika, Toruń 2011, p. 91.
Despite a wide scope of interest and developed research methodology, organisation maturity models still do not allow for a comprehensive evaluation of organisation excellence. Undoubtedly, they provide various pieces of information about an enterprise, they enable the identification of shortcomings that an enterprise can eliminate itself. Nevertheless, a high level of process or project maturity of an organisation does not have to be a sign of its general excellence or guarantee success. Business excellence models are some type of solution to this problem.

The development of the quality management field has provided systems of standards and quality measurements, which have evolved from simple quality assurance mechanisms, necessary for the certification of an organisation's activities, to comprehensive norms focusing on the improvement of all the organisation processes with respect to their effectiveness, i.e. business excellence models. Contemporary standards and measurement models make it possible to carry out self-evaluation and to formulate recommendations for the continuous improvement of an organisation.29 In this context ISO 9000 series standards should be mentioned, in particular the ISO 9004 standard, as well as models of national and international quality awards: Japanese Deming Application Prize (DAP), American Malcolm Baldridge National Quality Award (MBNQA), European Quality Award (EQA), Polish Quality Award (Polska Nagrodza Jakości – PNJ). The table presented below contains a juxtaposition of quality management principles with concepts of business excellence models:

Each of the listed awards applies a certain model, which allows the evaluation of a given enterprise in a comprehensive way, and thus measuring its excellence. It needs to be pointed out that the appraisal process is a very sensitive issue and requires a thorough dose of objectivism. Pursuant to the guidelines of the above-mentioned models, a perfect enterprise has to focus on the present and future needs of the customers in order to maximise business indicators (indicators of customer satisfaction, loyalty and the market share won). Those responsible for an enterprise's activities results are its leaders, who create, among other things, the strategy, systems and methods of achieving excellence, stimulate innovation as well as build knowledge and the competence of an enterprise. However, the success of an organisation depends on the knowledge, skills, creativity and motivation of its employees. Without their involvement, cooperation and trust, effective implementation of processes – the key form of a perfect enterprise organisation – would not be possible. Interrelated processes of an enterprise make up a system which has to be properly managed in order to subject all the processes to key business requirements – strategic goals.

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A constant aim of a perfect enterprise is continuous improvement based on reliable data and information coming from the system of measurers relating to customers, finance and the operational activities. A perfect enterprise builds good relations not only with its customers and employees, but also with its providers, basing them on trust, exchange of knowledge and integration. Successful internal and external partnerships allow for the implementation of the corporate social responsibility rule, applied by all the enterprise stakeholders. A perfect enterprise focuses on the future in order to ensure itself constant, sustainable development. It requires a certain agility – the capability of rapid change, flexibility and the management of operational cycles. Reduction in the time of response to the customer’s needs requires an innovative approach to designing products, services and processes. A general innovation objective should be to create new value for all the stakeholders of an enterprise.30

Figure 1. Danish Business Excellence Index

Interrelations of elements shaping an enterprise’s excellence are shown by the Danish Business Excellence Index which, on the basis of 9 criteria of the EFQM, indicates its four fundamental components: leadership, people, systems and results

The great advantage of the model is its simplicity that easily enables the managers to evaluate the level of maturity of their enterprise.

According to the discussed model, enterprise business excellence is determined by the quality of enterprise management. The quality of management is manifested by the way of applying power, leadership or defined strategy and operation policy. Positive results of enterprise activities (customer results, social results or financial results) depend on the efficiency of the systems and the level of intellectual (human) capital in an enterprise. The systems are, among others, efficient working processes and good relations with partners, ensuring access to strategic resources. The quality of the "human" component determines the way of managing people and the results attained by the employees. People play a key role in an enterprise since they influence the results both directly and indirectly via systems operating in an enterprise.

5. Conclusions

A subjective review of literature on enterprise excellence shows that it is extremely difficult to identify the absolute features of a perfect enterprise. This could be due to the authors caution, where they are afraid of the hard definitions of perfect enterprise parameters due to its temporary success. It is much easier to develop measures of enterprise excellence in its particular areas, e.g. quality management, operational management, project management or enterprise value management. However, a perfectly operating enterprise has to be able to integrate all its areas, which turns out to be the biggest challenge for the managers.

