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ABSTRACT

The article analyses theoretical aspects of a city brand definition, applying cases of various brands of Lithuanian cities. A brand is any sign or symbol which helps to distinguish goods or services for one person from the goods or services of another, and which may be represented graphically. The brand can be a variety of symbols, their combination, and other visual manifestations of information, such as words, names, slogans, letters, numbers, drawings, emblems; or spatial characteristics of the product itself – its image, packaging, shape, color, color combination or a combination of all these. City development usually includes an image dimension. The common ground for this is that a well-known toponym often generates events, investments, etc. Many cities are actively positioning and promoting their strategic intentions. Often times a city brand is associated with its fight for investment, tourist numbers, or successful businesses.
Objective: To scrutinize relevant theories applicable to city visual branding; to look through various definitions of the city branding and envisage some advantages and disadvantages they might pose; and to analyze various case studies so that we could summarize the methodologies of why and how we could better position our local products globally.

Methodology: The case study methods were used as part of a complex study and combined with in-depth interviews as well as benchmarking methods from various sources. In-depth interview method was used to obtain expert opinions on the subject. The in-depth interview method helped to analyze logo usage, goals, define pros and cons, and evaluate the results of logo design in urban development. This method was chosen to collect detailed and authentic material based on the attitudes and experiences of those involved in such a creative process.

Findings: The conclusion was reached that since a place prompts a lot of variables, in the future we need to consider more numerous components, such as population, industries, landscape, economies or history, etc. The hypothesis was confirmed about the variables of the city to be further considered for (re)branding, such as the cost, semantic complexity, societal charge, and the dynamics (changeability, or rigidity). As for the methodologies, we arrived at the conclusion that the best way to create a viable city brand is a collaboration between different stakeholders.

Value Added: The article adds to European experts’ suggestion of rethinking the concept of design itself, as until now a one-sided approach to design as a means of schematizing a product has prevailed. This approach, even regulated by Lithuanian law, does not cover the whole process of creating and implementing an idea. “Design is a problem-solving approach that focuses on the user during its development. It can be applied in both the public and private sectors to promote innovation in products, services, processes and even legislation,” says Dr Anna Whicher, expert on design policy and strategy of the European Commission. In other words, design has been increasingly integrated into the science, business, social and service sectors to maximize innovation.

As many as 63 percent of Lithuanian businesses do not use design solutions (product design, stylization or business strategy development) at any stage of production. This figure is below the EU average, where almost half of all businesses already integrate design solutions into their operations. Lithuania is also one of the 13 countries in Europe (out of 28) that does not have design policy documents or a community uniting organization, such as design centers in Great Britain, Denmark, Estonia or other countries. The paper invites Lithuania to re-think its design development policies at large, paying attention to urban design solutions in particular.

Recommendations: In further research, while selecting potential expert for city logo development, it is recommended that priority should be given to (a) responsible experts in strategic / territorial and national policy making or related activities, (b) experts with knowledge of sustainable development, (c) independent sustainable development analysts / consultants / private and academic or who have implemented specific project-based SDs both nationally
Developing a City Brand

and internationally. The stakeholders in this process should be representing: 1) Public Sector, 2) NGOs, 3) Private Sector, 4) Academy and 5) Independent Experts.

**Key words:** city brand, city development, brand identity, design, logics, urban marketing

**JEL codes:** M31 Marketing; M37 Advertising

City Brand Theoretical aspects

“City branding or place branding plays a pivotal role in creating destinations around the World. Creating a single brand for a city helps highlight its offerings and interactions, allowing it to appeal to both tourists and residents alike. A city’s brand is the same as a company’s brand. It’s a promise of value. It’s how it wants to present itself to the world. Again, like company branding, good city branding can make a place seem desirable, but bad city branding can have the opposite effect. Some cities succeed with their branding efforts, others fail. But all should try.” Tony Hardy

Nowadays, a new direction of public relations is being developed – development of the image of cities, regions or even states – creating a new urban brand. It is a special activity that helps to develop economy of the city and the region, attracts investment and positively influences not only the inhabitants but also the guests of the city. It is necessary to start applying similar marketing strategies to the city as to the product or service, thus selling the city to its target groups and, therefore, making money for the city. Urban marketers have recently begun to focus on urban brands. They try to analyze as many markets and target audiences as possible, because choosing the right marketing strategy for a city could increase the city budget several times. Nowadays, a lot of attention is being paid globally to building a city brand. This practice is correspondingly applicable in Lithuanian cities.

To start with the city brand construction, we should investigate the sustainable development trends globally. The Sustainable Development Goals are
a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection (https://www.un.org/sustainabledevelopment/). These 17 goals are depicted in the Figure 1 below.

Figure 1. The Global Goals for Sustainable Development


Cities have their own development goals, along with their brands that distinguish one city from another. City signs aim to attract tourists and investors. The city sign demonstrates the uniqueness of the city, showing the
characteristics of the city. According to Bakštys A. (2018), today Lithuanian districts and smaller towns are creating their own city brands. Cities are fiercely competing and are therefore choosing to increasingly invest in communication. Smaller towns and even separate districts have also started to create logos. Some of the largest cities in the world are implementing fantastic urban branding projects. These branding projects give cities, residents and visitors a new look. The urban brand is a vital and significant component of successful cities around the world. Local branding (including local marketing and local advertising) cover country branding, regional branding, and urban branding. Most major cities have developed their brands – for instance, Paris based on novels or Hong Kong based on commerce. For many cities, it is impossible to summarize a brand by a single word – they are multifaceted and ever changing. Subsequently, trying to artificially create city brands is a dangerous and sometimes a made-up business. The urban brand is not only about attractiveness but also about identification of a locale, even as a prerequisite of such. This opens a great opportunity to rethink the city identity as a coherent (and optimistic) articulation between internal factors and external conditions. The city brand must have a well-developed infrastructure, convenient transportation and logistics center, together with a cultural, scientific and sports center, including education institutions. The city must have a deep tradition of academic education, a positive and distinctive environment, a unique architecture, cozy old town, and green landscape. Tourists and citizens alike are welcoming a brand of this kind. The city brand can be used in various advertising clips, attributes during events, cultural events, or exhibitions. It is good for a city to have a developed city brand. An urban brand brings a person closer to the city if it matches the mindset of the individual how he or she imagines the city.

“We often talk about “brand” as if it is one thing. It is not of course – in fact, the meaning and the use of the term differs, quite markedly, depending on the context,” says Mark Di Somma in his blog dedicated to brands. He envisions 21 type of brands (www.brandingstrategyinsider.com):
1) Personal brand;  
2) Product brand;  
3) Service brand;  
4) Corporate brand;  
5) Investor brand;  
6) NGO (Non-Governmental Organization) or Non-Profit brand;  
7) Public brand;  
8) Activist brand;  
9) Place brand;  
10) Nation brand;  
11) Ethical brand;  
12) Celebrity brand;  
13) Ingredient brand;  
14) Global brand;  
15) Challenger brand;  
16) Generic brand;  
17) Luxury brand;  
18) Cult brand;  
19) Clean slate brand;  
20) Private brand;  
21) Employer brand.

Variables of a place

A place prompts a lot of variables. Neighbors, cities and nations are generating energy and excitement. Places connect us to each other in the ways that the online worlds cannot do. The urban brand reflects upon the relative quality, reputation and competitiveness of the place identity.

Table 1 presents various definitions of a city brand. According to Anholt (2008), city brand can be defined by compelling strategic urban vision. Besides, Gavènas (2012) summarizes brand identity elements as a sum of
strategy, structure, communication, and culture. What is more, Ashworth, G., J., Voogd, H. (1990) define city as a brand that meets functional, symbolic and emotional targets that our audience needs. Also, Ooi, Can-Seng (2008) suggest that a brand of a place creates a public image of the area as a whole. Finally, Knox, S., and Bickerton, D. (2003) define city brand as a unique urban visual, verbal and behavioral expression of business model.

Table 1. City brand definition

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashworth, G., J., Voogd, H. (1990)</td>
<td>Like brands, cities meet functional, symbolic and emotional targets audience needs, and the features that meet those needs have to be balanced, combined into a unique city plan - the brand.</td>
</tr>
<tr>
<td>Ooi, Can-Seng (2008)</td>
<td>Place brand has four main functions: it creates a public image of the area as a whole; selectively and aesthetically conveys desired location characteristics; creates an image of the place that results in the area becomes unique and distinguished from others; shapes the public experience of the area.</td>
</tr>
</tbody>
</table>

Source: adapted by the authors from Anholt, S., Gavėnas, E., Ashworth, G., J., Voogd, H., Knox, S., Bickerton, D., and Ooi, Can-Seng.

Cities must fight for investment, tourist numbers, and successful businesses. The strength of the city is that companies sometimes use the name of the city in their name, for example, ‘Vilniaus duona’, or ‘Klaipėdos baldai’. A city brand helps to create the right image for the city, and the image depends
on whether the city will attract investors or young people. For instance, Cai (2002) defines means of city branding as consistent factor or their combination that helps to create a positive image of the city to gain recognition and make the city more visitor-friendly. Urban brands consist of the following: names, signs, logos, designs, and slogans. Cities have become important players in the market. City government representatives emphasize their influence on urban strategy and improve their brand management. However, the city brand meets undeniable challenges. One is that cities must use their symbolic capital - the brand - for the resources and influence the way how they bring to their perceived value in an increasingly decentralized, fluid and mediated or media-driven and defined environment. Urban branding also helps the city to function in the market and influence urban resources, thereby increasing attractiveness and export power of the city. The more successful it is, the more likely the city is to have long-term prosperity.

As Grevytė, G. (2013) cited S. Anholt (2005), there are six dimensions of location brands which show for whom and why a location needs a brand: tourism, population, export brands, foreign and domestic politics, investment and immigration, culture and heritage.

- Tourism in its nutshell means trips to relax, to experience new experiences or to have fun. Although in recent times the term had more to do with moving out of one’s own living or working environment, currently, tourism also generates revenue for the city. Tourism has gained the potential to develop cities rapidly.
- Population is a demographic and statistical concept that expresses the size of a state, its region, a municipality, a city, a village, or any other type of settlement in terms of the number of people permanently resident in that area. The number of inhabitants adjacent to the area is one of the main indicators that determine the size of a residential area, its economic, social, functional and other possibilities.
- Export brand. Brands are some of the most important locations in the ways they create and maintain an image.
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• Foreign and domestic politics. It is very important who governs the city and what policies are implemented in the city.
• Investment and immigration. Recently, cities have become centers for investment and business attraction. The more investment the city attracts, the richer it becomes and new jobs are created.
• Culture and heritage – ethnically, historically, aesthetically or scientifically – important cultural values have been taken over through several generations. Cultural heritage is divided into tangible and intangible heritage. The concept of cultural heritage has evolved for centuries. For a long time, it has been considered a unique architectural, artistic, archaeological and historical monument.

Competition between cities has been increasing lately. Many cities are competing and trying to present themselves for the best: including investment size, tourist numbers, economic growth, tolerance of foreign cultures, and appropriate policies.

Variety of city brand definitions

A number of authors describe the city brand differently.

Hayden, C., Sevin, E. (2012) analyze the period of public argumentation on city logo of Ankara, capital of Turkey. The authors analyze politicized relationships between insiders’ concept and revealed identity. In describing of this conceptual link between the mechanism of brand identity and brand image), Hayden, C., and Sevin, E. (2012) seek to deconstruct the semiotic relation between ideas and logos and submit the importance of public reasoning in meaningful branding.

Kasapi, I., Cela, A. (2017) in their article “Destination Branding: A Review of the City Branding Literature” provide an overview of the brand concept and its origins, local and destination brands, which served as an umbrella for the concept of urban brand. Destination branding theme is more specifically the city-related subdivision. According to the authors, city brand research area
is still in its infancy, and shows that there is still scope for further research in this particular area.

Fernando Rey Castillo-Villar (2018) in his article “City branding and the theory of social representation” seeks to respond to previously raised issues and tailor urban brand goals to urban image management. The second part of article is dedicated to linking construction and design-communication processes of urban image through social representation theory. This conceptual framework is to be the theoretical basis for understanding the image of the city as a process of social construction facilitates communication between individuals and the city.

Vuignier, R. (2016) stated that the idea behind a local brand is now defined in such broad, inclusive terms that both terms are confused and used as synonyms by many authors (alternately). The author mentioned that the phenomenon is noticeable in this literature review: the authors tend to use both terms, and there is no significant difference content between articles that appear in search results for the keyword “placement marketing” and “local branding” and the most recent documents are simply presented in both.

Kavaratzis, M., and Kalandides, A. (2015) in their article “Rethinking the Place Brand: The Interactive Formation of Place Brands and the Role of Participatory Place Branding” try to provide the latest information understanding local brands by going beyond associations and adding one missing element: the interaction of those associations. Authors suggest rethinking the place brands based on two pillars: first, include more geographical awareness in local branding, and secondly, describe a process that allows local elements and local associations in order to combine and form a local brand.

Rivas, M. (2015) stated that branding can be an issue of internal marketing as well. A local brand construction method can be used to gain social weight for the projects and support emerging processes in the city which need to be installed in the collective imagination and can be increasingly seen as urban regeneration project toolkit.

Riza, M., Doratli, N., and Fasli, M. (2011) mention in their article “City Branding and Identity” that the brand, largely created from marketing strategies, is increas-
ingly used in urban marketing and advertising like products. The main purpose of branding for cities is to: articulation of the city in a globalized world. If the city claims to be successful, it must be cost effective and have an attractive image.

Chaves, E., P., S. (2017) stated that brands have three main functions: navigation that helps consumers choose a brand from a variety of options; security through brand communication the quality of the product or service, thereby communicating security to the customer decision making; and the engagement that brands provide through images and languages (Wheeler, 2012, p. 12).

City brand advantages and disadvantages

While place branding (consider place marketing and place promotion) is a new umbrella term encompassing nation branding, region branding and city branding (Lucarelli & Berg, 2011), there are certain opportunities and threats that brand construction brings.

“A place brand is a network of associations in the place consumers’ mind based on the visual, verbal, and behavioral expression of a place and its stakeholders. These associations differ in their influence within the network and in importance for the place consumers’ attitude and behavior” (Zenker & Braun, 2017, p. 275).

It therefore aims to affect the perceptions of a place and position it favorably in the minds of the target groups. Place branding can even be considered as a “governance strategy for projecting images and managing perceptions about places” (Braun, Eshuis, & Klijn, 2014, p. 64). Therefore, city branding refers to all the activities that are undergone with the purpose of turning a City from a location into a destination. “Successful branding”, says Robert Jones, consultant director at international brand consultancy Wolff Olins, “can turn a city into a place where people want to live, work and visit” (Salman & Saba, 2008).

City brand construction (re-construction, too) have advantages and disadvantages.
Table 2. City brand advantages and disadvantages

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment. Ratio of the number of people of working age to the total workforce. Full employment is when all those seeking employment can find work. Seasonal employment is a temporary employment in seasonal areas. It is very important that the city has the highest employment rate as it reflects the well-being of the population.</td>
<td>Expensive</td>
</tr>
<tr>
<td>Education. Education is the process of transferring knowledge and skills to educational institutions, and not only to individuals, formally or informally. It is very important that there are schools, colleges, universities in the city that contribute to the development of the city.</td>
<td>It is tough to change</td>
</tr>
<tr>
<td>Housing. It is very important that the residents of the city are provided with housing.</td>
<td>To create confusion</td>
</tr>
<tr>
<td>Social mobility. Social mobility is the movement of individuals, and sometimes groups, between different positions within a society’s stratification system (between classes and strata). Movement in the social hierarchy can go up and down. A distinction is made between intergenerational and intragenerational (or career) mobility. Intergenerational mobility refers to mobility between the family’s origin and the class or status of the person.</td>
<td>Means responsibility</td>
</tr>
<tr>
<td>Transportation. It is important that the transportation in the city is smooth and there are no traffic jams.</td>
<td>Can be changed to another city brand</td>
</tr>
<tr>
<td>Reduced costs</td>
<td></td>
</tr>
<tr>
<td>Financial service provisions</td>
<td></td>
</tr>
<tr>
<td>Educated labor force. It is important for business educate employees in the city.</td>
<td></td>
</tr>
</tbody>
</table>

Source: created by the authors.

City brands: case studies

Lithuania has started its construction of city brands rather recently. Until 2014, Kaunas was the only city in the country that did not have a logo for city marketing. That same year, the approved brand was hesitated, whether it is informative, would those administering would be able to exploit it, or would they need it at all? The colorful, two-line letters of the city name and the word
‘sharing’ below them would be the logo of the city of Kaunas for the next five years. The winning advertising company ‘Not Perfect | Y&R’ created the brand. “Trying to objectively evaluate the face of Kaunas creates a modern and dynamic image: developed infrastructure, convenient transportation and logistics center, cultural, scientific and sports center in the middle of the country. The city has deep traditions of academic education, positive and distinctive environment, unique interwar architecture. All of this is Kaunas’ identity, intertwined with Kaunas’ city brand”, this is how the creators of the brand then presented their work. They also claimed that they had decided to combine basketball, jazz, science, and sports in the brand. They argued that a proposed sign is multifaceted, and adaptable to a variety of different contexts. According to A. Cechanavičius, then deputy head of the municipal culture and tourism development department, all major cities had their brands that were used in foreign markets. “The city coat of arms is used in official settings, attributes, patterns, whereas the brand reveals things encoded in the human consciousness. What impression you receive for the first time you see a sign, is immediately about the city. People’s thoughts about the city must be positive,” he explained. According to A. Cechanavičius, the brand must encode certain symbols. When asked what symbols are visible in the new Kaunas sign, he named basketball - a round ring in the letter “S”. “The experts have further explained that there is a symbol of science, but I will not tell you exactly where it is,” the specialist added. According to him, the creators of the sign had to familiarize themselves with the history of the city, its strategy, and plans for the future; and to choose what symbolized the city. According to A. Cechanavičius, the word ‘Kaunas’ is divided into two parts. In the opinion of A. Cechanavičius, the mark distinguishing the city from the city should be used in all marketing means. “Our department participates in 6-8 international tourism exhibitions every year, where we would present Kaunas tourism opportunities using the new brand”, then said the interviewee. Along with the visuals, the advertising company provided a guide on where and how the sign should be presented.
Rolandas Rinkūnas, Head of the Department of Graphics, at Kaunas Faculty of Vilnius Academy of Arts, gives his own opinion on this brand. First, beauty is not the key to the brand, he states. When creating any brand, or symbol, the first thing is to think about the purpose, that is, ‘who will need it’? Does it explain clearly what Kaunas would sell under this brand? What Rinkūnas means is that Klaipeda, Druskininkai sells something that is clear. Urban planners often make many mistakes when it comes to beauty alone, whereas we need to start talking about the whole thing. Above all, it must be a competitive and fair product. If a product is poor, no good advertising would help, more likely it will turn to be the opposite – it will only destroy the image more quickly. Secondly, there must be articulate communication. If the image is only made because it is fashionable, then the result is what it is. A visualization – whether it is beautiful or not – will not help. As far as the heraldry system is concerned, one could judge whether the coat of arms complies with the rules. The coat of arms often portrays angry, defending males, and in business evil characters do not fit, thus, the positive branding of states or cities is a different story, Rinkūnas declares. Of course, one can judge which brand is more informative, and which is less. A trademark is like a flag, followed by a great deal of work. According to the lecturer, tourism companies must cooperate with the municipality and jointly develop relations under this sign. As for the kind of product Kaunas would obtain, it is hard to say, because interviewee did not participate in any consideration in creating this brand. In the past, designers had been asked to come up with a Kaunas brand. This meant that designers had to figure out which direction the city would go. This time, as Rinkūnas understands it, the job did not start with the designers, at least their help was not demanded. To sum up, the isolation politics is a serious symptom of the Lithuanian urban planning.

Romena Savickienė, director of Klaipeda Tourism and Culture Information Center, says she saw the new brand of Kaunas on the Television news. However, it was still difficult for her to evaluate it, even so, at first it appeared to be difficult to read the inscription of the word “Kaunas”. The success of a sign would depend on how it is communicated, in other words, where and how it would be used, Ms. Savickienė thinks.
“The brand of Klaipeda was created quite long ago. We took part in creating it ourselves”, says the specialist. The sign indicates that this city is located by the sea and is “well-intentioned”. The logo contains a boat, a smiley face, and a sail. The inscription describes how guests arriving in the port city should feel. In English, this note sounds exactly the ‘free style’. “In the tourism press, such as in our publications, we often used this badge on souvenirs, many people liked it, and they became recognizable. We wanted this sign to appear in the heart of every Klaipeda citizen, and maybe not all work had been done. Admittedly, it had already been said that this mark should be renewed”.

Vida Jurkienė, Head of State Language Control Center, at Kaunas City Municipality, explained: “I saw this trademark before it had been approved. I immediately commented on what was wrong. There should be a dash between the syllables ‘Kau’ and ‘nas’ as the syllable is moved to the next line. Also, the word ‘distinguishes’ is not very appropriate. The main form of this verb is ‘to divide’, meaning that it must be spelled correctly. The word ‘distinguishes’ is not a mistake, but it is a by-product of the norm.” However, these comments had not been taken into account, and the logo had been validated as presented. “This is true that no one discussed the logo with me, and I saw it already attached to some text and made my own comments about the brand. I do not like the current result, but once the mark has been registered, it is unfortunately not possible to change anything”. From a formal point of view, trademarks are not considered as text, they are not notes that are subject to strict language rules. However, the public sees such a logo as a text. “I didn’t even pay attention to the design; as I laughed and asked myself what the words ‘Kau’ and ‘Nas’ stand here for?”, Jurkienė confesses.

Case study of Vilnius

In 2019 a group of experts of design and advertising, together with representatives of Vilnius City Municipality selected a logo representing Vilnius’ celebration of the 700th anniversary in 2023.
The competition, which had a total of 75 entries, had been won by a concept proposed by graphic designer Edwin Grishin: three figures resembling 700.

According to the decision of the Committee of Experts, Simonas Urbonas was the second prize winner and Gintas Lapėnas made the third prize winner.

According to E. Grishin, the idea of the sign was born while he was living in Portugal, but was already considering his return to Vilnius.

“When I was designing the logo for Vilnius, I was thinking about what the city related to me. First of all, it did with the architecture that shapes the face of the city and our way of life. This is how the logo conveys the idea of a very simple tool used by architects - a ruler-stencil”, E. Grishin quoted in his inaugural speech.

He said he wanted the mark to be “memorable, but not overly complicated.”

“I was also looking for a solution to engage the public more actively in its use, not wanting it to be just a static symbol used only in the attributes of the institution,” the developer said.

Mayor R. Šimašius hoped that the logo “would become a recognizable symbol of the celebration”.

“And not only in Lithuania, Vilnius has already proved its ability to shine internationally and attract foreigners,” the mayor said.

The winner has been in the advertising industry for nine years and had been specializing in branding for the past five years for the own studio, ‘Pretty Much’ Agency.