Despite numerous difficulties, several methods have already been developed, enabling the measurement of an enterprise’s excellence in a comprehensive way and, most importantly, allowing for an enterprise self-evaluation in order to identify the inefficiencies and weaknesses of the organisation. Based on information acquired this way, it is easier for the managers to look for ways of solving the observed problems and to develop improvement activities.

According to the author, an enterprise’s aspiration for excellence is a continuous process. It is impossible to indicate the circumstances which would allow managers

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32 T.J. Peters and R.H. Waterman, authors of the 7S concept, have based their conclusions on the analysis of success of the most admired enterprises. Unfortunately, after the concept was published, some of the enterprises covered by the research recorded decrease in their results, which provided a significant argument for the opponents of the concept.
to rest on their laurels and gain extraordinary profits resulting from their position. It will always be only a temporary advantage over the competitors, which finally, will be eliminated by the better. It therefore means that enterprise excellence to a considerable extent depends on the level of management quality, i.e. the level of management competences of the company’s top management members, the ones who are able to identify the risks, take advantage of the opportunities and skilfully apply the appropriate methods. They are the ones responsible for actions aimed at improving the enterprise’s efficiency in its various areas and raising the organisation’s maturity level. The capability of the proper use of intellectual capital in building an efficient enterprise is a particularly important competence of the management boards of "perfect enterprises". Long-term activities to improve the production processes, introduce innovative production methods, innovative technologies have focused mainly on the technical aspects of enterprise rationalisation. It can be said that in many areas the critical mass of the use of technological opportunities has already been reached, while the social aspect of enterprise operation improvement is still neglected. This problem not only refers to the creation of proper relations between partners within the supply chain e.g. from customer to the supplier of basic materials but it also concerns the relationship with the most crucial stakeholders of the company in accordance with corporate social responsibility. We should hope that the existing methods of enterprise self-evaluation, which evolve according to the changing requirements of the environment, taking into account new management ideas and concepts, would expressly turn the attention of managers to the need of works on developing the social determinants of perfect enterprises.

Finally it is worth mentioning that the success of excellent companies is the outcome of the hard work put in by all employees. It is also strictly connected with the enormous psychical pressure of those who run such companies and who are accountable for the next great moves which allows them no room for mistakes.

Bibliography


Enterprise without Leadership

1. Introduction

There are tens of people in economic history that are described as "leaders", who made enterprises reach great market success. Let me mention such famous figures as Henry Ford, Lee Iacocca, Bill Gates or Steve Jobs. On the other hand, a lot of research has proved that there is no link between the leadership and company effectiveness in terms of generating profit.¹ What is more, R. Khurana says that the company condition depends 30–45% on the industry situation, and 10–20% on periodical macroeconomic changes.² Thus, the success depends approximately 50–65% on what is going on in the surroundings of a company. Lucky coincidence, reported by enterprise leaders, also cannot be excluded.³ If we assume that financial results are significantly influenced by the technology, employees’ competences, management processes, the role of the leaders can turn out to be inconsiderable.

Empirical research and the observation of economic practice resulted in concepts proclaiming the end of leadership and indicating it’s dysfunctionality⁴. The authors claim that the leaders hamper the freedom of exchange of views, while only team work with an unlimited flow of information conduces to the development

of a company. Other concepts focus on the substitutes for leadership. According to them, especially large and developed enterprises cannot base their operation only on people, who are directed by their particular interests, which are not always consistent with the company’s vision. This causes conflict situations and uncertainty reduced by the elementy of the enterprise assuming the leadership functions. These elements are comprised mainly of a few selected components: knowledge management, organizational culture, high employee morale, assessment procedures and employee motivation.

The presented article develops a thesis according to which contemporary enterprises reduce the role of leaders – related to the coordination of activities in time and it’s development. The process of the institutionalization of leadership in the enterprise it takes. A question arises: to what extent enterprise has assumed the leaders’ functions and to what extent is it still a domain of the people? It is therefore worth defining the key functions of the leaders, which by the way is the aim of this article, and to indicate those which are still performed by them.

2. The concept of substitutes for leaders

The thesis predicting the end of leadership was formulated in the 1970s. It refers to the theory of substitutes for leadership, in which S. Kerr and J.M. Jermier presented a view that functions of the leadership had been assumed by the management process and the surrounding. This view was developed in the 1990s and it said that employees did not need leaders, as their role had been assumed by the system of the enterprise functioning, e.g. knowledge management. Moreover, many people manage their development on the basis of their personal ambitions and aspirations. Consequently, there is no need for additional stimulation for performance and supporting the employees’ operations by the leaders.

This view resulted in the concept of self-leadership, according to which the internal motivation of the employees is so strong that they impact the general company’s objective themselves. This phenomenon is particularly strong where the way of the leaders’ operation is consistent with the standards and values of the enterprise, and the employees have the space for taking their independent decisions. Simultane-

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ously, concepts of distributed leadership are being developed, where the leadership is not the function of individuals, but groups. The authors say that the development of an enterprise becomes an effect of a countless number of interactions between the enterprise and its surroundings, the inseparable element of which are the company’s stakeholders. Final decisions are the result of negotiations between various interest groups. A group takes over the attributes of leadership and an individual is a background in the decision-making process.7

Subordinates that are organizational independents do not fee tied to one company are internally motivated instead of motivated by the characteristics of the organization, such as leader behaviour8. Leaders high on initiating structure clarify their own role and their subordinates’ roles in obtaining a goal. S. Kerr noticed many studies had found significant moderators that played a part in the relationship between initiating structure leader behaviour and subordinate outcomes. He singled out – along with J. Jeremier’s – two types of elements in the job environment: substitutes and neutralizers.9 These elements were proposed to serve as moderators in the relationship between leader behaviour and subordinate outcomes. The theory originally classified substitutes as characteristics of the subordinate, characteristics of the task and characteristics of the enterprises. An alteration to the theory was proposed in terms of subordinate classification. S. Kerr argued that moderators should be grouped based on their effect on the criterion. The original theory had already proposed moderators that act as substitutes and moderators that act as neutralizers.

The works of the first decade of the 21st century are even more advanced in this respect, as they provide that the leadership is dysfunctional for an enterprise and it is rather a myth than a reality.10 The dysfunctionality stems from the fact that the employees lose their creativity counting on the infallibility of the leaders. Moreover, the latter monopolise the flow of information and control all actions of their subordinates, hampering their development. The subordinates also expect their leaders to give them perfect formulas, suppressing their own innovation and the will to change. The authors of this concept, similar to the idea of distributed leadership, put their hopes in teams reaching the best solutions in a collaborative way.

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9 S. Kerr, J. Jermier, Substitutes for leadership … op. cit
3. Functions of the leadership

There are many definitions of the leadership, many paradigms differently defining its key functions. Under the classical approach to the leadership, the roles of the leaders are performed by individuals employed at the highest management levels and the company owners. Their task is to determine the vision and strategy of the company. Whether these functions are performed in an authoritarian or participative manner, depends on the individual style of the leader. Communication is carried out in one way, from the owner towards the employees. It results mainly from the legitimisation based on the ownership, and in fewer cases on the leader's charisma.

Other concepts also place leaders on lower management levels. H. Mintzberg analyses the leadership in terms of perception of the role of a manager, who is supposed to represent the team, be its leader and a contact person between the employees and other management levels. The task of a manager is to employ people, train and motivate them, as well as to reconcile the objectives of his/her subordinates with the company's objectives. In order to fulfil this role it is necessary to perform formal management functions and make decisions in the areas referred to above. In this respect playing the role of a mediator and applying recruitment, selection and employee motivation skills seems necessary. In this case the legitimisation of leadership is of a formal nature and results from the position in the organisational structure.

The transformational approach focuses on mobilizing people to participate in the processes of change, encouraging a sense of collective identity and collective efficacy. This process brings stronger feelings of self-worth and self-efficacy. Transformational leadership is analysed from the symbolic and interpretative perspective. Under this approach it is assumed that members of an organisation function in complex social interdependencies. An enterprise is dominated by a network of changing meanings in still new and new human interrelations. Management processes are a constant search for consensus between various interest groups the basis of which is both the economic and political, as well as the psychological sphere. A company

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11 G.C., Avery, Przywództwo…, op. cit.
14 Ł. Sułkowski, Epistomologia w naukach o zarządzaniu, Polskie Wydawnictwo Ekonomiczne, Warszawa 2005, pp. 70–73.
is perceived in a subjective way, as the act of obtaining knowledge is determined by the language, culture and its symbols. Each enterprise is a separate case, which in consequence excludes transferring management solutions to other companies. In these kind of studies the researchers focus on the daily decision-making process, the description of critical events, mutual relations and the behaviour of leaders being an inspiration for the other employee groups. According to this concept trend, the legitimisation of leaders is based on formal procedure, but it is also referent power, i.e. power stemming from the features and reputation of a person. The concepts of transformational leadership are strongly linked to the trend defined as "visionary leadership". Many authors say that it is particularly useful in the situation of considerable market competition, where a "riveting vision" stimulates employees for extra engagement by the key factor of gaining competitive advantage.