The logos were selected by a commission consisting of experts of graphic design, advertising developers, municipal representatives: Gediminas Lašas, Chairman of the Board of the Lithuanian Graphic Design Association, Tomas Ramanauskas, creator, lecturer and publisher, Donatas Kliunka, founder of Critical Design Agency Dovilė Gaižauskienė, designer Gabrielė Mišeikytė, municipal councilor Darius Kuolys, and advisor to the mayor Karolis Žukauskas.

Let us come back to one of the anonymous experts who is famous for winning the influencers’ opinion on the public issues. He says “City and country images have been interesting to me since the time of my undergraduate writing, so here I put my opinion.”
1) Mistakes are healthy. The expert states that he likes it when every city in Lithuania tries to do something with its image or brand; and although sometimes these attempts fail, but at least they give the impression that cities are starting to take care of their image (what is very difficult for our country, as we are not sure whether cities can succeed). And mistakes will sooner or later also lead to quality, because competition between cities will effect branding, and it will be improved. It is important that there is awareness, need and less moaning, that six-digit amounts are allocated to such things (NB: normal price, after all the work is done – it is not just drawing one logo, if anything).

2) Advantages:
   a) Vilnius Logik. Initially the writer looked suspiciously at this slogan of Vilnius, but he confesses that he started liking it more and more because it can accommodate many interesting solutions. It also has viral potential (both for the domestic market and abroad) if it is to be worked on a city of interesting contrasts: “a city in the woods”, “a beer and wine mix” and so on. And everything fits within the framework of Vilnius Logik. The potential is really good, and here is probably the best slogan of the Lithuanian city from those he remembers (“Kaunas shares”, “Panevezys - a new direction”, “Klaipeda - free style”). The idea of Vilnius Logik will not be eternal, but “every five years it is possible to have fun”. From the tourist side, we notice when we travel: how interesting the country or city contrasts are, when a modern building stands next to an old ruin, when a small village is neighboring a tall church tower, when in a modern city, you find Shnipishkes behind Vilnius skyscrapers. Contrasts are certainly a ‘hook’ that can suit tourists, and this slogan can be based on more than just paper, as, for example, the barely-created Panevezys slogan of anything called ‘New Direction’ destroyed itself.

   b) Use of verb symbolism for design elements is arguable. Knowing how many different symbols and signs a city needs, which are often not closely related to one another, it can be a great way to create a uniform
and boring symbolism for the whole city. And souvenirs with this design would look more fun to me than with the castle tower symbol.

3) Disadvantages:

a) The outline of a castle for a young, growing city is, in expert’s opinion, too conservative, static and without any intrigue. Lithuanians always romanticize the Middle Ages, “but in doing so we will hardly attract the attention of foreigners who do not know our history”. Neither tourists nor investors will look at Vilnius as a 700-year-old city – for a while we will still be interesting as one of the undiscovered capitals of the new Europe that appeared on the map just 20 years ago (or more precisely 10 years after EU accession). Therefore, this positioning conflicts with everything else Vilnius Municipality does, actively attracting tourists and investments to us as a new, undiscovered but interesting land.

b) The same with “City of Kings” – the expert argues whether maybe it was just a justification of Vilnius brand and this message would not be used in communication, but to associate Vilnius with kings is hardly right, because “we only had one, whereas monarchy did not survive and Europe, or Scandinavia, and there are plenty of capitals that had royal dynasties with Vilnius which cannot even compare with them in this respect”. And if the king was just a metaphor, then the tower (and crown) in the trademark turned into the symbol or metaphor into a claim to the real city of kings. Vilnius is not like that, and it can be a city of princes, revolutions, baroque, or anything but kings.

c) Red color. It can be a joke that the mayor is making a nest here for the social democrats hatch, but if seriously, choosing a red color, Vilnius trips on the rake of neighboring larger cities – Riga and Warsaw. It does not matter that at the moment their brands do not have a dominant red color, but both Latvian and Polish national colors contain different shades of red, so their capitals will be identified with red (just like Tallinn will probably always remain a blue city). And “so often we complain that foreigners consider Riga our capital, and now we can complain about the fact that
the Vilnius brand advertises Riga - because Riga has both red and the castle, so why would the Vilnius mark not fit Riga?” Obviously, the coat of arms of Vilnius is red (now also the airlines), the validity of the red color is as it is, but in this case the context is stronger than the little-known coat of arms, airlines and ‘Lietuvos rytas’. It is true that I am waiting with irony for the cards of Vilnius to be changed to red - after all, they should change if they create the city image neatly. And then most Vilnius residents will have a kind of red certificate.

d) The slogan is unrelated to visuals. No matter how the expert looks at the towers of the tower against a red background, he found it difficult to see anything encoded there under the slogan of Vilnius Logik. They even contradict each other (though perhaps this is where the meaning of Vilnius Logik lies deep and hidden). And anyway, in general, no intrigue is brought by visual sign. And for a city that is still changing and growing, it would like a more active and interesting symbol.

The expert imposes that Vilnius in Europe must be a bold, attractive, intelligent and at the same time cheeky but mature teenager caught by the best universities, not a retired solid, reliable man who slowly but very steadily mows the grass in his yard.

“Anyway, the good news is, that no matter how good or bad a city brand is, it won’t do wonders or tragedies. How many of the last 5 foreign capitals visited do you remember? So why create that image?”

Finally, let us discuss the case of the scandalous G point as referred to the city of Vilnius.

In 2018 the advertising campaign “Vilnius, the G-spot of Europe” was presented in Berlin and London, predominantly on the Internet, and it said: “Vilnius is Europe’s G-spot. Nobody knows where it is, but when it is, it’s wonderful.” The advertising poster depicted a young girl clutching a blanket-map on the place where Vilnius should be. During the campaign, web banners and video clips lead to a specially crafted website. In order to keep visitors’ attention and encourage them to get to know Vilnius, it invited them
to play a special game: some questions were asked, and then a personalized map of Vilnius’s attractions would be offered to the visitor. The government had previously asked the Vilnius municipality to postpone the launch of the campaign until the visit of Pope Francis in September. The Lithuanian Catholic Church had criticized that G-spot advertising strengthens the image of Vilnius as a sex tourism city. The advertising agency Go Vilnius, the capital’s tourism and business development agency, said it was using some word play and metaphors to present Vilnius as a city where pleasure comes from, and advertising was not vulgar.

The idea of the advertising campaign was created by Jurgis Ramanauskas, Skaistė Kaurynaitė and Ugnius Mikšta, who then studied at the ‘Atomic Garden’ advertising school.

Figure 2. Representation of the City of Vilnius as the ‘G’ spot

“The main insight of the campaign was that no one knew where Vilnius really is, but as soon as they find out and come, they are all very happy and in love with our city. This insight came from conversations with foreigners, including their lecturer. So when they realized that there was a place that no one knew, but when they discovered it, everyone was very pleased, then the G-point analogy offered itself”, J. Ramanauskas said. This work, created by students, was selected by ‘Atomic Garden’ lecturer Antonio Bechtle, who had abundant of international experience in advertising, to receive 25 awards, including one for a tourism promotion campaign in Peru. Mr Bechtle emphasized that while the idea was not his but his students’, he would boldly put his signature on it, as it is well suited to the target audience, which in this case are young, open-minded people from Western countries. “Based on my experience in advertising locales, I am convinced that this campaign is absolutely right and a big step forward in advertising for Vilnius as a destination,” says Bechtle. “Advertising speaks to the target audience, using humor and breaking established rules. What is important is that it articulates the feeling of an alien visiting Vilnius: that you have discovered something wonderful that has always been, but you have not known it yet.”

We may like it or not, the global context offers some examples that can be really inspiring for our co-patriots, while working on the city branding. For instance, in 2017, Werklig brand design agency created a new brand identity for the city of Helsinki in record time: 7 months. The wave motif from the coat of arms was taken for it and used in the city’s new branding, along with a ship and a crown.

Another example is presented in the literature with Paris:

“Using or not the symbol of the Eiffel Tower was our first question. Difficult to do without the great lady, to communicate effectively about the destination “Paris” to an international audience. However, we were aware of entering a visual territory particularly used and where the kitsch border is very close. We went for simplicity, and concentrated our efforts on a typographic design that can be seen as a Parisian skyline, the drawing of the “A” directly evoking the Eiffel Tower. The result is a minimalist typogram.”
According to graphic designer Tony Hardy, the ‘A’ in Paris become the legs of the Eiffel Tower. The ‘I’ becomes a feature because of the well-known “Tourist Information” symbol. That is how perfect blend for the city’s Convention and Visitors Bureau has been developed (https://dribbble.com/cannytony).

Tomas adds that the “I amsterdam” concept and identity also has a great recognizable quality (...) If you’ve ever visited Amsterdam, the chances are you’ll have seen the modern “I Amsterdam” text stood proud, contrasting against its background, the Rijksmuseum Amsterdam.

“The challenge presented was very clear. The city needed a visual system, a visual identity that could organize and simplify communication with the citizens and could at the same time define a clear hierarchy, bringing together the city and the city hall. We needed to represent Porto, a global city, the city for everyone.” Eduardo Aires (https://www.behance.net/gallery/20315389/New-identity-for-the-city-of-Porto).

This is how identity for the city of Porto in Portugal was redesigned back in 2014. All the cases discussed earlier, bring us back to the theoretical backgrounds provided in the first part of the paper.

Conclusions

1) Upon the revision of relevant theories applicable to city visual branding, we came to the conclusion that since a place prompts a lot of variables, we need to consider numerous components, such as population, industries, landscape, economies or history, so that we could create a comprehensive concept for a city brand.

2) By overviewing various definitions of the city branding and notice some advantages and disadvantage they might pose, we confirmed our hypothesis about the variables of the city (re)branding, such as its price, semantic complexity, societal charge or responsibility, its changeability, or rigidity.

3) While providing various case studies so that we could summarize the methodologies of why and how we could better position our locales
globally, we arrived to the conclusion that the best way to create a viable city brand is a collaboration between municipalities and businesses as commissioners for the project, together with artists and designers, who know how to transform the ideas into signs.

4) Upon completion of our research we recommend that, while selecting potential expert for city logo development, priority should be given to (a) responsible experts in strategic / territorial and national policy making or related activities, (b) experts with knowledge of sustainable development, (c) independent sustainable development analysts / consultants / private and academic or who have implemented specific project-based on sustainable development both nationally and internationally.
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Developing a City Brand


ABSTRACT

**Objective:** General concept of neo-institutional measurements of business processes is an approach developed by the author, which fits in with the practical search for appropriate methods and tools that would optimize effectiveness and efficiency of business process management. The objective of the following discussion is to prove the thesis that effectiveness of business processes that take place within a company depends on the quality of support of such processes that is included in the set of supporting factors, as well as on neo-institutional determinants of business processes.

**Methodology:** In the article, the author used primarily long-term observations of the functioning of enterprises, critical literature analysis and thought experiment.
Findings: The concept was based on long-term of author’s experience in business management and it was essentially grounded in the model of the new institutional economics. On the basis of critical analysis of the literature and with the use of empirical research results from different industries and countries, it defines four hypotheses, which make ground for the concept in question. These are: hypothesis of rational change of condition, hypothesis of expected determinants of business processes, hypothesis of rational determinants of business processes and intensity of impact hypothesis.

Value Added: The concept presents a new holistic and behavioral method for business processes analysis.

Recommendations: The general concept of neo-institutional measurements of business processes may become a new economic approach concerning the issues of effectiveness and efficiency of business processes, but also it may become the ground for creation of a new catalogue of recommendations for managers, who, on a daily basis, make difficult managerial decisions.

Key words: internal organization, organizational behavior, transactions, transaction costs, firms

JEL codes: D230 Organizational Behavior; Transaction Costs; Property Rights; L220 Firm Organization and Market Structure; M210 Business Economics

Introduction

There are as many factors that determine high level of efficiency of business processes’ implementation, as those that hinder and limit their (processes) efficient proceeding. Therefore, it is the role of managers to manage organisations in a way that would reinforce the former and diminish or eliminate the latter. It does not require further reasoning to state that modern organisations function in a very dynamic environment, which undergoes constant fluctuations, and factors that affect the way business processes are implemented create more and more extensive and dynamic catalogues of institutions and socio-economic determinants. Therefore, in this context, business management seems to be ineffective from the perspective of classic production factors, to say the least. Search for an accurate methodology that in terms of effectiveness and efficiency would allow optimal management of business
processes, is still a relevant topic, both among economists and managers. The author’s work describes that search – and it is worth highlighting – it is from the point of view of managers who do academic research as well as those who actively perform business management.

The general concept of neo-institutional measurements of business processes presented in this work is an approach, which has been developed on the basis of many years of the author’s experience in business management inside and outside Poland, but also on the basis of his academic research and the critical analysis of the extensive literature on the subject, in particular on the new institutional economics. It is difficult not to notice the very apparent neo-institutional approach of the author, which results in a very holistic and multi-faceted approach to the topic of management. Therefore, institutions presented as determinants, which on the one hand, support and, on the other limit actions of people who make contacts as part of business activities, are significant elements of the presented concept. This holistic approach to management also manifests itself in a comprehensive perception of institutions themselves. These include not only the classic production factors, but also the all-encompassing stream of socio-economic determinants. Therefore, contemporary managers are not only economists, but also a bit of psychologists, sociologists, culture experts, negotiators, strategists, humanists or even philosophers.

The general concept of neo-institutional measurements of business processes was developed on the basis of the contemporary issues of the new institutional economics and managerial experiences of the author. Its essence and purpose has been captured in the main thesis, which comes down to the following statement. Effectiveness of business processes that take place within companies depends on the quality of support for such processes included in a set of supporting factors, as well as on neo-institutional determinants of business processes. Neo-institutional approach to business process management creates opportunity to increase effectiveness of business processes. Measurements of such processes become
safeguards which control the quality of management of those processes. The hypotheses of the concept presented in this paper have, in a way, become a fundamental justification for the thesis. These are: the hypothesis of rational change of condition, hypothesis of expected determinants of business processes, hypothesis of rational determinants of business processes and the intensity of impact hypothesis. They have been discussed in detail in this article. The concept, although strictly theoretical by its nature, has also found its empirical foundations and explanation. They have been presented in the part of the article devoted to determinants of business processes in managerial practice, which is a presentation of the original empirical research carried out on a group of active and practicing managers from different sectors of the economy.

The general concept of neo-institutional measurements of business processes, as a theoretical construct supported by business practice and empirical research may become a new economic approach concerning the issues of effectiveness and efficiency of business processes, but also - or rather, first and foremost – it may become the ground for creation of a new catalogue of recommendations for managers, who, on a daily basis, make difficult managerial decisions. In this spirit, the discussion that reveals neo-institutional approach to business process management, has been presented below. By discussing the theoretical and empirical foundations of the concept – presenting results of empirical research, and revealing the basic assumptions of the concept – the author presents the most important, elementary hypotheses of the general concept of neo-institutional measurements of business processes. On that basis, conclusions and guidelines for managers have been presented and the most important measurements of business processes have been discussed to close the discussion.
The general concept of neo-institutional measurements of business processes has been developed on the basis of many years of managerial experience of the author, the critical analysis of literature devoted, in particular, to the new institutional economics, as well as on the basis of empirical research carried out among managers. The first presentation of the concept took place in 2018 and it was titled “neo-institutional concept of measurements of business processes”. Since then, the author has somewhat verified the initial concept, on the basis of extended interviews with managers, which resulted in development of the general concept of neo-institutional measurements of business processes.

The most significant theoretical background of the author’s reflections is based on different concepts which fit into the stream of the new institutional economics. The theory of institutions, property rights theory, theory of transactional costs and the theory of contracts were those that were mainly used for the sake of development of this concept. In that field, critical analysis of, among others, the following authors was carried out: E. Brousseau and J. M. Glachant (Brousseau & Glachant, 2008), C. Menard and M. M. Shirley (Ménard & Shirley, 2008), P. Ollila (Ollila, 2009), E. Ostrom (Ostrom, 1990), R. Coase (Coase, 1937), J. Commons (Commons, 1931), G. Hodgson (Hodgson, 2006), S. Kirdina (Kirdina, 2003), P. G. Klein (Klein, 2000), D. C. North (North, 1991), O. E. Williamson (Williamson, 2007) or S. Rudolf (Rudolf, 2009). Of course, only some exemplary references have been listed, which enabled the author to create the theoretical basis for the reflections mentioned below. The way the author perceives and analyses theories that make up the new institutional economics is not without significance for the development of the general concept of neo-institutional measurements of business processes. It was presented in 2017 for the first time in the monograph that described the concept of optimisation of public investments in the context of the chosen
theories of the new institutional economics. The author suggested that the individual theories should be presented from the perspective of the order of the institutional economics, understood as a situation in which the number of different institutions determine sustainable economic development (see Derkacz, 2018b, pp. 37–38).

Along with the new institutional economics, the critical analysis of literature on theory of Petri Nets plays an important role in these reflections. Although operations that take place within enterprises are here seen from the perspective of process management, it was necessary to make such processes more dynamic for the sake of creating the general concept of neo-institutional measurements of business processes. Methodology used in the Petri Nets turned out to be useful here (see Ayar & Marechal, 2013, pp. 3–19). Without getting into details, it is enough to say that the structures from the Petri Nets comprise of two types of nodes, the so called places and transitions, which are interrelated in different ways (see Suraj & Grochowalski, 2017, p. 3). Places of business processes are static elements, which determine different states or conditions for a given operation. They have been reflected in the concept discussed in this article as conditions which support proper processes. On the other hand, transitions reflect active elements of the model and they refer to particular activity within a given business process. They are also often referred to as transitions. It is also valuable that this methodology differentiates between relations which function in the Petri Net model. We deal with relations that follow the place-transition and transition-place pattern (see Kurapati, 1995, pp. 36–40). Such differentiation does not exist in the methodology used for process management. In the BPM models there are only relations which tie the whole process to the antecedents and successors, which are particular operations in that process. Thanks to such differentiation of relations we are able to analyse particular business process from the perspective of input and output conditions. It will be quite significant for reflections on general concept of neo-institutional measurements of business processes, which shall be presented in the
subsequent part of this article. Another element, which makes the applied methodology stand out significantly from the rules of the process model, is the use of the so-called tokens. They define particular resources or information, which are required for execution of operations. The tokens may also represent different physical objects or they can represent marking of a state or conditions for particular processes that take place within a company (see Peterson, 1981, pp. 10–18). The use of such a solution for defining the general concept of neo-institutional measurements of business processes enabled their (processes) analysis from a new, much broader, perspective than in the case of the much more commonly known methodology of business process management. However, it does not mean that the latter is not useful when it comes to management of organisations. Application of the Petri Nets theory should rather be treated as a kind of supplementation of the common rules of process management.

In the process of development of the general concept of neo-institutional measurements of business processes, the results of empirical research were as important as the critical analysis of the literature. At this point, it should be mentioned that the significant part of information and knowledge comes directly from the many years of experience of the author himself, as he manages to successfully combine academic work with his own managerial practice. It is impossible to deny that many years of his practice and the fact that he managed enterprises in different industries, and the fact that he had numerous conversations and debates with other managers, influenced the final shape of the general concept of neo-institutional measurements of business processes. Therefore, more extended interviews with people responsible for functioning of enterprises became an important cognitive element. Despite that, in order to develop this concept, a survey was carried out among managers of different rank. 160 managers participated in that survey. A questionnaire was sent via the Internet, and it was anonymous.

The questionnaire was divided into 5 blocks of questions. The first consisted of 6 questions which referred to the respondents themselves and to the
enterprises managed by those respondents. The second block of questions dealt with efficiency measurement of operations carried out within companies. Further part of the questionnaire was about the degree of significance of different measurements carried out by managers for optimisation of managerial decisions. Questions were asked about the significance of measurements of (1) outcomes of business operations, (2) necessary resources and support and (3) the method of execution of business operations. The fourth part of the questionnaire dealt with individual groups of determinants of business processes. They were divided into process factors, factors relating to the whole enterprise, as well as external factors, and the task of the managers was to define their significance for effective running of business activity and optimal management of an enterprise. In the final part of the questionnaire, the managers were presented with 28 different determinants, chosen by the author, and they were asked to assess their impact on efficiency of business processes in an enterprise. The respondents would assess individual determinants on a five-point scale, starting from very positive to end with extremely negative impact on the efficiency level.

Questionnaire questions were also supplemented with extended interviews with more than ten managers. The aim of those interviews was to make some information, collected during the survey, more precise. At this stage, the author wanted to obtain information about particular examples of the performed measurements of efficiency of operations. The managers talked about the used measurements of the sheer outcome of the operations, necessary resources and support, as well as the methods of carrying out of individual process operations. In that respect, also the examples of analyses of changes in the degree of efficiency in different periods of time were revealed in the context of questions concerning impact of different groups of determinants on efficiency of business operations. During the extended interviews the managers gave interesting examples of such determinants. They were grouped into factors (1) concerning individual operations carried out within a company, (2) factors concerning the whole organisation and (3)
external factors. That way, the theoretical material and the empirical data collected through the questionnaire and the extended interviews supplemented the critical analysis of the literature on the subject matter, which together determined development of the general concept of neo-institutional measurements of business processes.

Determinants of business processes in managerial practice

The concept of neo-institutional measurements of business processes, although by its nature bears the characteristics of a theoretical approach of the author, supported by his own experience as a manager, was also supported by the empirical research. For that purpose, a questionnaire was developed, which was dedicated for managerial staff. It involved 160 managers of different rank, from different enterprises and countries. Most of the participants, 38%, were managers of a medium rank, and 25% were the owners of enterprises.

Figure 1. Respondent’s job in an enterprise

![Bar chart showing the distribution of respondent’s job in an enterprise]

Source: own work.
The rest of the group of the managers who participated in the survey were managers of a lower rank (13%) and higher rank managers and management board members (6%) (see figure 1). The respondents were managers working for enterprises of different sizes. Most of them represented small companies (44%), next there were big companies (31%) and medium size enterprises (25%). Thus, because the survey was carried out in Poland, it seems valuable to note that 37.5% of the managers described their companies as international due to the area on which they operated. The rest of the companies (6.5%) limit their activity to the country of origin. In this context, the statistics of the analysed enterprises is also important from the perspective of the country of origin. The biggest group consists of Polish companies, which make up
50% of all the enterprises. The remaining companies were from Austria (13%), India (6%), England (6%), Ireland (6%), Germany (6%), the Czech Republic (6%) and Georgia (6%). Characteristics of the analysed enterprises were also presented in the answers to the questions about the application of rules of process management. It turned out that among the analysed enterprises 19% used this kind of solution for the full management scope, and 50% of the companies did not perform process management at all.

In the remaining enterprises the rules of process management were used only in some areas of their activity (see figure 2). From the answers to the next question from the questionnaire, on the other hand, it stems that in 19% of the enterprises rules of process management are about to be introduced in the next two years, and in 38% of the companies no decisions in that respect have yet been taken. Only 25% of the analysed enterprises were strongly against implementation of this form of management, and those were predominantly small enterprises.