Concepts referring to emotions, where the position of a leader is also legitimised by reference, indicate that the task of the leader is to appeal to "what is best" in the people by positive thinking about themselves and the others. It is possible due to collective activities and interactions. The need of high emotional intelligence of the leaders is also highlighted.\(^{15}\) Its first component is self-awareness, i.e. understanding one's own emotions, needs as well as defining strengths and weaknesses. In practice it means, among others, a real evaluation of the ability to reach the set objectives. Another component of emotional intelligence is self-control of one's own emotions and reactions, which creates an atmosphere of trust and fairness. Moreover, leaders who have the ability of self-control do not panic in the situations of change and thus enhance the opportunity to find rational solutions. The third component is the motivation to work, or, in other words, the reference to professional success. This type of person tends to strive for perfection and sacrifice for the company. The next element of emotional intelligence is empathy, i.e. the ability to approach people in accordance with their emotional reactions and to understand them. The last, fifth component, is related to social skills, that is the ease of engaging into contacts and the ability to manage teams of people.

The presented concepts of leadership differ in respect to legitimisation of the leaders’ position, placing them on different levels of organisation (highest executive management vs. medium management level) and the nature of superior-subordinate relationship (from formal relations to emotional contact). Their common feature is highlighting key functions of the leaders, i.e. formulating their company's vision, motivating and inspiring employees, stimulating additional engagement, development of the subordinates’ competences and integrating the team around a common

Objective. It seems that some of these functions – such as the formulation of the vision is attributed to people, but others – such as the development of the competence of subordinates – may be subject to a process of institutionalisation.

4. Institutionalisation of leadership in an enterprise

Institutionalisation is the process of transforming the actions of individuals (leaders) in the action intentional, focused on the implementation of specific tasks by specially established cells of the company.

It is claimed that enterprises should act in a reasonable way, i.e. tend to minimise costs and simultaneously maximise profits. It seems that one of the conditions of such an objective is the stabilisation during decision-making procedures. It can be ensured by, among others, fixed action coordination rules. There are conflicts between various interest groups, which inevitably generate emotions that are the opposite of reasonable action. Institutionalisation is a barrier for the influence of emotions on the decision-making process, which consists in transforming spontaneous actions into targeted activity, aimed at the implementation of specific tasks (by certain people or teams) according to established procedures. One advantage of institutionalisation is the possibility to determine costs, define necessary competences, establish key resources, scope of responsibilities, control of implementation. In other words, it provides a basis for company management, which reduces the impact of emotions on the decision-making process.

The first reason for the reduction of leadership in contemporary enterprises is the change in the way of coordinating actions. Network companies are highlighted, where traditional organisational and market structures have been gradually disappearing. Internet sales networks and the market globalisation are classic examples, as their characteristic feature is the multitude of cooperative and ownership networks. Enterprises of this kind are marked by flexibility, unspecified limits of actions, decentralisation and deregulation, lack of balance in the flow of resources, transfer of knowledge and cultural models, permanent process of changes. In this context talking about leadership does not make sense, as there are no elements constituting it, such as hierarchy, borders between the company and its surrounding, superior-subordinate relationships. The only thing that is left are the emotional ties, which are however weakened by the time-limited work of a given team: it is dissolved once

17 Ł. Sułkowski … op. cit., p. 28.
its task is accomplished. Further objectives to be met are emerging, but they are usually implemented by another team consisting of other people. Power relations are also disappearing because of dominating heterarchy, i.e. horizontal links between individuals having equal rights. If there are any leaders, they appear in the context of self-leadership, and personal leadership functions are assumed by the cooperating team. It can happen that a "super-leader" would emerge, who would play the role of a group facilitator. His or her role ends in the moment of accomplishment of a task (or a project). Thus, what is left to the leaders? G. Avery claims that in organisations of this type the role of the leader is mainly to mobilise the group members by enhancing engagement and becoming the coach and integrator. He also focuses on formulating vision and creating culture that generates natural leaders.18