Figure 4. Analysis of changes in efficiency of business processes

Source: own work.
Another group of questions dealt with measurement of efficiency of the operations undertaken in the analysed enterprises. As many as 69% of the managers gave a positive response to the question whether in their enterprise there were measurements carried out concerning achieved goals (outcome, result, product, service) in the production or service process. Negative response was provided by only 6% and 25% of the managers claimed that such measurements are carried out sporadically (see figure 3). The situation looks different in the context of measurements of necessary resources and support of production or service processes. Here, 44% of the managers gave a positive reply, 13% negative and partial measurements of support are carried out in 31% of the analysed enterprises.

Another question concerned the analysis of changes in efficiency of business processes. 63% of the managers who participated in the survey claimed that such analyses are carried out on a regular basis, once a quarter or once a year. 19% of the managers do not perform analysis of changes in efficiency on a regular basis, and the same percentage of them do no perform it at all (see figure 4). The last question concerning measurement of efficiency was about assessment of the degree of validity of measurements of the outcomes of business processes alone and the analysis of the ways they (business processes) had been executed. It turned out that 50% of the
managers think that each analysis is equally important for efficient business management. 19% of the managers thought that analysis of outcomes was more important, and another 19% also used analysis of outcomes of business process operations (see figure 5). The managers also described the importance of individual types of measurements for making optimal managerial decisions. Detailed analysis of outcomes of business processes is really crucial for 50% of the managers, and important for 44% of them. On the other hand, measurements of necessary resources and support of business processes are very important for 44% of the managers, and 50% consider them important. Measurements of the way the operations/business processes are carried out were assessed as very important by 63% of the managers and for 31% they were important.
Next, the managers gave answers to the questions concerning the importance of different factors and determinants, for efficient performance of business processes. They were divided into three groups. The first group involved determinants which directly influence particular business processes. It turned out that this group of factors is extremely important to 44% of the managers, and 19% of them considered them important. The second group of determinants were factors that concerned functioning of the whole enterprise. For 25% managers such determinants were very important, and 38% of the managers considered them significant for efficient functioning of an enterprise. The last group of determinants involved factors referring to phenomena that take place outside a company, which significantly de-
termine the way it functions. It turned out that for 38% of the managers they were very important, and 50% of managers considered them important. The managers who participated in the survey were presented with a list of 28 chosen determinants, defined by the author. They were asked to determine the degree to which a particular factor affects efficiency of business processes carried out in an enterprise. They could assess them on a scale from 1 to 5, where 1 meant an extremely negative impact, and 5 meant a very positive impact on efficiency of business processes. A detailed list of answers is shown in figure 6.

**The basic assumptions of the concept of neo-institutional measurements of business processes**

Any human activity undertaken to perform business tasks is determined by a broad spectrum of determinants. Those factors influence actors of those processes in various ways and create a causal institutional sphere (institutional environment). For methodological clarity of the upcoming analysis, individual groups of institutional determinants of business processes should be defined.

The first group of determinants of business processes will consist of any type of factors that support a process \( P_s \). They should be perceived from the perspective of their operationalization. They will therefore, include all of the elements, which are responsible for the resource demand required by a business process. A set of factors supporting a business process can be presented in a form of a formula:

\[
P_s = \sum_{m=1}^{\infty} p_s^m
\]

1. Causal institutional sphere (this term is based on the concept of a coherent causal sphere which is for the acting man a source of a broad stream of essential and subtractive institutions that on the one hand enable his/her activity, and, on the other hand, limit it). See Derkacz (2018a, pp. 4–5).
General Concept of Neo-institutional Measurements of Business Processes

where:

\[ P_S - \text{set of factors supporting a process; } p_m - m \text{ a factor of a business process} \]

This means that factors that support a business process \((P_M)\) make up \(s\) set of determinants \((m)\) for a particular process \((T)\). Number of factors and their characteristics will depend on definition and structure of a particular business process.

The second group of determinants are neo-institutional determinants of business processes \((P_D)\). The main characteristics of those factors is that they make the actual environment, which determines the way the business processes are carried out. It also needs to be mentioned that these are expected factors, which find their reflection in defining and programming of business processes. Those factors reveal their neo-institutional character of process management and they also refer to the factors presented in the new institutional economics. Neo-institutional determinants of business processes make a characteristic set of different institutions which can be presented in a form of a formula:

**Formula 2**

\[
P_D = P_P \cup P_O \cup P_E
\]

where:

\[ P_D - \text{neo-institutional determinants of business processes; } P_P - \text{expected determinants of processes; } P - \text{expected determinants of an organisation; } P_E - \text{expected determinants of the environment} \]

It implies that the set of neo-institutional determinants of business processes consists of expected determinants of business processes, expected determinants of an organisation and expected determinants of the environment. The first subset consists of factors which are directly aimed
at a particular business processes within a company, and which have their source within an organisation. These can include, for example, factors related to work environment, infrastructure conditions in the facility, expectations of employees, need for motivation or organisation of information flow. The second subset consists of determinants which directly refer to the whole organisation, and their source lies within its boundaries. Here, we will find factors which are the result of the organisation’s operations and which are vectored towards the way such organisation functions. The last subset of neo-institutional determinants of business processes are the expected determinants of the environment. The source of influence of such determinants should be sought in an extensive environment of an enterprise, however, effects of such determinism are present within a company. Each of the three subsets of neo-institutional determinants of business processes can be presented in accordance with the following formulas:

<table>
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<th>Formula 2a</th>
<th>Formula 2b</th>
<th>Formula 2c</th>
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<tr>
<td>[ P_P = \sum_{n=1}^{\infty} p_P^n ]</td>
<td>[ P_O = \sum_{n=1}^{\infty} p_O^n ]</td>
<td>[ P_E = \sum_{n=1}^{\infty} p_E^n ]</td>
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The factors presented above that support a process \( P \) and neo-institutional determinants of business processes \( P \) together create a complete set of determinants which is referred to as an input support \( P \) for a specific \( T \) process. This set can be presented in a form of a formula:

\[ P_i = P_S \cup P_D \]

where:

\( P_i \) – input support of a \( T \) process
This means, that each activity of a person who is carrying out specific operations in an enterprise is performed under the influence of a broad spectrum of determinants and factors of business processes. This set creates a causal institutional sphere, which on the one hand enables, and on the other hand, limits particular actions that can be taken by people as part of business processes that take place in an organisation. This feature that characterises determinism of an institution, needs to be strongly highlighted. In the literature of the new institutional economics the limiting function of institutions is often mentioned (see North, 1991, p. 97). To start with T. Veblen, to end with the contemporary economists of this trend, it is said that institutions are the externally imposed formal rules or informal limitations, which create a distinct, imposed structure that determines all human activity (see North, 1990, p. 9). The author believes that just as important role of an institution is to enable or to make it easier to perform specific tasks and processes undertaken by people also within a company. Similar conclusions may also be drawn from the analysis of data that comes from the empirical research that was previously mentioned in this article. The conclusions shall be discussed more extensively in the further part of the article, which is devoted to conclusions arising from the general concept of neo-institutional measurements of business processes.

Hypothesis of rational change of condition

In this article all processes taking place in organisations shall be treated as dynamic input-output or cause-and-effect systems. On the other hand, a person who works in an organisation is perceived in accordance with the concept of a contracting person. In this context, any activity undertaken by

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2. The expression – input-output systems – comes from the Petri Nets methodology, which defines actions from the perspective of input and output conditions. The stress is largely put not only on the structure of action itself, but also on the structure of input conditions and of conditions of the outcome of operations.

3. The concept of a contacting person is based on the theory of contacts of the new institutional economics, where contacts constitute fundamental activity of companies (see Brousseau & Glachant, 2008,
a contracting person within an organisation, should involve operationalization of a broad stream of factors that are part of a supporting input condition \( P \) in the form of outcomes of a particular process \( P_R \). Therefore, it can be said that here an organisation is defined as an entity, which comprises of a complex network of dependencies between contracting people, who are represented as multifunctional chains of added value. Such assumptions, that stemmed from the author’s own observations and business practice, resulted in formulation of the hypothesis of rational change of condition.

\[ \exists \bigcup \{P_D, P_S\} : s(P_j) = s(P_i) - \ln(P_D, T) - \ln(P_S, T) + \text{Out}(T, P_R) \]

where:

- \( P_j \) – output condition of the outcome of a \( T \) process;
- \( \ln(P_D, T) \) – supporting the \( T \) process with \( P_D \) factors;
- \( \ln(P_S, T) \) – supporting the \( T \) process with \( P_S \) factors;
- \( \text{Out}(T, P_R) \) – corollaries of the implementation of the \( T \) process in a form of its \( P_R \) outcomes.

The hypothesis says that in the causal institutional sphere of an organisation, such sets of expected neo-institutional determinants of business processes \( \{P_D\} \) and factors that support them \( \{P_S\} \), coexist, which create a cumulative supporting condition \( P \). This implies that each business process that takes place in an organisation involves a changing of the input supporting condition \( P \) into its outcome \( P_R \) and finally into an output condition of a business process \( P \). Its optimal implementation is possible only with the use of all of the determinants and factors from the set of supporting conditions. In this light, the actual process displays properties of a concurrent AND-join.

\[ \text{pp. 37–40). For the first time this expression appeared in the context of economic policy and production system where a human being is treated as the main entity that implements economic policy tasks (see Derkacz, 2018a, pp. 3–4, 10–12).} \]
transition4, which results in a situation in which the outcome of a process \((Out(T, PR))\) depends on all the elements that are part of the process supporting condition (see Ayar & Marechal, 2013, pp. 78–90). Those co-dependencies have also been presented in the diagram above (see figure 7).

Figure 7. Sources of supports and determinants of business processes

Source: own work.

At this point, two terms, which appear in the hypothesis of rational change of condition, need to be explained. The first one is the outcome of the process \((PR)\), the other one is the condition of the outcome \((s(P_j))\). At first glance, they seem to be identical. However, they differ significantly. The first one shows the added value generated through execution of a business process. The condition of the outcome, on the other hand, shows the reality that was created as a result of generation of that added value. Using the language of the new institutional economics it can be stated that the condition of the outcome of the operation defines a new field of causal institutional sphere for next operations and processes that will take place in the cycle of functioning of an organisation. The outcome of the process is therefore, the added value generated by a particular business process. Condition of the

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4. Concurrent AND-join transitions are the exemplary control flow of transitional conditions to operations (transition) of a concurrent characteristics. Such concurrency defines such operation, which, for its optimal execution, requires more than one support and that has only one output connection.
outcome constitutes all the benefits, which will be able to be "consumed" by next operations and processes that take place in an organisation.

The explanation of the differences between the outcome of a process and the condition of an outcome is enough to explain the hypothesis of rational change of condition presented in formula 4. From this it follows that, the expected outcome of the process is defined as an output transition condition \( s(Pj) \), it is possible to obtain in an efficient way only if two requirements are completely met. The first one is the need for appropriate support of the process in a form of defined expected neo-institutional determinants of business processes \( \text{In}(P_j, T) \) and factors that support that very process \( \text{In}(P_s, T) \). These groups of determinants should constitute, at the time the particular process is ready to operate, an appropriate supporting condition \( P \). The second requirement that is necessary to obtain the expected outcome of the process, is the effective relation between its direct corollaries \( \text{Out}(T, PR) \) and the input condition. This requirement concerns the moment in which the results of the proper process obtain the status of that process’s outcome. Those two key requirements, which stem directly from the hypothesis of rational change of condition have a significant meaning for the concept of neo-institutional measurements of business processes. Due to them, three areas are created, in which it is possible, or even necessary to take control measurements. These will, therefore, include measurements of the supporting condition, measurements of the transition itself and measurements of corollaries of business processes.

Hypothesis of expected determinants of business processes

The hypothesis of expected determinants of business processes largely refers to approach of managers, who, among other things, should observe,

\[ \text{Transition} \text{ – this term comes from the theory of Petri Nets and it refers to a particular action.} \]
diagnose and define the broad stream of determinants that shape the institutional environment of processes that take place in an organisation. In this context, introduction to these reflections, the expressions “expected” determinants of business processes suggests that there is a coexisting catalogue of such determinants, which may come across as unexpected. Based on observation of socio-economic phenomena that take place in enterprises and on the critical analysis of literature on the new institutional economics, it can be stated with all responsibility, that in the broadly perceived economic sphere, there is a huge number of different kind of institutions, which in a real way determine the way of functioning of business processes in organisations. However, the problem, comes down to the fact that not all of those factors are taken into account in the process of business process management. There are many reasons behind that. It is enough to list, for example, the lack of complete information, incomplete knowledge or even functional fixedness of managers. Additionally, people responsible for an organisation cannot break certain barriers in the management process, and they focus their attention on stiff, or what is even worse, inappropriate methods of problem solving within a company that are not matched to the dynamics of the business environment (see McCaffrey, 2011, pp. 215–218).

In this context, the notion of error of defining of determinants of business processes is introduced to the concept of neo-institutional measurements of business processes.

In reference to the above, while talking about the hypothesis of expected determinants of business processes, it needs to be clearly highlighted that the neo-institutional causal sphere is a set of numerous institutions, which in various ways determine processes which take place in an organisation. Such a situation is portrayed in formula 5a.

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6. The functional fixedness of managers means continued execution of the same activities although they do not add to improvement of how efficiently a company functions. It is a mechanism is about the perception of particular elements or functions or subjects, which are treated as their immanent ingredient, which limits the cognitive process (see Hudson, 1962, p. 196).
The formula above presents a situation, in which each organisation functions in a causal neo-institutional sphere, where real and objective determinants coexist, and which influence the processes that take place in it (\( \overline{P_D} \)). This set of neo-institutional determinants of business processes has been presented as a sum of those expected determinants which had been included in the definition of business processes (\( P_D \)) and determinants, whose impact on business processes had not been diagnosed by managers in the management process (\( \dot{P}_D \)). Unexpected determinants of business processes, however, have one very significant characteristic which is very important for the management processes of an organisation. To a great extent it results from observations of socio-economic phenomena that take place in enterprises, which was also confirmed in extended interviews that the author carried out. This characteristic can be expressed in the formula below:

**Formula 5b**

\[
\exists P' \in \dot{P}_D : P' \cap P_D = \emptyset
\]

where:

- \( P'_D \) - unexpected determinants which influence the \( T \) process

A certain statement stems from this formula, namely, that in the set of factors not included in the definition of business processes (\( \dot{P}_D \)) there are certain determinants which have a real influence on the way in which busi-
ness processes are carried out within a company ($P_D'$). Arrangement of the above mentioned sets is shown in the diagram below.

Figure 8. Subsets of objective determinants of business processes

Source: own work.

The presented characteristics of the set of objective determinants of business processes suggests that it might be possible that certain errors might occur in business practice. It comes down to managers’ non-optimal or incorrect defining of catalogue of factors that determine the way business processes are carried out in a company. Conditions in which error of defining of determinants of a process $T$ are presented in the following formulas:

**Formula 5c**

$$\forall \overline{P_D} \{P_D' > \emptyset \rightarrow \exists \varepsilon : \forall t : \varepsilon_{t+1} \rightarrow 0\}$$

**Formula 5d**

$$\varepsilon = P_i - P_D$$

where:

$\varepsilon$ - error of defining of determinants of a process $T$

This formula should be interpreted in a way that the error of defining of a set of determinants of business processes appears once such factors are revealed, which in a real way influence business processes that take place in a company, which had not been included in the management process. There might be many causes of such state of affair, i.e. deliberate actions of competition, incomplete information, not-optimal competences or wrong approach of managers. The error understood this way may also be defined
as certain type of condition which will result from the difference between the required supporting input condition of a T process and the catalogue of expected determinants for that process (see formula 5d). However, at this point it needs to be added that after such error is revealed within time \((t)\), managers take – in fact, they should take – certain corrective actions, which are aimed at elimination of lack of completeness of expected determinants of business processes (formula 5d). Such actions, on the other hand, enable reduction of the degree of error, which in the most positive scenario is reduced to zero \((\varepsilon_{t+1})\).

Reflections presented here force a certain type of supplementation of the hypothesis of rational change of condition (see formula 4). It results from the fact that the error of defining of determinants of business processes that take place within an organisation is revealed.

\[
\exists P'_D \in \overline{P_D} : s(P'_j) = s(P_i) - \ln(P'_D, T) - \ln(P_D, T) + Out(T, P_R)
\]

Therefore, the initial hypothesis of rational change of condition is supplemented with a statement that the final condition of the outcome of business processes is also governed by real determination through unexpected determinants of those processes \((\ln(P'_D, T))\).

**Hypothesis of rational determinants**

Another hypothesis which needs to be discussed as part of the reflections on the general concept of neo-institutional measurements of business processes is the hypothesis of rational determinants. It mainly concerns the same supporting conditions and the broad set of factors which determine the way business processes function in an organisation. All those – using the language of the new institutional economics – institutions create sort of a support plan for a business process \((s(P_D))\). It goes without saying that
this set consists of different types of factors, which have an actual impact on functioning of business processes in a company. However, the aim of this hypothesis is to show a certain kind of hierarchy of institutions, which here together create an objective supporting condition. This situation can be expressed in the following formula:

$$\forall (P_p \cup P_o \cup P_e) \in P_D : s(P_i) = \ln(P_D, T)$$

where:

- $P_p$ – expected determinants of a process;
- $P_o$ – expected determinants of an organisation;
- $P_e$ – expected determinants of the environment

It follows that the group of expected determinants of business processes comprises of subsets of expected determinants of the process, organisation and environment. All the subsets that belong to the group of expected determinants of business processes together create a cumulative condition that supports that process. It means that support for an appropriate transition is possible only in a situation in which the number of active tokens in the supporting condition ($s(P_i)$) is in line with the number of expected neo-institutional determinants of business processes ($\ln(P_D, T)$). Therefore, initiation of an appropriate process should be blocked, in a situation where at least one token of a given factor does not meet the defined input requirements for such a process.

It is nowadays a common claim that business environment consists of a huge number of factors and determinants. However, in the context of the hypothesis of rational determinants, this state of affairs has been described from the perspective of how they affect business processes. This has been expressed in the following formula:

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7. “Tokens” is an expression derived from the Petri Nets theory. In this context they will mean a certain resource or factor defined in a business process. Number of tokens in a given place shall mean the number of resources or determinants.
At the same time, from the formula 6b it stems that the individual factors that create the holistic set of expected neo-institutional determinants may affect a given business processes in a positive ($P_D^+$), neutral ($P_D^0$) or a negative ($P_D^-$) way. Such a claim gives certain presumptions to managers, from which it stems that supporting input condition for the transition should contain only those determinants whose influence will not remain neutral to the efficiency of business processes that take place within a company. It does not mean that neutral factors should be forgotten in time ($t$). It is not hard to imagine that in time $t+1$ their character in relation to the proper business processes may change in a result of other determinants that appeared in the causal institutional sphere. The characteristics of determinants of business processes discussed here can also be presented using the Petri Nets notation (see figure 9). Each type of factors of business processes reaches a proper business processes through the concurrent $AND$-$join$ transition, which will
involve processing of all expected determinants of neo-institutional determinants of business processes from the perspective of the character of their impact on a proper business process.

The above scheme shows that, apart from the set of expected determinants of a business process, there is also a set of supporting factors. Considering that a relevant business process \( T \) has been defined as a concurrent AND-join transition, the situation can be made more clear by presenting the following dependency:

\[
\forall P_s : s(P_s) \geq \ln(P_s, T)
\]

Formula 6c

In the context of the hypothesis of rational determinants discussed here it should be stressed that the set of the support of business processes \( P_s \) will be characterised by the fact that its input process condition should be smaller than the required number of supporting factors \( \ln(P_s, T) \). It means that at the place of the supporting condition there may be a greater number of active tokens (hence an exemplary number of 10 tokens presented in the diagram 10) which stand for particular factors that support the process. This might for example refer to management of supplies in a production process.

The intensity of determinants’ impact hypothesis

Hypothesis of intensity of determinants’ impact on business processes stems directly from the fact that this discussion is embedded in the trends of the new institutional economics. Every enterprise in the economy is therefore treated by the author as a contracting entity, that is embedded in a coherent institutional sphere. The critical analysis of literature on the new institutional economics brings a conclusion that a contacting person acts under the influence of a broad stream of limiting institutions, which create a particular background for such activity (see Brousseau & Glachant, 2008, p. 38). However, while making observations of the socio-economic phenomena that take place, it is impossible to ignore that statement. It does not require
further reasoning to state that in the holistic set of determinants which influence the way contracting people take decisions, there are institutions which, on the one hand limit, but on the other hand, enable and/or make such activity easier (see Derkacz, 2018b, pp. 24–25). Additionally, it should be stated that in such a holistic catalogue of institutions, two types of them can be observed. The key to their differentiation shall be the intensity with which they impact a contracting person. In this light, the neo-institutional determinants of business processes can be divided into essential and subtractive. The former are fundamental determinants for human activity, which shape the essence of such activity. Subtractive institutions, on the other hand, determine human activity in such a way that they affect it, but they do not change its foundation. Subtractive institutions compliment the full characteristics of operations, they are important and crucial for such activity. However, their absence shall not cause that such activity shall not be possible. They constitute institutional environment for economic activity, which has a smaller impact than essential institutions. Each of those institutions together create an institutional sphere which determines the character of human activity, the essential – in the essential realm – subtractive, on the other hand, on the peripheries of the institutional sphere. Division of factors that affect business processes has been presented in the scheme.

Figure 10. System of determinants according to the intensity of their impact on business processes

Source: own work.
On the ground of the original reflections of the author concerning neo-institutional determinism of actions of a contacting person, a hypothesis has been developed about intensity of determinants’ impact of business processes that take place in organisations. It comes down to the statement that in the set of neo-institutional determinants of business processes \( (P_D) \) there coexist subsets of essential and subtractive determinants of a process, which with different intensity shape the final outcome of the operations related to the process. From this claim specific guidelines arise for managers who are in charge of organisations. Hence, essential determinants of business processes that are found in the supporting condition \( (\lambda) \) should be used in full for their execution. On the other hand, subtractive determinants can be omitted in the flow of support of the process, which however, will require decisions of managing entities. It finds its expression in the use of XOR-join type branching that shapes the final set of subtractive determinants for the proper process. However, that does not change the fact that this type of determinants of a process constitutes a supplement to the complementary conditions of execution of the outcome of the process. However, lack of support of the process in a form of subtractive determinants, will not affect the ability to obtain the outcome. However it may cause non-optimal realisation of such outcome. This hypothesis can be written down in accordance with the following formulas:

\[
P_D^e \cup P_D^s = P_D \quad \text{and} \quad P_D^e \cap P_D^s = \emptyset
\]

where:

- \( P_D^e, P_D^s \) — expected determinants of the \( T \) process, respectively: essential and subtractive

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8. XOR-join flow is a model flow that controls input conditions to operation (transition) that bears characteristics of an Alternative. Such a flow determines such operation, which for its optimal execution requires only one of many supports and which has only one output connection.
From the above formula it stems that the set of expected neo-institutional determinants of business processes includes subsets of essential \( P^e_D \) and subtractive \( P^s_D \) determinants. It is important to notice that the subsets do not have a common part but they are a coherent catalogue of factors that complement each other, and which together create cumulative set of expected determinants of business processes.