Not all enterprises are of a network nature. It can be said that companies which have maintained traditional structure by clearly defining the roles of superiors and subordinates are the majority. One of the features of the contemporary labour market is the mobility of employees. In the last months of 2011 the Randstad Institute carried out research on a 14-thousand sample of employees from 30 countries in the world. In Poland the sample was for 405 people.19 The Institute’s labour mobility index20 was 109 for Poland, while the average for all the countries was 105. Without going into details concerning the reasons of such a situation it can be stated that the change of job is a natural thing. It is difficult to determine to what extent this phenomenon concerns the leaders, but their leaving causes confusion in the company’s activities. In order to prevent such a situation, which is another reason for leadership reduction, enterprises introduce a range of systems ensuring the functions of leaders during a long period. One of them is knowledge management.

It was assumed that knowledge is the entirety of information and skills used by individuals to solve problems. It covers both theoretical and practical elements, general principles and specific guidelines. Information and data are the basis of knowledge, but unlike them, knowledge is always connected with a specific person. It is linked to individuals and represents their views concerning causal relations.21 In terms of an organisation’s objectives and interests, unitary knowledge is useless, if it is not used for current actions. Consequently, the task of a company is to use the knowledge to improve its effectiveness and thus to gain competitive advantage.

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18 G. Avery, Przywództwo …, op. cit., p. 48.
20 The index reflects the expectations of the employees concerning the probability of changing their workplace during the next 6 months
If knowledge is an "intangible domain of individuals" (i.e. tacit, personalised knowledge), the enterprise's task is to transform it into a manageable resource, similar to the other company's resources. In other words, from the point of view of an organisation, knowledge is becoming an area covered by various kinds of procedures, such as, for example, training policy, knowledge collection and transfer (it is formal, codified knowledge). Codified knowledge is subject to management perceived as collecting and transferring knowledge using various kinds of tools (e.g. knowledge bases, seminars). There are three levels of knowledge management. The first one are the formal procedures applied in an organisation (e.g. knowledge collection procedures, training system etc.). The second level is the individual behaviour (e.g. exchange of experience among employees). The third one is the level or organisational structure (e.g. salary raise depending on performance).\(^{22}\) If procedures regulating human behaviour function on all the specified levels, there is no rationale for a leader.

In a study from 2008, the sources of authority, realised on a sample of 380 working people, it was found that in 61% of the authority a "vast expertise". Its source may be specific individuals, but also the knowledge and collection systems. The first listed "share knowledge and experience" (68%), which can be either attributed to individuals as well as external sources (e.g., Internet, conferences, etc.).\(^{23}\)

The third reason of leadership reduction is related to the motivation system. Contemporary enterprises create systems which, similar to knowledge management, eliminate the significance of individuals. Leaders in determining the motivation instruments, but their grant procedures to determine the company are involved. Moreover, employees are motivated to work irrespective of what is offered by the company in this respect – factors motivate them located in the surroundings of the company, such as: family, friends recognition. J. Moczydłowska in her research carried out on a sample of 150 micro and medium-sized enterprises in the Podlaskie and Warmińsko-Mazurskie voivodeships concludes that 45% of the respondents express a view that the sense of security and stabilisation provided by the employment is the element that motivates them to work.\(^{24}\) Almost 1/3 of the respondents fear for the loss of their job. Needless to say, the quoted results cannot be generalised to cover all the employees. It seems however reasonable to establish a thesis, according to which the very fact of employment gives a significant group of people, not only in Poland,


a sense of security, while other instruments of motivation provide a valuable complementary element, stimulating additional engagement. There are therefore no reasons for the leaders to additionally influence the attitude of their employees. It is claimed that the higher salary of the employees, the bigger motivation to work stemming from the fact of creating “something new”, learning, acquiring new perspectives etc. The role of self-motivation thereby increases, where the system of complementary awards is not always necessary. This is confirmed by the previously cited studies of M. Juchnowicz, which is shown in the relationship between education and job satisfaction. Among those with higher education showed the highest percentage (58%) who responded positively to questions about feelings of pleasure from work.25

The next, fourth reason of the leadership reduction is related to the organisational culture. It is assumed that organisational culture is the group of values, meanings and norms regulating behaviour, enabling the coordination of actions in a given economic organisation, i.e. an enterprise.26 Research carried out by the author in 2009–2010 indicated among others the dimensions of the organisational culture that contribute to the economic effectiveness.27 The first one is the transparency of an organisation manifested by the access to information sources and the functioning of competence criteria of employee performance evaluation. It is a type of an enterprise similar to an ideal type of an organisation, where knowledge and competence are the basis of power legitimisation in an organisation. The competence model allows for the prediction of actions based on precise criteria applied to promotions, salaries, tasks allocation etc. Organisational culture can be a substitute for leadership when it is the dependent variable, i.e., its shape is determined by other factors such as existing procedures. The production of the company – through training and practice – cultural values of the standards can act as a substitute for leadership. The consequence of intensive training education becomes a behaviour that do not require intervention by third parties, such as: taking care of the quality, commitment to work, and so shaping organisational culture requires a change in organisational structure, formal processes and leadership styles. The latter no longer are the domain of leadership and the participation of people become aware of their role in the company. Criticism of this approach relates

26 E. Young, On Naming of Rosen. Interests and Multiple Meanings as Elements of Organizational Culture, „Organization Studies” 1998, no. 10/2.
to preach the assumption that workers become "puppets" in the hands of management. In addition, this approach does not take into account the impact of other factors on the behaviour of employees, for example, company size, ownership relations, industry.

The organisation identity is the second dimension. One of its components are employees identifying themselves with unique organisation features. The identity can be treated as a result of the internalisation of dominating models of "being yourself" in the organisation as a unique construction. As a consequence group self-awareness is created, the most important element of which is the established conviction of its members that the group itself forms the principles of its functioning. Creation of these principles and identification with unique enterprise features are usually accompanied by the sense of pride in the fact that we are what we are.

The next, third dimension is trust, about which R. Lewicki and G. Wiethoff write that it is "(...) the belief in words, actions and decisions of another individual and the readiness to act on their basis". In this respect the "belief" is an important category deciding on further people's actions. The trust is defined by E. Uslaner as normative, based on the belief that both people and organisations share the same values. Normative trust is a general view on human nature, irrespective of personal experience. Its essence is the sense of emotional ties with the others, stemming from the fact of constituting a community acting on the basis of an established system of norms and values. Another type of trust is also distinguished: trust based on knowledge, defined by E. Uslaner as strategic trust. This type of trust requires from the organisation members to learn from each other and subsequently to negotiate to define priorities of actions and ways of their implementation. Interests and knowledge are becoming elements constituting strategic trust.

Enterprises have been creating ethical codes, principles of corporate social responsibility, providing their rules of good practices to stakeholders for at least a quarter of a century. In other words, a process of organisational culture institutionalisation is proceeding. Also in this context the supporters of enterprise leadership elimination claim that the actions of individuals are subject to specific procedures. It should be highlighted that such elimination is not a result of a belief that leaders act against their company's interests. It is only stated that in a contemporary enterprise the leadership becomes pointless.

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The presented reasoning has a few "weaknesses", allowing the questioning of the view propagating "the end of leadership in an enterprise". Naturally the process of the institutionalisation of many roles is proceeding, but the rules of its functioning are not durable. As the last decade has proved, the economy is in a situation of permanent crisis and enterprises undergo a constant process of change. The surroundings enforce the action rules to be modified. Who is supposed to do it in a way that the employees would be convinced to introduce these changes? For it is assumed that without their acceptance new regulation cannot be introduced effectively. This process is very difficult without the leaders. Moreover, the consequence of institutionalisation is the expansion of bureaucracy and the tendency to avoid responsibility. In many cases the criterion of reasonability is not the financial result, but the conformity of actions with the procedure in force. Enterprises lose their flexibility, the need to learn, and innovations can be perceived as a threat to their status quo.