In this context, another issue needs to be discussed, that concerns dependencies between essential and subtractive determinants and how they are required for the realisation of business processes. It has been presented in the following formulas:

\[
\forall p_D \in P_D : \exists P^e_D : s(P^e_D) = \ln(P^e_D, T) \quad \text{Formula 7b}
\]

\[
\forall p_D \in P_D : \exists P^s_D : s(P^s_D) \leq \ln(P^s_D, T) \quad \text{and}
\]

From those it follows that there is a distinct difference in terms of how much certain groups of determinants are required for an optimal initiation of a relevant process in an enterprise. Effective proceeding of a business process is, therefore, only possible in a situation when all essential factors are provided. This dependency is expresses by the equation mark between the defined support of a relevant \( T \) process through the essential factors and the support condition itself. The situation is different when it comes to the requirements concerning subtractive determinants. This group of factors, although it comes from the catalogue of defined and expected determinants of business processes, may not be used in a \( T \) process. It does not mean that the process itself will not be initiated, it may however, affect fully optimal processing of the business operations in an enterprise.

**Efficiency of business processes**
In the discussion about the neo-institutional measurements of business processes the key question was how to optimise efficiency of economic processes? In the context of the above discussed hypotheses, the dependency needs to be revealed between the neo-institutional determinants of business processes and the efficiency of such business processes. The critical analysis of the scientific literature leads to a conclusion that efficiency of operational processes which take place in organisations is more and more frequently dependent on a very broad stream of factors, which originate outside those organisations.

It is not the subject matter of our article to discuss the topic of the methodology of calculation of efficiency of business processes, as it is broadly described in the literature on this particular subject (por Bukłaha, 2016, pp. 143–158). It is enough to mention the concept of the key success factors of the business process management (see Trkman, 2010), cost efficiency in the context of flexibility of an information system (see Gebauer & Schober, 2006), the Towards Green BPM methodology, or the method of the organisation management from the training and development of skills perspective (Holistic Learning Factories) (see Kreimeier et al., 2014). However, general dependency shall be presented between the outcome of a processes ($P_n$) and the costs incurred for a successful obtainment of the assumed outcome ($KT$).

On the basis of the hypotheses discussed previously, a thesis can be posed that effectiveness of business processes that take place within a company depends on the quality of support of such processes included in the set of support factors, as well as on the neo-institutional determinants of business processes. The key element here will be the dependency of the outcome of the process itself on the error of defining of business processes, which was discussed above. This dependency can be expressed in the following formula:

Formula 8

\[
\sigma = \frac{P_R}{KT} \times \frac{1}{\varepsilon} \times w
\]

and

\[
\varepsilon = P_i - P_D \quad \sigma_T = \frac{P_R}{K} \quad \eta = \frac{1}{\varepsilon} \times w
\]

where:

- \(P_R\) – outcome of the \(T\) process;
- \(KT\) – cost related with obtaining of the outcome \(P_R\);
- \(w\) – sensitivity coefficient of the degree of efficiency to an error \(\varepsilon\);
- \(\sigma\) – efficiency of business processes

From that formula it follows that the overall efficiency of business processes (\(\sigma\)) depends on efficiency of operational activities of a transition (\(\sigma_T\)) as well as on the degree of error of determining of neo-institutional determinants of business processes. This error is the difference between the defined supporting input condition of the \(T\) process and the expected neo-institutional determinants of that process. Efficiency of a transition shows the relation between the outcome of the relevant process, which was achieved with the use of all the sets of factors that are included in the supporting input condition (\(P\)) and the incurred costs. On the other hand, the value of \(\eta\) shall constitute a multiplier of the neo-institutional efficiency for the efficiency of a transition. Its value shall be inversely proportional to the error \(\varepsilon\) and directly proportional to the sensitivity coefficient of the degree of efficiency to an error of determining of the neo-institutional determinants of business processes (\(w\)). In the light of the above it can be claimed that efficiency of processes that take place within a company will depend on a broad stream of factors that support transition as well as on error of defining neo-institutional determinants of business processes. Therefore, the key conclusion may be
drawn for the above reflections grounded in a business practice. The key role, which has an essential meaning for the quality of business processes, is the role of a manager and the quality of managerial decisions that are taken. This is due to the fact that they are going to influence the degree of error of defining determinants of business processes.

Conclusions for managers that stem from the general concept of neo-institutional measurements of business processes

Reflections concerning neo-institutional measurements of business processes, by their nature, have a very conceptual character and they are strongly rooted in the theory of the new institutional economics. Content of this article has been also grounded in practice in a form of the empirical research that was carried out, as well as the extended interviews. Moreover, it has also been enriched with the author’s experience in management of organisations. Such context for development of the general concept of neo-institutional measurements of business processes requires presentation of precise conclusions and findings, which could be applied both in the academic context of the new institutional economics, but also in the management practice. The division presented below is aimed at meeting those expectations or, at least, at initiating further academic research in that respect. Individual recommendations will, in a natural way, find theoretical grounds in individual hypotheses, which will be referred to relevant empirical research. (see table 1).

Table 1. Conclusions from the general concept of neo-institutional measurements of business processes

<table>
<thead>
<tr>
<th>Conclusions from the hypotheses of the general concept of NMBP</th>
<th>Reference to the empirical research</th>
<th>Conclusions and recommendations</th>
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A. Hypothesis of rational change of condition

1. Optimal implementation of business processes is possible only with the use of all the determinants and factors from the set of supporting conditions.
2. Expected outcome of a business process is possible to achieve once the following requirements are met (1) optimal support of such process and (2) efficient execution of its direct results to an input condition.

1. Are measurements of necessary resources and support of business processes carried out in the company? (yes 44, sporadically 31, no 13)
2. How important are the measurements of necessary resources and support of business processes? (very important 44, important 50, not important 6)
3. How important are measurements of the way business processes are carried out? (very important 63, important 31, not important 6)
4. How important are measurements of the outcomes of business processes? (very important 50, important 44, not important 6).

B. Hypothesis of expected determinants of business processes

1. It is possible that the set of factors will occur that are crucial for a business processes, which have not been defined in the set of expected determinants of business processes.
1. Extended interviews with managers – problem with incomplete and uncertain information, difficulty with verification of information streams.
1. Role of managers will involve taking actions that will reduce the set of unexpected determinants of business processes.

C. Hypothesis of rational determinants
1. Determinants of business processes form a cumulative condition supporting the processes which consists of factors of a process, organisation and environment.

2. Determinants of business processes may affect processes in a negative, neutral or positive way.

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<tr>
<td><strong>1.</strong> What is the importance of factors concerning business processes inside a company for optimal management of that company?</td>
<td><strong>2.</strong> What is the importance of factors concerning the whole enterprise inside a company for optimal management of that company?</td>
<td><strong>3.</strong> What is the importance of factors concerning phenomena outside a company for optimal management of that company?</td>
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1. Managers in their work should analyse individual business processes that take place within a company from a very broad perspective, in a very holistic way.

2. Managers in their managerial processes should predict, analyse and look for those determinants which may turn out to be a source of added value and at the same time become factors that enable and/or facilitate execution of business processes in an efficient and effective way.

D. Intensity of determinants’ impact hypothesis

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<td><strong>1.</strong> Determinants of business processes may be of essential or subtractive character for their effective execution.</td>
<td><strong>1.</strong> Different perception by different managers of individual determinants that affect business processes (figure 6).</td>
<td>Analysis of a broad stream of determinants of business processes from the perspective of the intensity of their impact on functioning of a given enterprise is very important in the management process. Therefore, it will be of key importance to satisfy the needs of all defined essential determinants as well as the rational and optimal utilisation of essential factors.</td>
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2. Requirements concerning use of essential and subtractive determinants are different for different proceeding of a relevant transition.

Source: own work.

First and foremost, it is worth focusing on conclusions that stem from the hypothesis of rational change of condition. Two crucial elements need to be highlighted here. The first one is that it is necessity to use possibly all the determinants and factors from the set of the supporting condition in order to obtain optimal level of implementation of individual business processes.
The second conclusion that stems from this hypothesis is the claim that the expected outcome of a business process is possible to obtain though an overall fulfilment of conditions of optimal support of a process and effective execution of its direct corollaries to the output condition. Confirmation of this hypothesis can be found in the answers of the managers who participated in the empirical survey and extended interviews. Such extremely holistic approach to the management process was confirmed there in a very clear way. 75% of the managers who were asked about measurements of necessary resources and support of business processes, admit that such analyses are carried out in enterprises on a regular basis or in relation to some processes. Only 13% of them denied that such measurements were carried out in the companies they manage. On the other hand, 94% of the managers state that such measurements are very important or important for the efficiency of operations that are being executed in a company, and only 6% of them deny it. 63% of the managers when asked how important were the measurements of the way in which processes are executed, answered that they were very important, another group of 31% claimed that they were important for optimal management of an organisation. On the other hand, regular measurements of the outcomes of business processes that take place within a company are very important for 50% of the managers, and 44% of them consider them important for the quality. It’s very clear that the conclusions drawn from the hypothesis of rational change of condition have been very strongly confirmed by the managerial practice.

Therefore, at this point, certain recommendation should be made for people who manage enterprises, which would stress the existence of three spheres for control measurements. They will include the measurement spheres of (1) the supporting condition, (2) a relevant business process and (3) the corollaries of such processes. When it comes to measurements of the first analytical sphere, measurements should be made of not only those resources which are used as supporting factors for carrying out of process operations. All types of institutions, which determine the way business pro-
cesses are carried out, turn out to be as important. In this context, the role of a manager will involve creation and constant updating of a catalogue of factors, that will be an actual, causal sphere of operations and processes that take place in an organisation.

The second of the discussed hypotheses concerned expected determinants of business processes. One key conclusion may be drawn from it. Among a very vast set of different factors, there are such determinants of business processes which, for different reasons, have not been taken into consideration by managers. Therefore, it is possible that a set of factors that are significant for a business process, that have not been determined in the set of expected determinants of business processes, will be revealed. There appears a problem with managers making errors. Their repercussions may result in a non-optimal execution of processes in a company. In this context, it is interesting that the managers who participated in the extended interviews, noticed that risk – but obviously they did not call it an error. The managers articulated a number of restrictions stemming from incomplete and uncertain information, or from the difficulty they had with optimal verification of the streams of information. Of course, some of those restrictions seem to be of an exogenous nature, the remaining, however, have their sources within a company or are even determined by the approach of managers themselves. However, it is safe to say that the degree of error of defining factors significant for business processes greatly depends on how efficiently managers work in the context of a very holistic approach to organisation management, but it also depends on the understanding of any type of determinism of socio-economic phenomena that take place both in a company, as well as in its environment.

Based on the above, another recommendation for all managers can be stated. The role of managers should involve taking such actions that will result in reduction or even elimination – in a positive scenario – of the set of unexpected determinants of business processes. Such actions, should equally relate to the space within an enterprise and to many areas outside an
organisation. Such a holistic approach to management will be characterised with a factual and substantive analysis of the coherent, causal sphere, which is the actual source of a great number of determinants that are significant for quality of business processes that take place within a company.

Another hypothesis showed rationality of determinants of business processes. In order to provide specific recommendations for managers, two key conclusions need to be drawn from it. The first one, it needs to be stresses, that the determinants of business processes create a cumulative condition that supports business processes, and which consists of factors related to processes, organisation and environment. In the second conclusion, attention is paid to the fact that determinants of business processes may influence those processes in a negative, neutral or a positive way. Theoretical conclusions that stem from the hypothesis of rational change of condition have also been confirmed by the empirical research carried out by the author. The managers were asked about the degree of importance of three groups of determinants for an optimal management of a company. It turned out that factors concerning business processes that take place with a company are very important or important for 63% of the managers, and 25% of them found such factors neutral. On the other hand, determinants concerning a whole enterprise are very important or important for 63% of the managers, the second group (37%) found them neutral. None of the managers considered this group as unimportant or having little importance. The third group of factors that come from outside an enterprise was considered very important or important by 88% of the managers. Another 13% of the managers found such factors neutral. Similarly to the previous factors, these also were not considered unimportant or having little importance. We obtain an interesting picture in the context of the hypothesis of rational determinants by analysing the responses the managers gave to questions concerning the degree of impact that the individual determinants have on the efficiency with which business processes are executed. It has been presented in detail in the diagram (see figure 6). It is enough to perform a single verification of the
scope of responses. Very positive and positive impact of individual determinants in on efficiency of business processes were referred to the set of determinants that have a positive impact, and on the other hand, negative and very negative to determinants that have a negative impact. Neutral factors were omitted in the analysis. On that basis, the following picture of determinants of business processes that affect those processes in a positive or a negative way, was obtained (see figure 11). Positive impact can be related to determinants which allow people to take actions, negative factors will be those that restrict such activity. The diagram very clearly shows that division of determinants of business processes, this division, however, can be very subjective from the point of view of a given enterprise or even a manager.
On the basis of the above conclusions and comments that stem from the empirical research, a few recommendations for managers can be stated. To a large extent they will come down to attitudes of people who do the management job, which they adopt in the process of business management. It is worth to strongly stress that managers in their work should analyse individual business processes that take place within a company, from a very broad per-
spective, in a very holistic way. This is because it had turned out that efficiency of business processes is strongly dependant on many various factors. Among them, there are determinants which refer to processes themselves of whole enterprises, but they are also factors, which extend outside boundaries of companies, from their holistic environment. Another very important recommendation concerns the way managers approach such a broad stream of neo-institutional determinants. Practice (here in a very narrow scale) shows that certain group of managers while talking about different determinants, especially those concerning the so called micro environment, has in mind all factors which restrict the process of taking actions within an enterprise. The hypothesis of rational determinants, on the other hand, showed that this group of determinants is only a part of the complex set of determinants, which in different ways, affect efficiency of business operations. Therefore, at this point, managers should receive recommendations in their practice to predict, analyse and search also for those determinants, which may turn out to be a source of added value, and which at the same time, become factors that enable and/or facilitate carrying out of business processes in an optimally efficient and effective way.

The fourth hypothesis concerned intensity of impact of determinants of business processes. Two key conclusions can be drawn from it. First of all, it should be strongly highlighted that determinants of business processes may be of two different characters from the perspective of how strongly they affect previously mentioned process, as well as from the perspective of their efficiency and effectiveness. We are talking about essential and subtractive determinants. As it turned out, for instance in the results of the empirical research, such differentiation is extremely crucial and it is clearly correlated with quality of business processes. The second conclusion, that should be presented here stems directly from the first one. It should be equally highlighted that requirements concerning use of essential and subtractive determinants are different for different proceeding of a relevant transition. Characteristics of the determinants of business processes discussed in this
article have been partially confirmed in the results of the empirical research and extended interviews with the managers. This is reflected, for example, in the diagram 6, which shows the division of determinants into those that facilitate and restrict business operations within a company. None of the determinants suggested in the survey was evaluated in an ambiguous way by any of the managers who participated in the research. What is more, most of them, from the perspective of their impact on efficiency of business processes, were evaluated in extreme ways. It means that a given factor is very positive for some managers, while for the others it is extremely negative. For example, dynamic fluctuations (positive and negative) in a national economy, according to 25% of the managers those have a very positive impact, on the other hand 6% of the managers found this factor extremely negative. It is tempting to ask, who is right? Such dependencies, frequently subjective, are defined in the hypothesis of intensity of impact of determinants of business processes. Very precise recommendations for managers stem from it.

In the management process it is very important to analyse broad stream of determinants of business processes from the perspective of the intensity of their impact on the functioning of a given enterprise. Therefore, it will be of key importance to satisfy the needs of all defined essential determinants as well as rational and optimal utilisation of essential factors.

Measurements of business processes in the process management

Economy and management sciences as well as for managers, it is very important that a measurement reveals all kinds of socio-economic phenomena (the sheer fact that they exist as well as their causes and effects) that take place in an enterprise and its environment. Additionally, those measurements should be one of the most important tools for taking managerial decisions at every ranks of management. That is why, the last chapter of this article is devoted to measurements of business processes, which can be confirmed
in the hypotheses presented previously. It is not the subject matter of the following discussion to provide methodological details of the measurements themselves. Therefore, it should be enough said that the measurements of business processes discussed here shall be treated as efficiency and effectiveness (see Dess & Robinson, 1984, pp. 265–273) measurements, as well as descriptive measurements. In the literature on this subject, new approaches to measurements and the ways in which they can be used in the process of an organisation management have emerged, such as, for example, two-dimensional classification scheme of measurements of business performance (see Venkatraman & Ramanujam, 1986, pp. 663–688). Measurements of business processes presented in this work have been strongly oriented towards the process-centred approach to functioning of organisations in the context of the hypotheses which had been presented above. It needs to be strongly stresses that the discussed measurements should be used in a complementary way in the management process, and their division presented below is only for the purpose of discussing them. Thus, measurements of business processes have been divided in accordance with the hypotheses, which are offer fundamental source and explanation for them (see table 2).

The first group of measurements of business processes refer to the hypothesis of rational change of condition. Here we are dealing with a measurement of a supporting condition, transition measurement and measurement of corollaries of business processes. The purpose of the first one is to show the actual state of all the factors and determinants which, in a direct way, will shape the way in which a given operation or process will be carried out. In the context of this discussion, it can be stated that this measurement will give a certain overall picture of institutional determinism of business processes, showing the holistic approach to organisation management. However, it is not only about supporting measurements, in the meaning of resources (e.g. time, material resources or human resources), which are necessary for carrying out of an operation, but about factors, in the institutional meaning, which have been discussed above.
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<thead>
<tr>
<th>Hypothesis of rational change of condition</th>
<th>Brief description</th>
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<tbody>
<tr>
<td>Measurement of supporting condition</td>
<td>Measurement of the actual condition of all factors and determinants of a process</td>
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<tr>
<td>• $M(P_s)$</td>
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<tr>
<td>Transition measurement</td>
<td>Measurement of the degree of effectiveness and efficiency of the T process itself.</td>
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<tr>
<td>• $M(T)$</td>
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<tr>
<td>Measurement of the processes’ corollaries</td>
<td>Measurement of the quality of the process corollaries from the perspective of the process itself and of its successors.</td>
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<td>• $M(P_j)$</td>
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<td>• $M(s(P_j))$</td>
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<tr>
<th>Hypothesis of expected determinants of business processes</th>
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<tr>
<td>Measurement of expected determinants</td>
<td>Quantitative and/or qualitative measurement of determinants defined at the stage of modelling of business processes.</td>
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<tr>
<td>• $M(P_d)$</td>
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<tr>
<td>Measurement of error of defining of determinants of the T process</td>
<td>Revealing of determinants of business processes in time $t+1$ which were not defined in the process of modelling of operations in the $t$ time.</td>
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<tr>
<td>• $M(ε)$</td>
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<tr>
<td>Model measurement</td>
<td>Measurement of the actual quantitative, qualitative and descriptive state of measurements that are crucial for execution of a process.</td>
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<td>• $M(P)$</td>
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<tr>
<th>Hypothesis of rational determinants</th>
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<tr>
<td>Measurements of sources of expected determinants of processes, organisation and environment</td>
<td>Quantitative and qualitative measurement of a broad stream of factors that affect business operations, sources of which are in the business processes themselves, inside organisations and in a broadly perceived environment.</td>
</tr>
<tr>
<td>• $M(P_j)$</td>
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<tr>
<td>• $M(P_d)$</td>
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<tr>
<td>• $M(P_e)$</td>
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<tr>
<td>Measurement of the way of impact of the expected determinants of T process</td>
<td>Measurement of the way of impact of factors on business operations – in a positive, negative or neutral way.</td>
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<tr>
<td>• $M(P_{D^{(t+1)}})$</td>
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The second measurement applies to the same transition which refers to human activity that is a part of the undertaken operations. The task of this measurement is to show the degree of effectiveness and efficiency of the process itself, but also to reveal the actual quality of the operations carried out as part of that process. The last measurement, and to be precise, the last measurements, refer to direct corollaries of the undertaken business operations. The differentiation between the measurement of corollaries of the process, the measurement of the process outcome () and the measurement of () the condition of the outcome, has it justification in the way the generated added value is defined. It has been discussed in detail above. The first of the measurements is aimed at defining that added value as an immediate product of the execution of a business process. The other one, on the other hand, should reveal the condition of the outcome, which was created as a result of generation of that added value for next operations. It is safe to say that the measurements of corollaries of business processes point out to the quality of outcomes of operations, from two points of view. The first of them is the very process/operation, the second is the point of view of the so called successors in a logical string of operations of the whole business process. It needs to be highlighted that the outcomes of the process are not only the very products of a given operation (material and non-material), but also of all socio-economic phenomena which took place as its (process’s) results. Such an approach is very strongly highlighted in this article, which is the result of the institutional and holistic character of organisation management, very strongly stressed here.

The second group of measurements of business processes was created on the basis of the hypothesis of expected determinants of business pro-
cesses. Here, we are dealing with a measurement of expected determinants, the measurement of error of determinants of $T$ process and with the model measurement. Discussion about this group of measurements needs to start with the so called model measurement. It refers, in a direct way, to input supporting condition of a $T$ process. The purpose of this indicator is to obtain the actual quantitative condition, qualitative condition and descriptive condition of all the factors, which at the stage of modelling of business processes have been defined as essential for carrying out of such a process. Therefore, they will be a resultant of specification of operations and a holistic picture of all the determinants which from the perspective of the same operation are necessary for its execution. This group of factors, somehow, includes time or quantitative norms that are currently known, which in a quantitative way refer to different resources, e.g. time necessary for execution of a task. Such a normative approach, however, is too narrow to satisfy effective and efficient proceeding of operations in line with the rules of institutional and holistic organisation management. Another measurement in this group is the measurement of expected determinants. It is used for quantitative and/or qualitative measurements of those determinants which have been named and defined by the managers in the process of modelling of business processes. It reveals the actual state of conditions that support a given process, which allows initiation of that process in an optimal way in accordance with the modelled rules. Whereas, it needs to be kept in mind that this measurement should also be treated in an institutional and very holistic way, and that limiting of measurements that utilise this measurement for analysis of resources would be an unjustified departure from the rules of the concept in question. The third measurement in this group is the measurement of error of defining of determinants of the $T$ process. On the one hand, this is quite an interesting measurement, on the other hand though, it can cause a lot of controversy. It can be stated that this measurement shows the error of a manager who incorrectly defined a catalogue of factors and determinants of business processes at the modelling and defining stage. However,
the essence of the general concept of neo-institutional measurements of business processes is not to point out to mistakes of the management staff, but rather to show the way in which business process management can be optimised. Therefore, this measurement of error of defining of determinants of a business process is aimed at revealing those factors of the $T$ process, impact of which was revealed in $t+1$ time. Therefore, it can be said that this measurement will be used as a kind of a tool to optimise functioning of business processes in time.

Another group of measurements of business processes has been created on the basis of the hypothesis of rational determinants. In that respect, we have measurements of sources of expected determinants of processes, organisation and environment. The main task of this group of measurements are quantitative, qualitative and descriptive measurements of all those determinants, which influence the way in which operations are carried out, taking into consideration – which is of key importance here – sources of their (determinants) origin. It is crucial in that sense that the qualitative and/or quantitative picture of determinants, which have their sources in the processes themselves, in an organisation or a broadly defined environment, could be a real guideline in business management process, especially when it comes to taking optimal managerial decisions. Another measurement, which has been defined on the basis of the hypothesis of rational determinants is the measurement of the way of impact of the expected determinants of a $T$ process. Its main task is to show whether the analysed factor has an impact on a business operation in a positive, negative or neutral way. Revealing of such character of individual determinants of business processes has a crucial impact on managerial decisions. They may lead to weakening of the negative and facilitating of the positive factors of business operations. At this point, it is worth highlighting the fact of possible dynamics of change of the above mentioned characteristics of the analysed determinants. Those, which in $t$ time were defined as positive, may in time $t+1$ change their character to neutral or even negative. Those changes can take place in any
possible direction - positive, neutral or negative. Of course, the changes of defining the way of impact of a given factor on business operations will be dependant of fluctuation of the whole process environment, which finds its justification in the dynamics of changes of institutions (see North, 1990, pp. 10–13). However, from the perspective of an organisation management this issue is important enough to be continuously monitored. It may be taken for sure that the only thing that can be considered constant is the fact that everything undergoes continuous dynamic changes.

The last measurement, suggested as part of the general concept of neo-institutional measurements of business processes, has been created on the basis the hypothesis of intensity of impact of determinants of business processes. This is the measurement of the intensity of impact of the expected determinants of a process. The character of this indicator shows a very strong relation with the above discussed measurement of the way of impact of the expected determinants of a process. In this case, however, its main task is to measure only the intensity of the determinism in question, according to the essential and subtractive impact key. It is not an ordinary measurement that shows, for instance, degree of importance of such determinism. Its role is to reveal whether an analysed factor affects the essence and foundation of a business operation, or whether it creates characteristic institutional environment, which will form socio-economic aura for the business operations undertaken by people also within enterprises.

The measurements presented above have one common purpose, which is the essence of the general concept of neo-institutional measurements of business processes. Its role is qualitative, quantitative and/or descriptive exposure of the broad stream of the institutional impact of many various factors and determinants on the way business operations are performed within an organisation. Management in the contemporary, dynamically developing world requires from managers not only the knowledge of economics, in the context of classically perceived production factors. However, treating the factors that are not included in the catalogue of resources of earth, labour
and capital, as exogenous, seems to be very irresponsible and harmful for an organisation. Partly because of that, this general concept of neo-institutional measurements of business processes was created, which is strongly based in the trend of the new institutional economics and it offers a very holistic approach to business process management.

From the above discussion, therefore, the following conclusion may be drawn. Effectiveness of business processes that take place within companies depends on the quality of support of such processes included in the set of supporting factors, as well as on the non-institutional determinants of business processes. On the other hand, the neo-institutional approach to business process management creates opportunity to increase effectiveness of business processes. The measurements of such processes, suggested above however, become safeguards that control quality of management of those processes. From the above statement it stems that in order to increase effectiveness of business processes in an organisation, a very holistic approach and neo-institutional approach to managements needs to be adopted. Such approach should oscillate around broad stream of factors and determinants of business processes, which in a different way affect the business operations undertaken by people. The general concept of neo-institutional measurements of business processes, therefore, becomes an original suggestion, mostly for managers who are looking for new areas of optimisation in enterprises are in charge of. The presented approach to the management of an organisation, on the other hand, may become a source of knowledge on the actual impact of different factors on an organisation or on the processes that take place within that organisation. From the point of view of the economic science and management science, the general concept of neo-institutional measurements of business processes may become a contribution for further academic search for optimisation of effectiveness of business processes.
References


ABSTRACT

Objective: Compliance is currently seen as an integral structure of managing financial organizations and it is widely gaining popularity in other types of companies. However, despite model solutions being widespread across the world, there are still many problems due to the lack of effective business compliance management systems meeting the expectations of managers.
or executives. This is caused by not only incessant legislative changes, but also the multilateral character and function of compliance norms in legal practice and theory. The research purpose of this theoretical dissertation is to demonstrate that legal compliance management systems are a necessary tool for organizational risk management, both formally and practically.

Methodology: This research intends to study the impact of compliance on effectiveness of administrative bodies and private sector participants as part of the methodology in the form of a theoretical article

Findings: The initial hypothesis states that normative compliance first introduced in financial institutions is becoming an organizational standard in risk management, directly affecting the quality and systemic management processes.

Value Added: This article discusses the theoretical meaning and functions of compliance, in terms of both EU law and one of its member states, namely Poland. The choice of Poland as the subject of the study in comparison with the EU is motivated by the fact that this year Poland enforced a rather strict system of legal norms, comprising a broad code of compliance as part of the draft act on the responsibility of collective entities.

Recommendations: The system of legal compliance is a necessary mechanism of risk management in organizations, in both formal and practical sense, immediately strengthening the very traditional functions of management.

Key words: compliance, legal standards, management, the risk of non-compliance

JEL codes: K40 Legal Procedure, the Legal System, and Illegal Behavior: General; G32 Financing Policy, Financial Risk and Risk Management

Introduction

Ensuring an organization’s compliance with the broadly understood legal system is surely a challenge for any organization considering the dynamics of regulatory changes around the world. Compliance processes are at the core of the operations of both the regulator and the authorities auditing and enforcing the laws, government bodies, financial institutions all the way down to the individual entrepreneurs, regardless of their scale of operations
or legal form. Governmental bodies as well as specialized auditors have repeatedly emphasized the importance of complying with regulations, which is synonymous with quality in public entities and an additional endorsement of the financial results generated by businesses. The research methods and findings from around the world prove that compliance methods should focus on designing programs aimed to prevent noncompliance, identify risks and violations or conduct appropriate internal control. This, in turn, leads to implementing effective reparative measures, eliminating the violations and the resulting negative occurrences within an organization effectively improving the quality of the management processes. It also was also proved that regardless of employee preference to comply with the law, egregious sanctions reduce the probability of abuse (Blair & Knight, 2013, pp. 529–537).

In addition to the legal and economic environment, ethics, behavioural conditions and cultural factors play a key role in the process of creating and verifying compliance - which are subject to management processes and are largely dependent on attitudes of management and employee preferences regarding risk in this area.

**Compliance – meaning and function**

The term compliance has a broad meaning, which is constantly being developed. It can be defined presently as an interdisciplinary field defining mechanisms for verifying the legality of operations. It is not a separate branch of law or management sciences, and the extent and scope of this concept indicate that it transcends many areas. The accompanying principles and standards of compliance are not yet fully defined, although many of them are related to the theory of procedural justice and the recognition of certain criminal behavior (Murphy, Bradford, & Jackson, 2016, pp. 102–118). This is the reason why entities aiming to meet or implement compliance are forced to establish the minimal framework of behaviors and activities themselves in order to create effective organizational compliance systems. An interna-
Traditional example of this is a bilateral investment agreement (BIT) concluded between countries, aimed at increasing investment credibility in the context of increasing the inflow of foreign direct investment (Chen & Ye, 2019, pp. 1–15).

Compliance consists of systems and procedures designed to avoid legal risks, mainly civil and administrative consequences as well as loss of reputation and image. The most significant function of compliance is the possibility to avoid risks that would be likely if the standards being in effect had not been met (Andrzejewski, 2012, p. 259).

Non-compliance with regulations and mandatory standards is subject to certain consequences in the form of legal sanctions - criminal, fiscal and financial. The requirement for actions to comply with the law prevents erroneous behaviors. As V. Root indicates, the rules should lay out a clear line of action, where compliance should be relatively easy to keep (Root, 2019, p. 212). Unfortunately, only theoretically, because in the world there are no universal rules, no single legal act that could result in non-compliance with the law regardless of whether it concerns economic behavior, a business, clerical, or public decision.

The meaning and function of compliance differ depending on industry, the scope of business, e.g. goods (trade, production) or services (material, consulting, financial), the legal form of the entity and business size (listed companies, private property), scope of competence and type of activity - public / social, and a countless plethora of other factors. The pioneers of compliance are financial companies – mainly banks, large capital companies listed on stock exchanges as well as entities from other regulated industries, operating based on obtained permits / licenses or concessions. Currently, apart from those types of entities, growing interest to apply compliance standards is seen in small and medium enterprises, non-government organizations and state authorities. Assuming that the concept of compliance is acting as a system of internal control with appropriately selected control mechanisms, the purpose of which is to ensure actions comply with the law, while demarcating compliance as a control function with other operational
functions and its proper relationship with risk management (Cichy, 2015, p. 7). The findings of the research conducted 2018, by the Institute of Compliance in cooperation with EY, Wolters Kluwer and Viadrina Compliance Center operating at the European University Viadrina in Frankfurt (Oder), show that in most countries there is a perception that compliance management is now an important component of good organization management practices, i.e. good governance. Meanwhile, the awareness as to the legitimacy of implementing this system was stimulated not only by large companies operating on the global arena committing fraud and becoming entangled in various types of irregularities, but often also suffering irreversible damage to their reputations (Compliance 2018, p. 9). In light of these views, it should be acknowledged that the correct implementation of compliance needs the support of knowledge management systems. The research of K. Raczkowski and A. Pawluczuk on the concept of knowledge management, which unquestionably constitutes a part of good governance, shows that its implementation should follow an analysis of corporate culture, taking into account the level of trust in the organization and the need to break the resistance to changes in management (Raczkowski & Pawluczuk, 2014. p. 42). Compliance, much like knowledge management, requires focusing on effective transfers of consolidated and tacit knowledge through technology, integrated information and effective communication systems, as well as teamwork.

From the perspective of perceiving problems and solving them in terms of compliance, it should be stated that both concepts should not set limits as to their interpenetration. This claim is supported by the perception of it being the essence of intellectual capital and its enormous significance in the discussed interdisciplinary fields. It is extremely important to integrate the role of the compliance instrument in the process of achieving excellence in corporate social responsibility with the role of the organization’s leaders, who ought to exhibit particular moral competences. They are the ones obliged to give guidance and direction to the activities and growth of their organization (Barcik, 2019, p. 4). It is noticeable that the increasing awareness of managers
results in introducing so-called compliance management systems serving both repressive and preventative functions.

The preventative functions include promotion of compliant behavior among employees, security measures consisting in developing and implementing principles of risk mitigation activities (e.g. against industrial espionage, or protection of tangible and intangible assets), as well as organizing to take action in order to adapt existing organizational structures with the goal to minimize elements most exposed to the risk of irregularities. The repressive functions include the evidence-gathering function comprising investigative and evidentiary actions confirming the occurrence of abuses, and a corrective function consisting in restoring or attempting to rebuild the prestige of the organization in the environment of a compliance system (Makowicz, 2011, p. 21). The functions of compliance, regardless of the industry where the entity operates, consist in adhering to the appropriate standards of market behavior, managing and eliminating conflicts of interest while at the same time maintaining the desired ethical standards (Mrozowska-Bartkiewicz & Wnęk, 2016, p. 74). In order to achieve them, it seems necessary to enhance the compliance implementation processes with the scope of standards of the International Organization for Standardization (ISO). These are based on the principles of good governance, proportionality, transparency and sustainability.

Legal basis for compliance in EU legislation

The idea of regulatory compliance in corporations and state authorities has been part of best practices for a few years now, but it is also a requirement enforced by EU legislation. The law that sparked a broad discussion about compliance issues in Poland was undoubtedly the Regulation of the European Parliament and of the European Council of 27 April 2016, No. 2016/679, on the protection of individuals with regard to the processing of personal data and on the free movement of such data (called GDPR) introduced to the Polish
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Legal realm with the Act of 10 May 2018, on the protection of personal data. In addition to the GDPR directive, the European regulators have introduced other laws, equally important in terms of compliance, illustrated in Figure 1:

**Figure 1. The principal legal acts regulating compliance processes**

- **2015**
  - 4th AML Directive

- **2016**
  - Directive on the protection of business secrets
    - Directive 2016/943 of the EP and Council of 8 June 2016, on the protection of classified knowledge and classified commercial information (business secrets) against their unlawful acquisition, use and disclosure.

- **2017**
  - Resolution on whistleblower protection
    - European Parliament resolution P8_TA-PROV (2017) 0402 of 24 October 2017, on reasonable measures to protect whistleblowers acting in the public interest when disclosing confidential information held by companies and public authorities.

Source: own study.

The common feature of the above laws is that all entrepreneurs conducting businesses within the European Community must implement them. Thus, the issues of broadly understood compliance became significant not only for large-scale corporations in developed countries. This change of focus of the European regulator was intended primarily to increase the protection of EU citizens, the main manifestation of which being the GDPR directive, but also to prevent the spread of crimes taking advantage of the financial system – the 4th AML Directive.

Undoubtedly, compliance matters gained in importance after 2008, when the aftermath of the global financial crisis revealed a number of irregularities in the functioning of the broadly understood financial market. This does not mean that previously local regulations did not include laws that would protect the economy against the effects of unauthorized activity on financial
markets, but the lack of care for complying with them contributed to the deep economic crisis that reverberated through most global economies in the following years. The recession of the last decade caused a significant increase of awareness as to the necessity of implementing laws preventing fraudulent financial practices both on the level of corporations and on the level of national and international regulations. The aftermath of the crisis also brought the tightening of regulations aimed at sealing up the budgets of EU member states. The intensification of these activities is aimed mainly at the prevention of VAT fraud by facilitating international exchange of information, execution of multilateral audits as well as a punitive approach to designing aggressive tax optimization schemes and income tax avoidance. Many times the fraudulent mechanisms resulted from vulnerabilities that allowed company managers and financial employees to create fake transactions. The low risk of revealing the tax fraud acted as an incentive promoting these illicit economic activities (Tołwińska, 2014, p. 170). Therefore, the issue of recruitment of personnel responsible for compliance activities seems essential. In addition to competences, high personal integrity and resistance to corruptive temptation or pressure from decision makers acting to the detriment of the organization are indispensable for compliance personnel.

Compliance is directly associated with the term white collar crime, which was first used in 1939 by an American sociologist and criminologist, Edwin Sutherland, during a symposium of the American Sociological Association (Gajewska-Kraczkowska & Partyka-Opiela, 2016, p. 5). This was the first case of determining a certain type of crime based on the background of the perpetrator – in this case a “white collar,” an office worker (Sutherland 1940, pp. 1–12). Considering the present level of economic abuse, including financial and tax fraud, it is no longer surprising that a criminal can enjoy a high social position, be a respected business person and at the same time commit crimes as part of his profession connected with business transactions. The author of the contemporary definition of white-collar crime is Aaron Goldstein. He claims that this category of crime should include elaborately complex schemes
committed by both natural persons and organizations in the form of either forgery or fraud (Żółtek, 2009, p. 109). They are initiated in connection with business activities in industry or finance where the probability of detection is rather low, while being extremely difficult to expose and prove.

Legal basis for compliance in Polish legislation

In the Polish legal system, there is no single law that could be named as the “Code of Compliance.” The matters concerning compliance are regulated by a number of laws, including the already mentioned Act of 10th May 2018, on the protection of personal data, the Act of 1st March 2018, on anti-money laundering and terrorist financing, as an implementation of the 4th AML Directive, but also individual provisions of the Penal Code, the Code of Commercial Companies or the Act on combating unfair competition. Special notice needs to be given to the Act of 28 October 2002, on the liability of collective entities for punishable offenses. Regulations previously in effect made the liability of a collective entity conditional on the court finding the offence was committed by a person acting for or on behalf of the company, while demonstrating fault in the selection or supervision of the perpetrator. In addition, the list of crimes a collective entity could be held liable for was limited and the associated financial penalty was only 12 thousand PLN.

In the beginning of 2019, the Council of Ministers in Poland adopted a new draft law on the liability of collective entities for punishable offenses that assumes a mixed nature of the entity’s liability (both administrative and criminal), independent liability of the company in relation to the liability of a natural person and a very wide subjective scope of direct perpetrators, including in the first place representatives and employees, as well as subcontractors, suppliers and their employees. Pursuant to this act, liability will be imposed for all tax offenses and criminal offenses, and the range of financial penalties for violations may range from 30,000 PLN up to 30 million PLN, and in special cases up to 60 million PLN. The adopted draft law on the liability of collective
entities for punishable offenses is now the broadest compendium of knowledge on standards of compliance. It, however, does not indicate how to implement compliance practices or how to manage processes that will guarantee legality of an entity’s operations. This Act only shows the Polish regulator is seeking to extend the scope of liability of collective entities, but also to resign from the previous requirement of obtaining an injunction sentencing a natural person for committing a punishable offence qualified as a criminal or fiscal offence. The above assumptions should be assessed as controversial, because both the potential amount of the imposed financial penalty, as well as the possibility to incur liability without maintaining an objective cause and effect relationship between the violation and the fault of the collective entity, results in the inability to mitigate the risk of violations effectively.

Referring to the types of the offence, they can be divided according to the criterion of the victim. Thus, forming three categories, i.e. offences committed to the detriment of organizational units in which the perpetrator performs decision-making functions, offenses to the detriment of other participants of trade and offenses to the detriment of supra-individual social interests (Gajewska-Kraczkowska & Partyka-Opiela, 2016, p. 5). Example offences from these categories are featured in Table 1.

<table>
<thead>
<tr>
<th>Offences committed to the detriment of organizational units in which the perpetrator performs decision-making functions</th>
<th>Offenses to the detriment of other participants of trade</th>
<th>Offenses to the detriment of supra-individual social interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abuse of trust in business transactions</td>
<td>Offenses to the detriment of creditors</td>
<td>Money laundering</td>
</tr>
<tr>
<td></td>
<td>Offenses to the detriment of the partners and creditors of a commercial company</td>
<td>Corruption</td>
</tr>
</tbody>
</table>
The Polish legal system, in addition to the relevant substantive provisions, contains a number of procedural regulations, which aim to both prevent and detect all types of non-compliance and abuse. The main legal acts granting the power and scope of competence to law enforcement and preparatory bodies include the Code of Criminal Procedure, the Executive Penal Code, the Fiscal Penal Code, the Act on the Central Anti-Corruption Bureau, the Act on the National Tax Administration, the Act on Police, and also the Act on the processing of criminal information or the Act on money laundering and financing of terrorism. The provisions arising from these laws undoubtedly constitute a framework for the activities of state authorities as part of the examination of broadly understood compliance. Literature on the subject indicates that the social, economic or normative motives of compliance or non-compliance with applicable regulations are somehow “triggered” by the behavior and attitudes of many people, companies and organizations. Additionally, the attitude of the legislator has a significant impact on the behavior of entities in this area. Thus, proper identification and understanding of different points of view on compliance requires a detailed analysis that takes into account the social and business environment (Parker, Lehmann Nielsen, 2017, p. 224). Therefore, it should be expected that a steady increase in public awareness as to the need of implementing regulations on broadly understood compliance would actually contribute to improving compliance with applicable regulations.

Compliance – a necessary risk mitigation mechanism - costs and benefits

The concept of risk is most simply defined as the probability of occurrence of a specific event and the amount of damage it can cause (Łosiewicz-
Risk is the fear of potential threats that may negatively affect the functioning of an organization. According to the global Aon research, published in the Global Risk Management Survey report covering 1843 companies from around the world, including Poland, risk perception depends on the economic, demographic and geopolitical situation, as well as the level of technological development. The surveyed companies believed that the risk of increased competition, online fraud and political risk had a significant impact on their operations. The surveyed entities also indicated a decrease in concerns, compared to the year before, caused by risk of legal changes, inability to acquire and retain talents in the organization, business interruption and civil liability (Aon, 2017, p. 4).

Moving on to the findings published in the most recent Compliance in Poland report, which also mentions the risk of economic slowdown, lack of innovation and failure to meet client expectations, difficulties in recruitment, failure to maintain business continuity, misappropriation of property, theft, use of company assets for private purposes, conflicts of interest, falsification or forgery of financial data, fiscal offenses, consumer protection, lobbying, violations of labor law, as well as the lack of personal data protection or money laundering, loss of market position, reputation or, consequently, bankruptcy (2019, p. 43). Considering the legal aspects of compliance and thus the need to preserve the division and balance of power, as well as to ensure the sustainable development of economic entities, the state needs a controlling institution to audit the undertakings of organizations, including the legislator and executive bodies.

In Poland, the institution serving this purpose is the Supreme Audit Office (NIK). Through a public assessment - communicated to citizens, the state is to provide the general public with knowledge on the impact of lawfulness of audited entities on their effectiveness, including processes related to managing public funds. The catalogue of risks identified by this institution is shown in Figure 2.
The Supreme Audit Office (NIK) focuses on controlling all branches where public funds are spent, i.e. government administration, local government, other entities as well as entrepreneurs that are beneficiaries of public spending (NIK Report, 2019, p. 60). It can be assumed that these entities are subjected to public compliance; the results depend mainly on the quality of management control as defined in the Public Finance Act. Its priority is to guarantee the execution of tasks in a lawful, effective, economical and timely manner. Both compliance and management control are to ensure compliance of the entity’s activities with legal provisions and internal procedures, effectiveness and efficiency, reliability of activity reports, as well as protection of its resources (Sobol, 2002, p. 35). Management control, however, should not contribute to the implementation of a compliance system in public entities. Although it is a new dimension of control still being perfected, examining compliance with and promoting the principles of ethical conduct, effectiveness and efficiency of communication, the measures and indicators set out in it may obscure the actual situation and results of the entity. This does not always indicate
the real quality of management, due to such factors as lack of objectivity, manipulation of statistics resulting, for example, due to the subordination of management control teams to the head of the entity. We need to remember that only efficiency enforces rational actions, while rationality itself is characterized by efficiency that has its pillars in effectiveness – attainability of goals, economy - frugality and efficiency, as well as profitability (Filipiak, 2011, p. 348). Effective compliance tools minimizing the risk of multidimensional failure to comply with the law include communication and knowledge management systems, including information on irregularities; employee rights protection policy, controlling financial settlements, including tax settlements, anti-corruption and anti-money laundering and terrorist financing procedures. Compliance cannot be limited to only part of the activities of the company, e.g. only limited to financial compliance, because the source of the problem could lie not in the economic situation of the company but in the level of responsibility of employees in relation to their identification with the company, industrial secrecy or commitment in the implementation of strategic objectives.

Undoubtedly, it is positive to see that compliance is used more and more frequently in designing environmental protection policies, including improvement of qualifications and ethical standards of managers, which are essential for shaping the global outlook of economic ventures around the world, not only in terms of ecology.

Final remarks

Compliance as a system of supervising legality of business operations is becoming an increasingly widespread standard not only in risk management, but more importantly, in systemic organizational management. It can be called a kind of demarcation line between risky decisions and potentially high profitability, and a more effective application of the management control function. The key elements of creating an effective compliance system include
comprehensive knowledge of law, implementation of appropriate security policies, adopting standards, ISO certification, or appointing a compliance officer in the company, but also aligning this system with the priorities and objectives of executive management and the whole organization.