The institutionalisation process can be effective in companies with market experience, operating in stabilised industries, offering products to specific customer groups. In other words, there is no need to convince the employees and the clients to a given product or service. These processes look different in enterprises only beginning their market career and offering innovative products. It is claimed that without the ravishing vision of S. Jobs or B. Gates the revolution on the computer market and the introduction of new communication instruments would be impossible. New companies are emerging also on the old and stabilised markets, where the entrance barriers seem so big that market success is not possible. Japanese automotive companies conquered the American market in the 1970s despite significant capital barriers and negative stereotypes connected with Asian products popular in American society in those times. On the Polish market, Alpen Gold chocolate successfully competes with products made by the Wedel company, whose market position seemed to be dominant. Apparently those successes would be difficult without effective leadership. Certainly the leaders were supported by effective marketing actions, technological solutions etc., but without their vision and the employees' engagement the attainment of goals would be much more difficult.

Organisational culture is listed as one of the substitutes for leadership. It can fulfil such role if it is adequate to the norms and values applied in the enterprise surroundings. In the case of significant discrepancies, it is difficult to define the employees’ positions. There are many publications describing the difficulties of companies operating against the national culture. The more frequent are the

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mediation mechanisms between contradictory norms and values in a company, the bigger the probability of market success. These mechanisms can include leaders shaping new rules of collaboration among the employees.

Concepts of "an enterprise without leadership" assume the point of view of the functional theory, according to which phenomena occurring in an organisation should be explained in terms of their functions. They also provide that a company is a complex system and its particular parts cooperate with each other in order to perform tasks, i.e. gain profit. The critics of this approach indicated that enterprises are divided into various interest groups and the access to the resources is unequal there. It becomes a basis of conflicts which are dysfunctional for the company, as they are not subject to regulations. In other words, the system can contribute to the collapse of an enterprise, because it cannot deal with the crisis situation. A question arises about mechanisms reducing negative crisis consequences. The economic situation, technology and leaders affecting not only the system, but also people functioning within it are undoubtedly such mechanisms.

5. Recapitulation

Concepts announcing the end of leadership in an enterprise are based on two basic pillars. According to the first one, it is a natural process of organisational changes, whereby the functions of leaders are taken over by procedures. The second pillar is based on the assumption that group work generates more initiative and provides greater motivation than actions of individual leaders This view results from observations of the reality where the number of network enterprises is increasing, companies create more and more horizontal links and educated employees need less motivation from the employers.

Supporters of enhancing the leaders' role say that in the situation of crisis, and subsequently change, it is hard to expect the system to operate reasonably, since in many cases it is not able to predict break-down, not to mention counteracting such situations. That is why it is still worth identifying people who can take responsibility and engage the others in work for the company. Concepts referring to emotions, whereby factors stimulating people to make decisions are sought for, have been becoming more and more popular in the last decade.

The discussion about the leadership is supposed to answer the question: what is more important for an enterprise – the man or the procedures? Each of these elements creates different types of reasonability and different control mechanisms. An interaction process takes place, the result of which is not "natural" adaptation, as the interests are often contradictory and difficult to reconcile, even by negotiation. It seems that the problem lies in the ability to learn and to translate experience into current company management. There is also a need of empirical research establishing the limit between the actions of the man and the actions of the procedures. It is also important for the management practice, at least because it shows areas where the enterprise's resources are worth being invested.

Taking empirical studies to analyse the impact of a number of intermediate variables (e.g. the relationship ownership, firm size, industry), which affect the shape of the leadership in the organisation business.

Bibliography

Summary

Andrzej Kaźmierczak

**Interest rate and Corporate Loans in the context of Inflation**

Central bank interest rates as an instrument of monetary policy have had a very limited influence on the credit activity of the commercial banking sector in the last five years in Poland. The National Bank of Poland has not been able to shape credit volume and domestic activity applying the basic tools of monetary policy. This phenomenon has been the result of a classic crowding out effect stemming from the oversupply of money market bills in domestic financial markets. The purchase of central bank short-term debt paper was an alternative form of assets allocation for banks limiting the supply of credits for the non-financial sector. The demand for credit is shaped by other factors other than the price of money. The size of the lending activity does not depend on the price of credit alone. The demand is shaped by other factors also. The economic agents expectations regarding the future business climate and the size of own funds are of crucial importance. The financial situation of Polish enterprises looked profitable in the post crises period. The high inflation of producer’s prices in Poland created additional incomes and new sources of financing growth. Currently, enterprises assess the probability of a surge in global demand, sales and profits rather pessimistically. For this reason they have abstained from new investment projects. The firms that did engage in new investment projects prefer to finance them with their own funds. In their cases the price of credit was of secondary importance. Simultaneously, the supply of loans to enterprises by banks also decreased owing to persistent risk aversion. The banks reluctance to extend loans was evident not so much as the higher interest rates offered as in the tightened lending conditions. The main prerequisite for strengthening the interest rate transmission channel of monetary policy is limiting the supply of money market bills as an attractive asset for commercial banks for investment.
Adam Glapiński