Implementation of an effective compliance system requires an in-depth analysis of the current and future business activities and improving the knowledge of law applicable to the company’s operations and strategy by the management. The result of this theoretical dissertation provokes the conclusion that entities of the national economy should apply the theoretical and practical approach to compliance to increase the efficiency of actions aimed at achieving their strategic goals. Conversely, the lack of a broader perspective and compliance practice may lead to unintentional violation of legal norms, threatened by high financial penalties - both for the management and the entire organization. In consequence, this could not only decrease the net result of business operations or lead to the necessity to replace key management staff, but more importantly, it could pose a significant risk of losing business continuity due to the insufficient application of legal knowledge in the current activities of management.
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Projekt ustawy o odpowiedzialności podmiotów zbiorowych pod groźbą kary i zmianie niektórych ustaw (drafted: 28.05.2018, adopted 8 January 2019, as amended).


Rozporządzenie Parlamentu Europejskiego i Rady z 27 kwietnia 2016 r. nr 2016/679 w sprawie ochrony osób fizycznych w związku z przetwarzaniem danych osobowych i w sprawie swobodnego przepływu takich danych (OJ 2016, L 119, p. 1).


Ustawa z dnia 6 lipca 2001 r. o przetwarzaniu informacji kryminalnych (Journal of Laws 2019.44).


Ustawa z dnia 1 marca 2018 r. o przeciwdziałaniu praniu pieniędzy oraz finansowaniu terroryzmu (Journal of Laws 2018, item 723).

Ustawa z dnia 10 maja 2018 r. o ochronie danych osobowych (Journal of Laws 2018, item 1000, as amended).

Increasing the Motivation of Human Potential via Identifying with the Meaning of the Business Activity

ABSTRACT

Objective: The purpose of this article was to analyse the impact of the meaning of business activity on employees’ motivation. In the article, the basic contexts between the terms within the studied issue were presented.

Methodology: Several methods and thought processes have been used in the article, such as analysis, synthesis, comparison, abstraction, or questionnaire survey. After analysing the theoretical background, questionnaires, interviews and observations were conducted and evaluated and their results led to the creation of specific recommendations. The research was carried out periodically in 2016 and subsequently in 2018.
Findings: The basic sense of the functioning of the company must be properly explained to the employees in order to increase the level of their motivation. Only if employees identify themselves with the tasks assigned, they will take responsibility for them and will be willing to work with enthusiasm and interest. Such behaviour will have an impact on improving the efficiency of work performance and individual processes, which will also increase the overall efficiency of the organization.

The first questionnaire survey revealed the high positive impact of several factors on increasing employee motivation. For example: interest in work; strive to be a good employee of the company; involvement in the workplace. The respondents of the second survey identified involvement in decision-making and participation in problem solving as important factors.

Value Added: The core value of this article is based on the recommended model. In addition to the model that illustrates the basic elements in employee identification with the business meaning, a mechanism has been created to achieve this goal. If this mechanism, consisting of six key points, is used to implement a project, it can be assumed that employees will understand the importance of specific tasks.

Recommendations: Motivation as an inner force of shifting a person – an employee – to achieve specific goals can be influenced by the motivation process. This process uses specific motivational tools to influence the behaviour of individuals. In line with this idea, the motivation of employees should be explored and encouraged. The main recommendation is to pay attention to identification of employees with the business meaning. In this case, employees will be involved in the decision-making, will be identified with the assigned tasks and will be willing to work with enthusiasm and interest.

Key words: meaning, identification, motivation, employees, effectiveness

JEL codes: M12 Personnel Management

1. Introduction

Employees are a key element of any organization. The overall success of the organization depends on their work because they must carry out their work conscientiously and effectively to ensure quality outputs. Outputs can be understood as specific products or services that meet customer needs. In
order for employees to be able to work in an efficient way and to make their work a true asset for the organization, they must be sufficiently motivated to carry out work activities.

Today, many global organizations are focusing on defining values not only in relation to customers (external environment), but especially in relation to the internal environment. Managers are aware of the need to define the meaning of doing business and set values that will be used in everyday work. However, it is not sufficient to define these elements, but it is essential that employees also understand their meaning.

That is why the aim of this article is to highlight the key impact of the importance of business on employee motivation. The proposed recommendations relate to increasing the motivation of human potential through identification with a sense of business.

2. Analysis of theory or current knowledge in discussed area

The theoretical background of the selected topic relates to the concepts of the motivation, increasing the motivation and strategic phenomena of the company.

2.1. Motivation

Motivation can be understood as a force that gives people the desire to make an effort and thus moves its actions in a certain direction. This idea can also be confirmed by the opinions of other authors who are just looking at what one is experiencing, desiring or opposing. Thus, motivation represents what one is trying to achieve – his/her ideals and desires (Pardel, 1977, p. 63).

The key to defining motivation is the concept of process. Many authors explain the motivation just as an intrapersonal process of initiating, directing, and maintaining the physical activities of man in the desired direction and
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intensity. The state described in this way contains various *internal mechanisms*, including:

- Preference of one activity over another;
- The enthusiasm and consistency of the person’s response;
- Transforming the patterns of action that leads to achieving goals (Donelly, Gibson, & Ivancevich, 1988, p. 368).

Motivation in terms of work orientation can be defined as the internal setting of the employee, thanks to which he/she perceives the work by *bringing pleasure, joy, pleasant feeling or fun* (Stýblo, Urban, & Vysokajová, 2005, p. 74).

Different acts in an employee’s behaviour can be followed, such as: *how often they talk about job responsibilities/tasks; whether they are talking about those tasks that they like or like to do; when he highlights the positive and the negative side of his or her work.* If an employee often talks about the activities that interest him/her and discusses them in a positive sense, this kind of task can be attributed to the employee’s high willingness. They will be given them voluntarily, regardless of the time needed to process them (Stýblo, Urban, & Vysokajová, 2005, p. 74).

A prerequisite for working with motivation is exploring the reasons for human behaviour and experiencing the situations, because the reasons for the behaviour are based on the inside of the person (*attitudes, motives, feelings, values, motives*). It can therefore be concluded that if a particular situation is in line with the current motives of a person, *his/her behaviour cannot be separated from the motivation* (Lutz von Rosenstiel, 2014, pp. 5–6).

Since behaviour is closely related to the motivation, current motivation of a person may be understood as a result of the interaction of the reasons for his/her reactions and set goals. Employee is influenced by various opportunities, requirements and other factors of the external environment (Steiger, 2012, p. 135).
2.2. Increasing the motivation

Investigating the behaviour of employees (as mentioned above) is necessary to influence their internal motivation. In connection with this fact, motivating can be defined as “external influence on the inner motivational structure of man” (Blažek, 2014, p. 162; Brown, 2007, p. 8). In the course of the motivating process, the manager offers the employee what will satisfy his/her interests to achieve the goal (Plamínek, 2010, p. 11). Managers can therefore affect the motivation of using various suggestions while their main aim is to achieve a pre-desired goal.

To motivate employees effectively, it is necessary to identify those factors that are of great value to employees. The company must then focus on ensuring their availability (Lauby, 2005, p. 5). The goal of motivating can also be to achieve a change in the behaviour of an individual or group. It is necessary to consider the diverse effects of one and the same factor on different employees. The same factor will cause different responses for different employees because each person has a unique personality. In addition to the influence of personality, there can also be identified the effect of changing the situation on a particular individual, depending on which effect the selected factor is more or less effective (ineffective).
2.3. Strategic phenomena of the company

The strategic thinking/direction of the organization is embedded in its mission, vision and philosophy. The mission, as the main purpose of functioning of the company, should include a link to the relationship with other entities, stakeholders, as well as the long-term recognized values of the organization. Ideals and priorities that relate to the anticipated future state of the company can be named vision. In defining a vision, managers should not only think about where the company will be in the future, but also take into account the real situation, the current capabilities of the employees and the possibilities of the company. The vision is often referred to as the biggest motivator. The reason is its strength to direct all employees in one direction (Jakubíková, 2008, pp. 20–21).

Strategic management represent the long-term view of the organization. This term can be characterized as science. This term can be characterized as science, which includes the activities, formulation, implementation and evaluation of a series of decisions within all functional parts of the organization. These decisions result in achieving the goals (Fotr et al., 2012, p. 26).

The organization’s long-term activities should be developed through a strategy. According to the classical view, this should also capture the progress of specific operations and the distribution of resources needed to meet the set goals. A new perspective not only points to the fulfilment of objectives, but also to meeting the needs of employees, groups and the entire organization. The strategy must be flexible enough to respond to changes in the internal (changes in resources and capabilities) and external (changes in the business environment) environment (Dedouchová, 2001, p. 1).

The goal as a term is defined as the future state that the organization wants to reach within a certain time frame. If it is a long-term horizon, the talk is about strategic goals. Objectives can be expressed quantitatively (can be described by measurable factors and are time-limited) or qualitative (the company’s attempt to become more innovative; to become a stronger competitor; the pursuit of quality success) (Abraham, 2012, p. 224).
Each of the functional areas of the organization should have its own strategy tailored to the actual needs of the area. In terms of building and enhancing motivation, strategy of human potential can be pointed to. Like every partial strategy, the human potential strategy should be based on a comprehensive company strategy. We can discuss it as a long-term concept of managing and leading people in an organization (Šikýř, 2016, p. 29).

It is also necessary to focus on specific personnel activities when developing a human potential strategy. Every strategy for a particular process of human potential management and development (such as motivation strategy) is understood as a complex system consisting of sub-goals and activities. Responsible employees of the given area take care of their effective fulfilment. Only if the sub-goals are met can the company achieve even the strategic ones.

In mentioned above intentions, the understanding of the functioning of the organization is based on the visualization of the entire operational culture and interrelationships (Monappa & Saiyadain, 2006, p. 157). In order to help employees, adapt and adopt new conditions and changes, it is essential to build interpersonal relationships and to emphasize the basic attitudes and values that are characteristic of the organization and should prevail in the working environment.
3. Methods

In recent years, we have conducted several surveys on employee motivation. First was performed in 2016 and second in 2018.

3.1. First survey (2016)

The first questionnaire survey was realized in 2016 on a sample of 700 employees. The number of responses received was 432, which is a representative sample at a 99% confidence interval and a 1% error rate.

One of the questions concerned the level of employee motivation and was investigated with respect to a particular area of motivation. The results show that the most common answers which concerned the possibility of a high and average level of motivation (Table 1). These responses outweighed the very high level, showing room for improvement and an opportunity to increase employee motivation in the areas. Subsequently, the reasons for this state were examined.

<table>
<thead>
<tr>
<th>No.</th>
<th>Motivation area</th>
<th>Motivation level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Quality of a work</td>
<td>High</td>
<td>236</td>
<td>54.63%</td>
</tr>
<tr>
<td>2.</td>
<td>Acquiring skills, knowledge and endorsement</td>
<td>Average</td>
<td>183</td>
<td>42.36%</td>
</tr>
<tr>
<td>3.</td>
<td>Desire for improvement</td>
<td>Average</td>
<td>249</td>
<td>57.64%</td>
</tr>
</tbody>
</table>

* (scale: very low; low; average; high; very high)

Source: own study.

Respondents should indicate how they motivate themselves in these areas. Among the most motivating employees mentioned are:

- Satisfaction with well done work;
- Interest in a job;
· The pursuit of best performance;
· Engaging in the workplace;
· Trying to be a good employee for the company.

Further inquiries led to find the following: Employees tried to motivate themselves through engagement, interest in participation, and wanted to benefit the organization. *Their efforts, however, did not meet the response of the company.* The managers failed to identify motivators that have a high positive impact on employees. Therefore, the organization failed to explain the meaning of its functioning to employees. The company’s values were not translated into everyday work and the future direction was not explained to the employees.

3.2. Second survey (2018)

The second questionnaire survey was conducted in 2018, applied in a medium-sized organization focused on educational activities, on a sample of 11 employees, with 11 responses. This can also be considered as a representative sample at a confidence interval of 99% and a tolerable error of 1% as in the first survey. The results were subsequently supported by additional methods – several interviews and observations were also conducted.

The 2018 research results support and confirm the importance of motivational factors identified in 2016. The first questionnaire survey revealed a high positive impact, for example, on factors: interest in work; trying to be a good employee for the company; engaging in the workplace. The second survey respondents included following important factors: involvement in decision-making and participation in problem-solving (Table 2).
Increasing the Motivation of Human Potential via Identifying with the Meaning of the Business Activity

Table 2. The importance of motivational factors

<table>
<thead>
<tr>
<th>No.</th>
<th>Important motivational factors</th>
<th>Score</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Joining the decision making process</td>
<td>3</td>
<td>9</td>
<td>81.82%</td>
</tr>
<tr>
<td>2.</td>
<td>Being a part of solving the problem</td>
<td>3</td>
<td>10</td>
<td>90.91%</td>
</tr>
</tbody>
</table>

* (scale 1 - 4; 1 = least important; 4 = most important)

Source: own study.

As already mentioned, the questionnaire research was supplemented by interviews and observations. Through additional methods, information was gathered about other motivators that link the findings so far. Well done work, positive feedback from customers and the sense of work of the whole organization have been identified as essential motivators.

3.3. Results and proposed model

Based on the study of existing knowledge and evaluation of own research, a specific process that can help to explain the basic meaning of the company’s acting to employees in a way that increases the level of motivation, can be designed (Figure 3).

The very concept of the process most often represents an ordered sequence of activities or activities ensuring the transformation of inputs into outputs while using resources (Fišer, 2014, p. 55). The first step in the proposed process is to create the mission, vision and philosophy of the company. Neither of these terms can be defined separately. The necessary precondition for their correct setting is mutual interconnection and coordination of their direction. Only in this way is it possible to define the meaning of the work of the whole organization.
Consequently, it is necessary to set goals (both long-term and short-term ones), in direct relation to the defined meaning, when compliance will be respected. Partial objectives are milestones that need to be achieved in a certain time frame. Since they were built on the basis of the overall sense of functioning of company, it can be said that they also conceal the specific meaning of sub-activities. However, it is necessary to draw attention to this, to define it precisely, and to interpret it to working groups or individual employees.

The above steps were processed through a graphical model (Figure 3), which also contains two continuously running sets of activities. The first is the gradual communication and interpretation of individual steps by employees. Only if there is sufficient explanation of each part of the process, will the employees 'receive it for themselves' and the process will be successful. The second set of activities concerns the continuous alignment and harmonization of model elements. Not only the elements among themselves, but also the elements inside each element must be aligned.

**Figure 3. Identification process with the sense of business**

Source: own study.
Identifying with defined elements is a key part of the model. Employees will not be motivated when the mission, vision, philosophy, goals or purpose is properly set, but only if they understand and believe in their success and future direction.

5. Conclusion

Presented results revealed a problem area in the organizations surveyed, which concerns not only the definition of the specific meaning of the organization as a whole, but also the meaning of the sub-activities. Many organizations have a defined mission, vision and philosophy as fundamental aspects in which their meaning is embedded. However, it disappears when performing specific projects, assignments or tasks.

It is essential that the core business sense is sufficiently communicated to the employee. They are the key to ensuring quality work and producing results effectively, which is why they must understand why they are doing the job. Furthermore, it would be beneficial if companies were also focused on specifying the expectations of a particular project and determining roles in the implementation of individual activities.

The materialization of philosophy through its written record gives companies a huge advantage in that each employee has access to it, can study it and identify with it better. That is why it also acts as a strong motivator that leads employees to achieve goals by applying values and principles.

However, employees need to know what their organization’s philosophy is and how it can be used. This understanding is the basis of the main idea of philosophy, which is precisely how to use the established values and principles of work so that the employees themselves can identify with them and are able to meet the needs of their customers (Hriníková, 2018, p. 68).

In accordance with presented model, since identifying with the sense of doing business, a mechanism to achieve it can be also developed. It may consist of six key points:
1) Specification of project requirements (activity);
2) Specification of project expectations;
3) Build a project team;
4) Defining project objectives;
5) Division of project tasks;
6) Determining roles in a project team.

If this mechanism is used to implement the project, it can be assumed that employees will understand the meaning of specific tasks. As they engage in decision-making and participate in setting each of the recommended points (specification of requirements, expectations; goal-setting; division of tasks and roles, etc.), they will be identified with the tasks assigned, take responsibility for them and be willing to work with enthusiasm and interest. A prerequisite for the successful use of the proposed model and implementation mechanism is their adaptation to the specific specifics of the organization as well as the working group.

Identifying the meaning of the organization is based on those motivating factors that are important for employees and positively influence their motivation and therefore their behaviour in the organization. These manifestations will have an impact on improving the efficiency of work performance and processes, leading to an increase in overall organizational efficiency.

Acknowledgement

This article is supported by UNIZA Grant Project with the title: The connection between creativity and motivation in relation to the decision-making process at the University of Žilina.
References


Objective: This article focuses on the analysis of cultural similarities and differences important in terms of the compliance risk management in Polish and German enterprises, with the deliberate omission of Hofstede's four cultural dimensions, in favour of the modified E. Schein’s model. This article explains the basic concept of risk management culture, the compliance risk and the
essence of the compliance management system in Poland and Germany as well as the impact of cultural factors of each of the analysed countries on the development of compliance. The research objective of this paper is to present a comparative analysis of the examined countries, through the analysis of compliance management systems, as an indispensable element of risk management in an organisation, both in practical and formal terms.

Methodology: This research is based on a critical review of the source literature and inference with assigned classical and fuzzy logic values as part of the culture description and risk management.

Findings: The initial hypothesis is that the compliance risk management in companies in Poland and Germany has common and standardised features of the Community legal standards, which can be differently displayed from the declarative and actual point of view in Germany, due to an increase in internationalisation and intercultural relations.

Value Added: This article presents the theoretical significance and functions of compliance risk management based on an analysis of applicable compliance systems and cultural systems in Poland and in Germany.

Recommendations: The compliance risk management system is an essential risk management mechanism in organisations, both in formal and practical terms. It should take into account both the cultural diversity of the regions in Germany and the high cultural and ethnic homogeneity of enterprises in Poland – open, however, to cultural diversity.

Key words: risk, compliance risk, management, compliance, compliance management system, interculturality.

JEL codes: K40 Legal Procedure, the Legal System, and Illegal Behavior: General; G32 Financing Policy, Financial Risk and Risk Management

Introduction

Every business entity operating on a competitive market should be able to efficiently adapt to changes emerging in the environment, i.e. frequent changes of legal regulations, market competition, shortage of qualified staff or improper owner supervision. In connection with the above facts, identifying and managing risk is becoming a real challenge related to conducting business activity. The description and creation of risk definition has also been repeatedly dealt with in the literature on the subject. One of
the interpretations is presented in the Leksykon Finansów. According to its contents, risk is “an undertaking whose effect is unknown or uncertain, or it is a possibility that a given thing will succeed or fail” (Głuchowski (ed.), 2001, p. 266). The literature also points to the fact that in the past risk was perceived as a phenomenon independent of human activity. It was only from the nineteenth century onwards that risk started to be perceived as an issue where man has a considerable possibility of interfering (Spira & Page, 2003, pp. 34). In financial and particularly in economic sciences, risk constitutes one of the main issues. Each enterprise sets goals and strives to attain them as part of its business activity. In the course of actions undertaken, there are circumstances that may prevent the desired objectives from being achieved. Therefore, risk is a permanent element of the functioning of enterprises as well as of any human activity (Raczkowski, Noga, & Klepacki, 2015, p. 14).

Risk management

The concept of risk management also appears in the literature on the subject alongside the concept of risk. It can be defined as “formulating an action plan aimed at minimizing or eliminating the negative effects of risk appearing in various areas of the operation of an enterprise and searching for development opportunities through undertaking business activities in the sphere of increased risk” (Romanowska & Trocki, 2004, p. 347). M. Wilczek proposes still a different definition and indicates that risk management is “an art and science of identifying, determining and preventing risk throughout the life of a project in the interest of the successful achievement of its goals” (Wilczek, 2002, p. 72).

A different approach to this issue is presented in the International Standards for the Practice of Internal Auditing IIA. According to them, risk is the possibility of an event arising that will affect the achievement of previously set goals. In such an approach risk is measured through the influence (i.e. impact power)
as well as the probability of its occurrence (Definicja audytu..., 2012, p. 47). These guidelines also provide the answer that should be taken in consideration in the process of coping with risk, i.e. in risk management. According to this approach, risk management is a structured, permanent and continuous process undertaken in an entire organizational unit with the purpose of identifying, assessing, responding and reporting on opportunities/chances or threats related to achieving specific goals (Role of Internal..., 2009, p. 2).

In other words, risk management includes in its scope understanding, analysis and taking appropriate measures related to risk to ensure a situation in which organization will achieve its goal. Therefore, this management has to be proportional to the complexity and type of the organization involved. Enterprise Risk Management (ERM) is thus an integrated approach to risk management in an organization and in its extensive networks. Considering that risk is an integral part of everything that man does, the types of roles, tasks and functions undertaken by risk specialists are highly varied. These include activities in the areas including but not limited to insurance, business continuity, corporate governance, safety and hygiene, engineering, planning and financial services (What is Enterprise..., 2019). This is also what P. Hopkin points to. He clearly suggests that assessing the extent of available responses to risk and choosing the most appropriate one in each case is the essence of risk management. Responding to risk should bring benefits both to the employee (manager) and the organization in which they work (Hopkin, 2010, p. 2).

Based on this document, it should be clearly stated that one of the basic tasks within organizational units tasked with compliance is to control and manage risks occurring in a given entity. The concept of risk may be discussed on the basis of many different typological criteria. Depending on which one is adopted, the final definition of this issue may take a different form.

Paying attention to the comments made above regarding ERM, it should be noted that the approach to risk management has changed. There are major differences between traditional risk management and ERM. These are listed in the table.
Table 1. Differences between traditional risk management and Enterprise Risk Management

<table>
<thead>
<tr>
<th>Traditional risk management</th>
<th>Enterprise Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk is a single threat</td>
<td>Risk is analysed in the context of the business strategy</td>
</tr>
<tr>
<td>Risk estimation and identification</td>
<td>Elaboration of the so-called risk portfolio</td>
</tr>
<tr>
<td>Measures focusing on specific, isolated types of risk</td>
<td>Focus on the so-called critical risks</td>
</tr>
<tr>
<td>Risk limits</td>
<td>Risk strategy</td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>Risk optimization</td>
</tr>
<tr>
<td>Risk does not have a clearly assigned owner</td>
<td>There exist employees’ obligations being strictly connected with risk</td>
</tr>
<tr>
<td>Risk quantification based on randomness</td>
<td>Monitoring and measuring risk</td>
</tr>
<tr>
<td>The prevailing principle: &quot;risk is not my responsibility&quot;</td>
<td>The prevailing principle: &quot;everyone is responsible for risk&quot;</td>
</tr>
</tbody>
</table>


With regard to the contents presented, it should be noted that the identification of risk factors is the starting point for a holistic approach to risk management. The literature on the subject emphasizes that the risk identification process is associated with the assessment of the likelihood of threats and possible opportunities. Determining the probability level of the occurrence of a specific event as well as the size of such risk is very important in risk identification. T. Kaczmarek adopts a stance whereby risk identification is a process of researching and identifying threats that may occur in a particular organization. The author clearly indicates that the purpose of risk identification is to recognise the threats occurring in the context of further action of a specific organizational unit early enough (Kaczmarek, 2006, p. 99).