Animal Spirits in Economics

The article analyses an avalanche in growth of the evolutionary interpretations of social behaviours of people and the transfer of the achievements of evolutionary biology to the area of economics, which allows for a considerably better explanation of increasingly complex activities of human individuals and groups. In particular, such events as for example sudden tremendous economic and financial crises resulting from multiplied irrational human activities make even economists who are away from evolutionary economics notice the power of the impact of human biology on the economic growth.

Paweł Pietrasieński

The EU Member States’ Support for European SMEs’ Internationalisation on the US Market (based on the research undertaken among EU Trade Counsellors in Washington D.C.).

The presented research was undertaken in cooperation with the European Union Delegation in Washington D.C., within the framework of the EU Trade Counsellor Working Group. The survey – based on the electronically distributed questionnaire – aimed to determine tools and/or programmes that are perceived by individual EU Member States as best practices in helping companies access and be successful on the United States market. Twenty EU Member States, which actively participated in the survey during the period of September-December 2011, express their belief that collecting and assessing “good practices” implemented by the respective governments, in order to facilitate the exchange of knowledge and the dissemination of internationalisation programmes already introduced in the US market, can actually increase European companies’ chances to effectively participate in transatlantic business relations.

The major goal of the survey was to identify the most effective Member States’ export promotion programmes on the US market. According to the EU Trade Counsellors the most popular form of the recipients’ segmentation has been the one related to the experience of companies seeking support to enter or to expand on the US market. The research results clearly indicate that smaller enterprises, especially those with less experience in internationalisation have a greater need for export promotion programmes. However, the instruments promoting local innovations abroad, especially in Silicon Valley, were viewed by responders as the very “convenient solution”.
The survey’s results have also indicated that close communication with government agencies responsible for providing export-support assistance should help increase companies’ familiarity with the programmes offered. Having that in mind, half of the EU countries implement national marketing and/or branding strategies specifically developed for the United States market. The Presidency’s research has also shown that – in most cases – the European companies are treated by the Member States as customers, proving a dominance of the marketing concept in the governments’ support services. In addition to that, half of the Member States have implemented at least one form of Customer Satisfaction Measurement (CSM) to evaluate the effectiveness and/or efficiency of the support programmes provided to their home-based companies on US territory.

Piotr Russel

Corporate Growth Barriers in Poland in the light of Empirical Research with Particular Focus on Payment Gridlocks

The aim of the article is to identify and present the main barriers to the corporate growth in Poland in light of empirical research. In order to achieve this, the author used the results of the survey Small Business DNA conducted in March and April 2012, which is a cyclical World Bank survey devoted to the conditions of running business in over 180 countries in the world (Doing Business) as well as the quarterly survey conducted since January 2009 by the National Debt Register and the Conference of Financial Companies entitled “Polish Companies Liability Portfolio.” The majority of space is devoted to the payment gridlocks, which have negative consequences on both the micro- and macro-scale.

Sylwester Gregorczyk

Enterprise Excellence

To strive for a competitive advantage is the main goal of modern enterprises. Achieving a sustainable advantage is only possible in a situation of continuous improvement in all its business areas. This article shows how differently an enterprise’s excellence has been understood in various periods and how difficult it is to measure, evaluate, and what is most important, reach excellence.
The article develops a thesis that contemporary enterprises reduce the role of leaders by creating systems overtaking their functions. Key leadership functions are discussed, such as: formulating the company's vision, motivating and inspiring employees, stimulating additional engagement, development of the subordinates' competences and integrating the team around a common objective. The main premises of the concept of substitutes for leadership are presented, according to which the leadership functions are overtaken by the system: the surrounding, the organisational culture, knowledge management, high competences of the employees. Criticism concerns mainly the dysfunctional role of the system in a situation of crisis at an enterprise, when the leadership is necessary.