In the process of risk identification, attention should be paid to all causes, both direct and indirect, which may in the future cause damage to the assets of an organizational unit (understood not only as its material goods, but also as a whole range of other components and element involving but not limited
to employees, brand, clients, contractors or know-how). It seems extremely difficult to view the identification of individual risk factors not only through the prism of threats but also through the prism of unattained or lost benefits. This form of risk analysis refers directly to selected risk concepts, namely (Jaguga, 2009, p. 13):

- negative risk concept,
- neutral risk concept.

It should be noted, however, that while the first of the above concepts intuitively indicates risk understood as a certain threat (corresponding to the concept of pure risk), the second concept refers to the fact that while risk may be seen as a threat there is a specific opportunity to avoid it. The neutral risk concept treats risk as the possibility of obtaining an effect that will vary from the expected one. Therefore, this model is closely related to conducting business activity (Jaguga, 2009, p. 13).

Compliance and compliance risk management - history of compliance

Even though the term “Compliance” has been around over the course of history, in its most recent understanding, it is mainly referred to as a systematic concept to ensure compliant behavior in a business environment (Spindler, Stilz & Fleischer, 2019).

Compliance first became important in the wake of the Watergate affair, when the Foreign Corruption Practices Act (FCPA) of 1977 was introduced to combat, the then popular practices of bribes and corruption, especially towards public officials. It was mainly intended to criminalize payments to foreign government officials and introduced the regulatory needs for accounting transparency (Stiftung, 2013).

The FCPA turned out to be an effective measure to raise awareness for the importance of Compliance. Especially due to the large impact it had on US companies, which used practices of bribery and corruption anywhere in
the world, through the strong enforcement and high fines. With the amendment of 1998, the FCPA was also applicable to non-US companies (Foreign Corrupt..., 1997). This led to a higher recognition of the FCPA globally. Around the same time, the US Securities and Exchange Commission (“SEC”) started enforcing the FCPA accounting provisions together with charges involving commercial bribery, which strengthened the need for companies to consider the proper application of their internal controls and accounting policies to commercial and government dealings (Menzies, 2006).

Already ten years prior, in 1989 a working group was founded to develop the so-called “Convention on Combating Bribery of Foreign Public Officials in International Business Transactions” among the members of the Organisation for Economic Co-operation and Development (“OECD”), to prohibit bribery in international business transactions [Resource Guide..., 2008]. This convention was signed in 1997 and came into place in 1999 [OECD Convention on Combating Bribery..., 1997]. Other international treaties developed between the mid-1990s to the mid-2000s, culminating with the adoption of the United Nations Convention Against Corruption (“UNCAC”).

These acts to increase compliance were mainly focused on the field of anti-corruption. The Sarbanes Oxley Act (“SOX”) in 2002, issued again by the US as a reaction to big accounting fraud cases at WorldCom and Enron, extended the scope by requiring SEC registrants to establish and maintain an adequate internal control structure and procedures for financial reporting to assist in detecting a material misstatement. Recordkeeping requirements were also included in the OECD Recommendation for Further Combating Foreign Bribery of Foreign Public Officials in International Business Transactions and its Annex II, in particular, entitled “Good practice guidance on internal controls, ethics and compliance”, which was adopted in 2010 (Strach, 2003). Afterwards, Compliance started to spread to a more diverse set of risk areas besides bribery and corruption.

Historically the development of compliance issues is also based on guidelines of international organizations. These are primarily:
· COSO Guidelines (Committee of Sponsoring Organizations of the Treadway Commission) (Internal…, 1992);
· Guidelines contained in the recommendation of the Basel Committee on Banking Supervision (Framework…, 1998);
· EBA Guidelines (European Banking Authority) (Guidelines on Internal…, 2011);
· ESMA Guidelines (European Securities and Markets Authority) (Guidelines on certain…, 2012).

The definition and essence of compliance were included in the contents of ISO 19600:2014. The interpretation has a multidimensional nature and in general can be formulated as follows: “compliance is a conscious, systemic and integrated with the organization care for the complementary application of the letter and spirit of the law so that the organization can effectively achieve business goals” (ISO 19600, 2014).

Nowadays Compliance is not limited to specific areas but is understood as an overall term for the concept of ensuring compliant behavior by companies and their employees with laws, regulations, policies and social norms (Framework for Compliance…, 2019).

Large companies often introduce a department specifically responsible for Compliance. The size and objectives of the departments differ, depending on the business environment and the scale of the risks handled by them. As such, larger companies often bundle the responsibility for different risk areas within the compliance department to facilitate a centralized oversight. For smaller companies, the compliance function is often found within other departments, such as the Legal department. The responsibilities of the departments differ, depending on the size of the company, the legal environment and the setup in each individual company (Becker, 2011, pp. 7–22). Often, multiple departments are involved in ensuring compliance within an organization and it is the Compliance department that must ensure the responsibilities are clear, despite the various interfaces within a company (Steßl, 2012, pp. 20–54).
Compliance and compliance risk management

To ensure Compliance in a complex business environment, Compliance Management Systems (CMS) play an important role. They mainly consist of three pillars: prevention, detection and response/improvement. The individual design of different CMS differs, based on the risks they are intended to mitigate, but some components can be found in every CMS, no matter the risk area. Based on the Governance, Risk and Compliance Capability Model by the Open Compliance and Ethics Group (often referred to as the OCEG Red Book), these components can be clustered in the following groups (GRC Standards, 2019):

· context – understand the culture and business environment,
· organize – understand the organizational capabilities,
· assess – understand the risks, opportunities, threats and requirements,
· proact – take actions to prevent undesired events,
· detect – take actions to detect undesired events,
· respond – take actions to respond to undesired events,
· measure – measure the appropriateness and effectiveness of the actions,
· interact – capture and communicate measures taken.

Some components can be linked to other main governance systems within a company. Primarily the “Assess” component can be connected to Risk Management Systems (RMS) and the “Proact” as well as the “Detect” component to the Internal Control System (ICS). However, the purpose of these systems differs slightly from a CMS. On the one hand, RMS often focus on protecting corporations from major downtimes or risks that could affect the existence of the corporation, while a CMS aims at preventing every kind of misconduct by the employees or business partners of the corporation – therefore the risks covered by a CMS could be reported as part of the RMS. An ICS on the other hand, covers controls to ensure a reliable financial reporting, high operational performance and compliance with laws and regulations – hence some of the controls included in an ICS can be relevant controls for a CMS as well (Evans, 2014).
Compliance management has now become the basis for efficient management and success, which is to be achieved by the company. In a nutshell, the concept of compliance can be defined as: functioning in accordance with the provisions of law. However, the broader interpretation assumes that compliance is the management of the risk of non-compliance. It is thereby understood that compliance fulfils a control function in all financial organizations. These controls may be defined as a process whose goal is to ensure an increase in the efficiency and effectiveness of financial operations, credibility of financial reporting and compliance with the law (Namiri & Stojanovic, 2008).

It should also be noted that in the contemporary world, which is developing rapidly in all respects, it is very important to ensure efficient compliance risk management and cooperation between senior management and all business units in an organisation. Such activity alongside with the current complexity of business issues will allow for an effective mitigation or elimination of risk (White Paper..., 2013).

Compliance in Poland- organizational culture and its impact on compliance

Modern managers pay increasing attention to the factors that determine the functioning of individual business entities. One of them, to which special attention was paid already back in the 1980s is the culture and its importance for the management process. Particular credit goes to Hofstede. The author was one of the first to make an attempt at describing the problem of the diversity of national cultures in relation to international economic relations, business entity management and conducting business. Organizational culture was defined by him then as a collective programming of the human mind that distinguishes members of one organization from the members of another (Hofstede, 2000, p. 375). E. Schein was of great importance for defining culture in organizations. In the commonly known model of the indicated author, organizational culture is defined as symbols
(various types of artefacts, created and used consciously), norms or values (fully identifiable, but partly unconscious), as well as cultural assumptions (axioms and certainties subconsciously or indisputably accepted) (Schein, 1985; Wronka-Pośpiech, 2017, p. 94).

Paying attention to management culture is especially important nowadays, when various transnational corporations wield so much importance. The management process, which takes place in them must take into account the cultures typical for individual countries, where they have their branches or from which their employees come. In their case, the significance of the relationships which exist between culture and management is particularly well visible (Demangeot, Adkins, & Mueller et al., 2013, pp. 156–159). At the same time, it cannot be recognized whether a given culture is better or worse for management processes. There are many factors which a culture consists of, and at the same time they can affect the functioning of an organization to a lesser or greater extent. These can be, for example, strategic competences, specialist knowledge, or various situational factors. Appropriate management of these factors, and therefore culture management in an organization may be crucial for success or failure in business (Rathje, 2007, pp. 261–264).

In order to make the most of the potential of culture in the context of compliance in modern corporations there are certain sets of norms in place. Cultural differences may have a significant impact on how each of these norms will be implemented. Therefore, there may also exist completely different ways to solve difficulties in building compliance. Cultural conditions in force in a given corporation directly affect how compliance norms and rules will be implemented. Individual corporations operate in various legal regimes, which in practice often determine the way economic entities operate. Companies that decide to do business in a given country must comply with a given legal culture straight from the beginning. Compliance management must incorporate specific legal regulations and guidelines that may not apply in other countries (Braun, 2019, pp. 225–226).
This may also result in the fact that in individual countries there are different understandings of various concepts important from the point of view of compliance analysis. Therefore, the concept of corporate governance or corporate social responsibility, popular in recent years, can be interpreted in various ways (Rudolph, 2014).

For the development of compliance in Poland, as well as in any other country, the organizational culture, which prevails therein is of key importance. Individual authors and management practitioners in contemporary organizational units have only been intensively implementing and studying this phenomenon for several decades. In order to accurately characterize the impact of organizational culture on a company’s success, one needs first to outline what it is. M. Sidor-Rządkowska writes that „organizational culture is a kind of pattern of basic assumptions which are designed or developed by a group of people in order to properly cope with various problems of external adaptation and internal integration” (Sidor-Rządkowska, 2009, p. 125).

However, in Poland organizational culture is determined by the entire economic aspect. This applies to both the approach of management staff and employees themselves, who are crucial to the proper perception of risk in their organizations. In Poland, rising wages, shortening working hours, as well as the growing overall wealth of the country (calculated GDP) bring the country closer to the western cultures of such countries like Germany, France or the United Kingdom. The considerably high dynamics of economic development in Poland in recent years have also resulted from the participation of international corporations in it. It is worth adding here that the proper and efficient functioning of international corporations, or their branches in a given country is also determined by the proper understanding of the impact of various legal cultures on the functioning of organizations. In the context of compliance, this is of crucial importance when resolving the contradictions between the laws being in force in various countries and local guidelines. This is necessary from the point of view of both the efficient and proper functioning of organizations and because of the demands expressed by local supervisory authorities (Bierbrauer, 1994, pp. 243–264).
The applicable legal system is of particular importance for compliance and non-compliance risk management in Poland. This became particularly important after the country’s accession to the European Union in 2004. The growing number of provisions, as well as frequent changes in regulations at the national and EU level, concluding increasingly more complex financial transactions or the observed intensification of activities of supervisory authorities results in the need for considerably greater prudence in the implementation and maintenance of efficient compliance management systems (Eleryk, Piskorz-Szpytka, & Szpytka, 2019, p. 25).

Considering the above, the idea of implementing a compliance management system, not only due to its various advantages, but also external factors, has also taken root in Poland over the past decades. On the international stage, global corporations have been of key importance, which by implementing compliance principles included in their scope full corporate structures, and therefore subsidiaries in all countries. In this way, also their daughter companies with headquarters located in Poland have had to implement relevant components of the compliance management system, applicable in a particular corporation. There has also appeared pressure from trading partners who, by choosing their own contractors, have begun to inspect their structures more closely in the context of compliance to ensure that they co-operate with secure entities. The scandals involving large entities with branches in Poland have also proved to be an important aspect of strengthening awareness in the context of compliance. In organizations of this kind, following the imposition of various onerous sanctions and experiencing image injuries, a change or strengthening of the compliance risk management system took place (Compliance…, 2018, pp. 8–9).

The significance of compliance in Polish entities is visible on many levels, however, the main role in this respect belongs to management boards and supervisory boards. It should be noted that their activities are significantly determined by the regulations and guidelines of various public institutions. Members of management boards and supervisory boards bear legal respon-
sibility for their actions in this matter. When making business (management) decisions they must take into account the applicable guidelines, for example, the ones of the Polish Financial Supervision Authority (Jagura, 2017, p. 283).

Equally significant is the fact that Warsaw Stock Exchange listed companies comply with the so-called Best Practices envisaged for such companies (Jagura, 2017, p. 285). When describing these Practices in more detail, it should be noted that in accordance with Chapter III of this document, a “stock exchange listed company is responsible for the maintenance of efficient internal control, risk management and compliance systems, as well as an effective internal audit function, appropriate to the size of the company and the type and the scale of the business conducted” (Dobre..., 2016, p. 14). Moreover, in 2018, the Warsaw Stock Exchange issued clear guidelines on countering corruption and supporting so-called whistle-blowers in companies listed on this stock exchange. According to the assumptions of these standards, “it is recommended that the compliance management system in the Company shall be directed at identifying and managing the risk of non-compliance with the law, internal regulations of the Company and generally binding customs and ethical rules” (Standardy..., 2018, p. 1). The implementation of these recommendations in Polish business transactions has significantly increased investors’ confidence in the stock exchange, as well as in individual companies.

The regulator has a special role in setting the norms and principles related to compliance in Poland. For the domestic financial system, this position is occupied by the Polish Financial Supervision Authority (KNF – Komisja Nadzoru Finansowego). This authority issues a number of recommendations, which affect not only the functioning of individual business entities but also the everyday life of citizens. KNF recommendations regarding loans, operation of banks and corporate governance principles in financial institutions may be given as examples. One of them is the Recommendation H of 2017, which refers to the internal control system in banks (Rekomendacja H, 2017).

Another document issued by the regulator is the Principles of corporate governance of 2014. Pursuant to section 47 a “supervised institution should
develop and implement an effective, efficient and independent function of assuring the compliance of the operations of the supervised institution with legal regulations and internal regulations, also taking into account supervisory recommendations” (Zasady..., 2014). This regulation should be directly referred to the compliance system, which should be implemented in every organization subject to the supervision of the Polish Financial Supervision Authority. The regulator’s position regarding compliance rules in the insurance sector is also interesting. Accordingly, the Polish Financial Supervision Authority states that the proper and prudent management of the insurance/reinsurance undertaking shall be implemented and ensured through proper organization of the management system. When creating such a system, the scale of a particular insurance/reinsurance company should be taken into account. Moreover, the type of insurance/reinsurance business and the exposure of the above-mentioned entity to various risks need to be considered. “It is particularly important for the Polish Financial Supervision Authority that the statutory bodies of insurance/reinsurance undertakings be aware of the requirements regarding the compliance function and take into account the normative position and tasks of this function. The intention here is primarily to ensure the proper organization of the insurance/reinsurance companies which guarantees the efficient, full performance of the function” (Komunikat..., 2018).

It should be clearly emphasized that the examples of Polish compliance indicated above are only a narrow sample of the rules and guidelines, which apply in this matter. However, they are so important that they had to be emphasized here, even to limited extent.

To sum up, compliance in Poland is very rarely treated as a certain system and only slightly deviates from global standards. Moreover, various types of research in this area clearly show that compliance management systems are relatively widespread among economic entities operating in Poland. It is worth noting that it does not refer to companies in which foreign capital is dominant. Companies of this kind, which have already implemented the compliance
management system, have chosen generally accepted elements, such as risk analysis, raising the awareness of their employees through training, and other activities that promote awareness and the culture of compliance (Compliance…, 2018, p. 50).

**Characteristics of the compliance and compliance risk management in Germany**

Compliance in Germany has been regulated extensively by different laws for quite some time (Prigge, 1998, pp. 943–1044; Monks & Minow, 2001, pp. 275–290; Cadbury, 2002, pp. 70–75]. One of the most important laws towards a stronger Corporate Governance was the “Gesetz zur Kontrolle und Transparenz im Unternehmensbereich” (Law on Control and Transparency in Business, KonTraG) from 1998. The law specified and extended regulations from other laws, mainly the Handelsgesetz (Commercial Code, HGB) and the Aktiengesetz (Stock Cooperation Act, AktG). It applied to stock listed companies as well as (indirectly) to non-listed companies (Müller & Seulen, 2019). Section 91(2) of the KonTraG specifies, that legal representatives of a company need to “take appropriate measures, in particular to set up a monitoring system so that developments that jeopardize the continued existence of the company are quickly recognized”. This requirement can be considered as the starting point of Compliance in Germany.

Further requirements for stock listed companies were clarified and consolidated with the launch of the Deutscher Corporate Governance Kodex (German corporate governance code) in 2002 (Deutsche…, 2019). Listed companies have, according to § 161 AktG, to declare their conformity with this code on a yearly basis. Non-listed companies are encouraged to follow the recommendations of the codex as well, to manage compliance risks. The code is a consolidation of different legal requirements, regarding the management and supervision of companies (Werder, 2011, pp. 48–62). It provides rules and values for good and responsible corporate governance.
and it adopts to changes in the market or legal environment on a yearly basis (Werder, Talaulicar, & Kolat, 2005, pp. 178–187).

In the beginning, the impact of the legal requirements and recommendations by the code were limited. Only the aftermath of the investigations of the Siemens corruption scandal from 2006 onwards, led to a boost regarding corporate governance in Germany (Collective Action..., 2006). This was mainly because Siemens served as a warning example due to the high penalties and disgorgements – it was the fourth largest FCPA enforcement action of all time. Afterwards, many companies started to fund specific compliance departments, solely dedicated to corporate governance (Nowak, Roland, & Till, 2005, pp. 252–279). Quickly these departments started to focus on anti-corruption and anti-trust topics, as these were often not organized in a centralized way within the companies but posed a threat due to the high fines. For many departments, other topics like data-protection or anti-money-laundering followed as the level of legal complexity in these areas increased (Kreß, 2018, pp. 23–61; Bannenberg & Poppe, 2013, pp. 1–34).

This complexity of potential topics, covered by a Compliance department, is also addressed in the audit standard 980 “Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems” by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW PS 980) (Principles..., 2011). The IDW PS 980 serves as a guideline for auditors to audit a CMS. It clusters a CMS in seven elements and can be applied to all kinds of risk areas:

- compliance culture,
- compliance objectives,
- compliance risks,
- compliance program,
- compliance organization,
- compliance communication,
- compliance monitoring/Improve.
The flexibility of the IDW PS 980 made it popular within German Compliance departments and the standard was used during the past decade to design CMS around the requirements of the IDW PS 980. Nowadays, audits of different depth – design, appropriateness and implementation, effectiveness – serve as an additional measure in ensuring Compliance Risk Management of companies in Germany.

Compliance Risk Management existed, in the early stages, mainly in listed companies – starting from companies listed in the DAX or MDAX – or companies in highly regulated markets like finance or pharma. Nowadays it can be found in many mid or small sized companies in Germany (Behringer, 2012, pp. 19–28). In the beginning, Compliance in Germany started out as defining rules for desired behavior and implementing trainings, processes and controls to ensure the conformance with these rules. Nowadays a shift from Compliance towards Integrity can be observed (Sundrum, 2004, pp. 192–209; Verhezen, 2010, pp. 187–206). While Compliance aims at doing the right tasks to prevent non-compliance, Integrity aims at the purpose (Thielemann, 2005, pp. 31–45). It focuses on a value based or ethical leadership and a strong tone from the top to build an overall organizational structure, that enables and encourages compliant behavior along with good corporate governance (Stark, 2018, pp. 1–3; Bussmann & Niemeczek, 2019, pp 797-811; Wieland, 2014, pp. 15–40). Due to this, non-compliance is not only seen as individual misconduct or failure to monitor or implement specific controls, but instead – at least in parts – as an overall organizational failure.

Another important trend is the discussion about the implementation of corporate criminal liability in Germany (König, 2019, pp. 149—169; Baker McKenzie, 2019). So far, a corporation in Germany can only be fined by administrative offence law, the criminal law only affects individuals, which often are the legal representatives that did not take all appropriate measure to ensure compliance with applicable laws and regulations (Das Ordnung…, 2015). This discussion started based on the findings from an on-site-visit of the OECD regarding the implementation of the requirements of the OECD
Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Germany’s..., 2018).

Summary

If we compare the organisational culture of enterprises in Poland and in Germany and deliberately omit Hofstede’s four cultural dimensions and adopt the dispersed and modified model of E. Schein (1985), consisting of artefacts, norms, values and assumptions, then, taking into account the above considerations and assumptions presented in the text, we can present seven features that are the most significant to this process (Table 2).

Table 2. Cultural similarities and differences important in terms of the compliance risk management in Polish and German enterprises

<table>
<thead>
<tr>
<th>Features</th>
<th>Poland</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific language</td>
<td>Governed by the provisions of law and greater vulnerability to compliance risk; verbalisation of the state as a state homeland.</td>
<td>Governed by the provisions of law and only seemingly lower vulnerability to compliance risk; verbalisation of the state - as a small homeland, i.e. a private homeland</td>
</tr>
<tr>
<td>Customs, values</td>
<td>Quite uniform, with a lower categorisation of the work itself as a value (work-life-balance)</td>
<td>Highly regionalised and characterised by high heterogeneity; Large discrepancies between the central policy of the state and the values shared in particular regions</td>
</tr>
<tr>
<td>Social and cultural conditions</td>
<td>High ethnic uniformity and strong religious uniformity – will safeguard homogeneity and potential lack of cultural conflicts</td>
<td>Systematic decrease in the indigenous German population due to the increase in the number of immigrants and multiculturalism - adopted differently, depending on the region</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Among the younger group of employees and potential employees, both in Poland and in Germany, a postmaterialist attitude is likely to prevail, with orientation towards individualism, rational values, personal happiness and self-fulfilment*, thus hindering teamwork, which may lead to a more intense conflict between the company’s interest and the personal interest of the employee.</td>
<td></td>
</tr>
<tr>
<td>Developed code of conduct/ pattern of behaviour</td>
<td>Evolving since 1989 from the socialist logics of central planning, towards market logics, private property and entrepreneurship. In enterprises, a combination of patterns of organisational culture is visible, more based on the Anglo-Saxon and German influence (excluding state-owned companies)</td>
<td>Germany as the largest economy in the EU, the largest logistics centre in Europe, with stable labour costs, high productivity and work standardisation, and at the same time with the highest expenditures on an innovative economy in the world** - should in theory present lower vulnerability to compliance risks, but through innovation it may as well create compliance risks until they are eliminated during the competitive race of companies and countries</td>
</tr>
<tr>
<td>Relationships between cultural conditions and FDI</td>
<td>Internationally weak - but rapidly growing with the development of enterprises; FDI inflows leader among the new EU member states</td>
<td>Strong - due to the size of the economy, but highly vulnerable to increased volatility of global FDI flows, an increase in the importance of institutional investors and a larger number of SPVs / SPEs transactions</td>
</tr>
<tr>
<td>Institutional (including political and legal stability)</td>
<td>Moderate - depending on the ruling political party. Supporting particular business activities</td>
<td>Systemic support of business activities</td>
</tr>
<tr>
<td>Cultural Diversity</td>
<td>It is becoming more and more popular in Polish companies (especially during low unemployment and lack of employees on the labour market)</td>
<td>More typical due to a greater internationalisation of enterprises; focused on cultural coexistence and cultural cooperation (at least declaratively)</td>
</tr>
</tbody>
</table>

*Cf. Rodziewicz, 2016;  
** Economic Overview..., 2019.

Source: authors’ own research.
Contemporary business activities and new legal regulations impose increased requirements with regard to compliance testing. Effective management of the compliance system helps to identify potential problems, prevent bad practices and reduce possible penalties in the case of detecting events, which are deemed inappropriate. Regulatory authorities in individual countries expect organizations to create departments managing their compliance system, in which an increasingly important role is assigned to proactive identification of non-compliance risk and responding to potential compliance failures. The examples of this are the actions of companies in which the units responsible for compliance have intensified their activities due to growing legal requirements and increased control by the regulator (Compliance & Legal..., 2005, p. 14). It should also be noted that the common feature of Polish and German approach to compliance is that they both aim to reduce cultural differences by implementing similar so-called soft regulations, as well as all types of ethical guidelines or best practices. Such documents gain the “international” status and can be used as a component of the organizational culture of a given international corporation in each of its local branches (Braun, 2017, pp. 333–334).
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Monika Gorgon, Konrad Raczkowski, Felix Kraft


Problems with Modernizing Human Resources in The Lithuanian Service Sector

ABSTRACT

Objective: Problems in modernizing human resources of Lithuania’s service sector are discussed in the article. The objective of the article is to reveal the issues of human resources modernization, identify the trends and measures for human resources’ modernization in the service sector of Lithuania. The process of human resource management is understood as a continuous procedure where the main activities are planning, recruitment, selection, socialization, training and improvement, assessment of activity, promotion, displacement, downgrading or dismissal. The essential trends and measures for modernizing management of human resources is strategic management of human resources, growth of employee competencies and development of electronic human resources. Noteworthy to mention that in the modern world, when striving for competitive advantage, it is important to follow the guidelines of strategic management of...
human resources. The significance of information technologies cannot be forgotten, because the instalment of these technologies helps to coordinate innovations in science, originality and practical experience, all of which is oriented towards creation of new services and products for the society.

**Methodology:** The research methods are based on the insights of the researchers using the analysis of scientific literature and synthesis methods. The study analyzes issues related to the modernization of human resources management in the Lithuanian service sector.

**Findings:** Summarizing the study results, aspects of a modern organizational culture can be distinguished: promotion of friendly communication among employees (this allows solving problems in the organization among employees without the need for the employer to interrupt); constructive conflict solving with the help of a mediator; an employee who is valued in the organization becomes initiative, able to independently make decisions, is more involved in achieving goals of the organization; organizational culture is being modernized by promoting employee creativeness, or through pleasant and beneficial tasks; a manager in a modern organization is distinguished by a democratic leading style, is not a sole controller – decisions are made with the involvement of the entire team; it is modern to seek for a high level of service provision (not to be only profit-oriented).

**Value Added:** Based on the results of the research, a way of modernizing human resource management in Lithuanian catering establishments was suggested in order to maintain high level of services provided by modern motivation methods and other elements of the organizational culture model.

**Recommendations:** Summarizing the results of the research it is possible to distinguish aspects of modern organization culture, which showed that modernization of human resource management in Lithuanian catering establishments includes ensuring of microclimate in the organization; healthy workplace emotional and physical well-being; employee socialization; motivation of employees and encouragement to seek a high level of service in modern ways of motivation and other elements of the organizational culture model that are recommended to be emphasized in the organization.

**Key words:** human resources, modernization of human resources, service sector, catering sector.

**JEL codes:** M12 – Personnel Management.

**Introduction**

An increasing importance of services and the expansion of service sector falls into the interest field of academics and practitioners. The development
of modern economy takes place not because of the growing production, but rather due to the increase in rendered services. The progress in science and technology that is fostered in the sector of innovative services helps to assure a long-term and sustainable growth of country’s economy and initiates new qualitative decisions. Modernization of human resources is considered to be the most important factor influencing the companies’ renewal. Therefore, the modernization of human resources is assumed to be the crucial factor for company’s survival given this modern and rapidly changing business environment. Invoking this factor, the companies create, integrate, restructure, revive or improve their organization resources and, in the long-term, expand their competencies and increase their competitiveness in the market (Danneels, 2002).

Although the service sector is seen as a key element in the process of efficient human resources modernization system, the topic of human resource management modernization in the service sector has not been widely developed. According to A. Smedlund (2008), scientific research and analysis in terms of modernizing service sector is missing, which, as F. Gallouj (2002) states, is because the pioneers of modernization in service sector naturally took over the technological attitude from the manufacturing sector and integrated it into the service sector.

The constantly changing consumer needs, competition, and the rise of the concept of social responsibility of organizations create the need for identification of new trends and measures for improvement, while pursuing organizational success. Creating a model for upgrading the human resources in private companies could change the situation. This would allow establishing new requirements for managing the processes of the modernization of human resources. In this context, the scientific challenge is to analyze the modernization of the human resource management and highlight the human resources and the values created thereby, based on a model that depicts the behavior and attitudes of employees.

The aim of the study is to reveal the challenges for modernization of human resources in the service sector of Lithuania.
Tasks to be accomplished:

- analyze the theoretical assumptions underlying the modernization of human resource management;
- define a model for human resource modernization, with a focus on the behavior and perceptions of employees;
- Establish the perception for ways to develop the human potential in the service sector of Lithuania among employees in the subdivisions of the Čili Holdings.

Theoretical assumption underlying the modernization of human resource management

Scientific discussion under the topic of modernization of human resource management that began almost a quarter century ago and with the intensifying cohesion processes under the conditions of new step in European integration is becoming increasingly relevant. Implementing the modernization of human resource management, it is important to stress the organizational culture, its links to socialization and organization’s microclimate. Organizational culture is inseparable from close communication and cooperation among the organization’s members, socialization and dominant climate in the organization. Theories of organizational culture were analyzed by scientists Denison (1996), Goleman D., Boyatzis R., Mckee A. (2007), Kashoven K., Boon C. T. (2012), Jucevičienė P. (1996), Merkys V. et al. (2005), Martinkus B. (2003), Pikturnaitė I. and Paužuolienė I. (2013). They analyzed issues related to institutionalization of organizational culture, focused on the importance of organizational culture to the modernization of human resource management. The impact of organizational culture on the organization’s microclimate and the well-being of organization’s employees were the topics discussed by J. Kaliatkaitė, L. Bulotaitė (2014), M. E. Seligman and, M. Csikszentmihalyi, (2002), M. C. W. Peeters, T. W. DeJonge&Taris (2014). Keenoy T. (2013) proved that
great input in creating organizational culture depends on the leader of the organization. Scientists Marzano R. J. (2011), Dunk et al. (2015), Marc van Veldhoven (2012), Frake Fr. et al. (2014) believe that in order to modernize organizational culture it is necessary to institutionalize it, because in activities of organizations, especially in personnel relations, all of the rules, principles of behavior and other aspects have to be clear and specific, so that misunderstandings would be avoided. Research by Kalshoven K., Boon C. T. (2012) shows that when modernizing human resource management leaders should model their company’s management in a way that employees would be induced to behave ethically both in terms of themselves and the others and render services of a high quality. Leadership theories and scientific researches that were performed in the middle of 20th century, mostly focused on the leader’s behavior, activities, features, competencies or style – everything what a leader does and what he or she has (Alfes K. et al., 2012).

When modernizing human resource management, organizational culture has to be organized in a way, which would ensure the well-being of employees and adapt relevant motivational measures in order to increase the human potential. Research by F. Herzberg (2000) allowed identifying employees’ satisfaction with work depends on responsibility, achievements in work, acknowledgement, promotion and possibilities for improvement, while dissatisfaction depends on the company’s policy and management, quality of management, relations between employee and employer, work conditions, relations with colleagues, personal life and safety at work. Therefore, employers pursuing to motivate their employees to reach organization’s goals should apply such measures that would satisfy the employees’ needs. According to Keenoy T. (2013), employees’ involvement in attainment of organizational goals is assured if the leader pays individual attention to each of the employee. The leader should show respect for every employee. It is necessary to ensure that each member of the organization would receive an adequate payment for his or her work, thus, organization has to implement the principle of equal rights; each employee should have his or her legal and social security ensured.
Summarizing the theoretical assumptions of modernization of human resource management, organizational culture is a fundamental model of beliefs, shaped in a certain organization while working collectively in pursuance to achieve the results raised by organizational goals, communicating while solving problems or seeking for the answer to a specific question at hand, or simply while interacting during organization's event. Therefore, organizational culture is inseparable from socialization and dominant microclimate in the organization. The research analyses issues regarding the modernization of human resource management in the service sector of Lithuania.

Research problem. In pursuance to help organizations solve their problems, it is necessary to constantly modernize the process of human resource management, which is composed of the unity of separate elements – starting from the philosophy of organization, its strategies and policy and ending with the provision of personnel, payments, management, employee relations and knowledge, and supervision of corporate social responsibility. The situation would be well improved by the creation of a model for human potential development in private organizations. This would allow generating new requirements for controlling the processes in human resource activity. Under this research, the challenges in modernization of human resource management in the service organizations of Lithuania are being studied.

Tasks set for the empirical study: 1) perform a survey on opinions of the managers of "Cili Holdings" pizzerias, which would help identify the problem aspects of the process for human resource management modernization; 2) suggest ways to improve the process of human resource management modernization in service organizations.

A qualitative study approach was chosen for empirical study, i.e. opinions of respondents were analyzed through conducting a structured interview (Žydžiūnaitė V. ir Sabaliauskas S, 2017). Employing a principle of criteria, a group of respondents was chosen: 6 managers of “Cili Holdings” departments. The study was carried out in August-September of 2017, by conducting formal interviews that were based on pre-formulated questions, which were put to
the respondents in the same order of precedence. This form of interview was chosen with the view to hearing the opinions of the respondents on the existing situation and comparing their responses to figure out the attitude and problems regarding the modernization of human resource management in service sector. The pre-formulated questionnaire consisted of blocks of topics of interrelated questions that were addressed to the persons interviewed. The questionnaire consisted of 7 themes: microclimate in the organization; organizational culture, workload; financial payback as a motivational factor; caring for the health of employees; mentoring. Respondents agreed to participate in the study after they were informed about the ethical aspects of the research, i.e. its process, the principle of discretion and confidentiality in that the obtained data would be presented in a way that would not allow the identification of a specific respondent.

Analysis of the study data

In pursuance to modernize the human resource management, the organizational culture could be identified as an integral element that fosters employee creativity. Respondents highlighted that a modern organizational culture is an organizational culture that is constantly shifting and improving. As a feature of a modern organizational culture, an excellent microclimate in the staff was pointed out, where all employees are equally important, and the manager is not a sole bureaucrat. It is considered modern to be achieving a high level of service provision. The well-being of both the employees and customers is increasing when employees, who love their work and are motivated, work in the organization, who have proper conditions for self-presentation, can feel well and receive an adequate payment. The importance of good microclimate is highlighted, as well as the care for employees’ health that a manager shows. In addition, the better the motivational measures are used in the company, the higher its level. In order the human potential would not be disturbed, the latter have to meet the
employees’ motives, social and economic conditions, therefore, motivational measures have to change.

According to the respondents, the microclimate of the staff is being improved by ensuring a smooth socialization among the employees. Microclimate is improving by a pleasant managers’ communication with the employees, constructive resolution of conflicts, intolerance of gossips, expressing gratitude to the employees for the day’s work, and commitment to the overarching principle that a person is most important.

In the course of the qualitative study, the respondents highlighted the importance of positive emotions in the organization. Positive emotions are driven by kind words of the manager, individual attention to every worker (A1: “I have observed that positive emotions at work arise from kind words of the manager, attention paid to each employee, a sincere interest <...>”), good mood and good faith on the part of the manager, friendliness among colleagues (A2: “Positive attitude to employees, absence of prejudice on the part of the colleagues”), promotion and praise (A1: <...> The employees feel well after a simple manager’s smile, his or her encouragement and praise).

Good relations among colleagues, their good faith are extremely important (A2: “<...> a lot depends on the colleagues and the relations in the staff. If one feels at one with the team, if one feels he or she is socializing well, one will feel good upon coming to work”), as well as, positive emotions (A4: “Good emotions at work are experienced by those for whom the work is not a burden, by those who feel well about working in a catering field, and who like this type of work. If one does not love the very nature of the work, no one will help and no good emotions shall be experienced. Such a person will only wait for the working hours to end”).

The respondents identified the following features of employees: diligence, dignity, honesty, proper communication with both colleagues and clients, and loyalty. Values are constantly changing and so they help employees to become involved in the organization and achieve organizational goals. The respondents pointed out a changing value of diligence (A1: “I want to expand
on diligence as a value. If employees see that their diligence brings either personal benefits to them or collective benefits, they will naturally be interested in being diligent and achieving organizational objectives’. Although diligence is seen as a fundamental value, perceptions on diligence in modern society are shifting.

As can be seen, modern values are not constant. Modernization of HR management involves, most importantly, modernization of the organizational culture by linking it to socialization (so that new workers become part of the team, can express themselves in creative ways, have no fear to propose new ideas, and go boldly hand in hand with innovation that needs to be observed and adapted to the task of modernization of the organization). Diligence that brings both individual and collective benefits contributes to the achievement of organizational objectives, namely, to creating a product, selling it, and gaining a profit. The heads of the catering facilities interviewed during the study regret to note the lack of values that are important for the selection of new staff and that encourage further development of workers, as they consider professionalism to be by far the core value for achieving organizational objectives.

Summarizing the results of the study, aspects of a modern organizational culture can be distinguished: promotion of friendly communication among employees (this allows solving problems in the organization among employees without the need for the employer to interrupt); constructive conflict solving with the help of a mediator; an employee who is valued in the organization becomes initiative, able to independently make decisions, is more involved in achieving goals of the organization; organizational culture is being modernized by promoting employee creativeness, or through pleasant and beneficial tasks; a manager in a modern organization is distinguished by a democratic leading style, is not a sole controller – decisions are made with the involvement of the entire team; it is modern to seek for a high level of service provision (not to be only profit-oriented). The results of the study showed that the issues concerning the modernization of human resource management in catering institutions of Lithuania include the ensuring of microclimate within the
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organization; a healthy emotional and physical well-being in the workplace; socialization among the employees; employees’ motivation and inducement in pursuance of high level of rendered services under modern motivational ways and other elements of the organizational culture model.

Conclusion

Summing up the theoretical assumptions of modernization of human resource management, organizational culture is a fundamental model of beliefs, shaped in a certain organization while working collectively in pursuance to achieve the results raised by organizational goals, communicating while solving problems or seeking for the answer to a specific question at hand, or simply while interacting during organization’s event. Therefore, organizational culture is inseparable from socialization and dominant microclimate in the organization.

Summarizing the study results, aspects of a modern organizational culture can be distinguished, who showed that the results of the study showed that the issues concerning the modernization of human resource management in catering institutions of Lithuania include the ensuring of microclimate within the organization; a healthy emotional and physical well-being in the workplace; socialization among the employees; employees’ motivation and inducement in pursuance of high level of rendered services under modern motivational ways and other elements of the organizational culture model.
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Priority Areas of Poland’s Development in Line with EU Policy (Smart Specializations) – Poland’s Food Security and Climate Change

ABSTRACT

Objective: The purpose of this article is to determine whether the problem of climate change has been included in the smart specialization programs as one that significantly determines the food security of a given region.

Methodology: For this purpose an analysis of provincial programs/strategies for the development was made. The programs indicate areas of importance for the region (the desk research method was used, which is a research method involving the analysis of available data).
Value Added: The starting point for the considerations taken in the article is the Strategy for smart and sustainable development, which sets out the objectives and priorities of the European Union for the years between 2010 and 2020 [EC, 2010]. In response to the above mentioned strategies, the Ministry of Development in Poland has distinguished National Smart Specializations (KIS) [Internet source A], their idea is to identify key sectors for the socio-economic development of the country and their financial support from EU funds (Smart Development Operational Program - POIR). The five sectors of smart specialization include agri-food, forestry and environmental bio-economy, which emphasize the importance of increasing the country’s food security and improving food quality. Regional Innovation Strategies (RSI) are the response to KIS. They distinguish the smart specializations of the region, and their assumptions and goals are to be appropriate for the characteristics of the region.

One of the biggest challenges of today is the climate change, which significantly affects the productivity of the agricultural industry. The European Commission in the White Paper and in its subsequent regulations emphasized the need to support local, regional, national and EU activities which will increase readiness and ability to respond to the effects of climate change (EC, 2013). Is it true that in connection with the above, the issue of adaptation of climate change to agricultural, as one of the important elements conditioning food security of the country, was taken into account when creating the concept of smart specializations? They do not decisively affect adaptation activities in the country, individual regions and industries, but in principle they are intended to raise important and current issues for the development of the country, and climate change and its consequences are undoubtedly such an issue.

Recommendations: The analysis of Most Voivodeship Development Strategies carried out shows lack the appropriate form. The scientific language and extensive documentation make it difficult to complete tasks, fail to reach the right recipient, and promote excessive bureaucracy. This is probably not conducive to the development of innovation, but only drives bureaucracy and generates unnecessary costs.

Key words: climate change, food security, EU policy

JEL codes: O2 Development Planning and Policy; O1 Economic Development

Previous Background about Sustainable development, climate change and water protection requirements

The UN goals for a sustainable development (2015) cover a broad spectrum of social demands. For the purpose of this paper, there is one which deals
with better awareness about natural resources (water, oceans, forest, land degradation, desertification) and its proper management, new sources of energy supplies, infrastructure for sustainable consumption, production, economic growth and development such as to protect the environment. These goals require the necessary institutional framework to be carry out successfully. Recent experience (2000-2015) shows that institutions matter for dealing with systemic risks which otherwise spill over throughout the whole system. Sustainable development requires an institutional framework strong enough to get its goals through.

Climate change

The report issued by the WMO (World meteorology organization, 2010) set a pessimistic tone to the XVI Conference on Climate Change held in Cancun, Mexico, the same year. The report indicated that in 2010, the emissions of dioxide of carbon had been the highest ever on record, even though the global economy growth was not at its full speed. This fact confirmed the trend, which indicates that while in the previous 10,000 years the level of emissions was stable, in the last 250 years, it had increased by 38%. Therefore, it seems that human behaviour has something to explain about it. It is feasible to assume that climate change will not be solved without some important cost unless both actions and policies are implemented.

Market solutions will be too slow to provide a long term solution because the main benefit of the trade mechanism with green bonds does not get first to those who reduce emissions, but to those who trade its value. Environment like any common good has not got price, because nobody can claim property right on it. So, market needs complementary public policies.

Protocol agreements concerning environment protection work as long as governments wants it to do so. However, government also has limitations which is a constraint to get the best of all instrument available to deal with climate change (Kyoto Protocol, 1997).
On the real side, regular massive flooding pattern, changes in weather temperatures, rising sea levels, seem to be the first cost of the climate change due to human intervention. These social costs must be reduced by applying proper policies, which should include support for new sources of energy, tax exemption for those who get reduction on emissions, tax incentives to support clean technologies, and alternative technologies for agriculture activities.

The real problem to make sure there is a net gain, is to get a reliable measures to compare marginal benefits (economic growth), with marginal cost (further contamination), of carbon dioxide emissions. This gain of course, depends upon benefit going higher faster than costs do. But, to get such outcome, a careful evaluation of the best alternatives is a necessary previous condition.

**Water as a scarce resource**

Water for human consumption has already become a scarce resource. It will become a tough competition for other alternative uses arising from increasing demand due to higher population. An average person needs around 200 hundred litres of water daily, but to produce different kind of good such as an hamburger; 24 litres are required, a lettuce – 60 litres, tomatoes - 88 litres, apples - 332 litres, wheat bread - 616 litres, and rice – 1612 litres. (www.treehugger.com).

The list goes on and the issue is clear enough to look out for efficient policies. Less than 1% of all water available on earth is suitable for human consumption. Underground sources of water are not huge enough to count it as the reserve of last resort.

Agricultural and mining activities, whose productive process is water intensive, will have to compete for water between each other. Thus, there is a real possibility that severe conflicts might arise because of lack of water.

From the economics point of view, water scarcity means it should get a higher price, which in the near future may get into the consumer bills. While
in the last 40 years, mankind have been worried about oil prices, in the next 50 years or so, it will have to be worried about water prices.

Besides, water is considered a common good (the tragedy of commons), which means that there is no restriction about its use, and the risk of over exploitation is real. The solution requires assigning property rights coupled with an institutional framework, suitable for its protection and reasonable uses. Whether to protect water means a price increase for both private and public users, all should be more cautious about the way they use this resource.

But water preservation is not just a market or policy issue. Government regulations also are important. At the same time, it is also a government responsibility to foster effective actions to deal with it.

There are agricultural sectors which have water scarcity while at the same time have a higher water demand because of mining and energy sectors investments, along with higher human consumption. The implications go beyond supply and demand. Actually, mining investments in particular have to be based upon on desalinization process and water recycling, which increases mining production costs. Those agricultural products are highly water intensive and represent a very high production cost in areas with water scarcity. Thus, tomatoes (3237m3/acre) and onions (2670m3/w/acre) production, requires a lot of more water than lettuce (1668m3/acre) and carrot (1214 m3/acre). This implies, a different approach to production options.

On the supply side, there is also a lack of an efficient management model of water allocation. Therefore, a better water management model is also required. There are already some alternatives available, such as WEAP (water evaluation and planning), Hansen (1992), SAWP (state wide agricultural production) Gallucio (2005), and a combination of both the Econ-WEAP model implemented in California, Forni (2010).

These models deal with the improvement of decision processes concerning the use of water in agricultural activities, taking into account optimization criteria based on economics variables to allocate water. The case of the Econ-WEAP approach for example, provides water supply simulation
to cope with water demand preferences in each area, taking into account any specific year and its characteristics to build up a model for optimization and maximization of profits, taking social cost into account.

However, wiser use of water is not a matter of just better institutions or government policies, business practices or social responsibility criteria. It is also a matter of improving awareness about the importance of protecting water.

The adaptation to climate change: Policy options for Poland’s regional economies

Plant production as an example of a solution for adaptation to climate change in agriculture: international evidence

Plant production is essential for human existence and the growing population and changing environment require the search for new solutions to improve food production. For this, biological progress is needed, and thus the creation of new varieties of arable, environmentally friendly, more fertile and of better quality crops. The use of modern technologies in breeding, including in vitro cultures molecular markers, genetic modification of plants, micro-methods for assessing the quality of plant material at early stages of cultivation, allows to shorten the cultivation cycle, conscious and monitored gene transfer, increasing selection efficiency and, as a consequence, significant reduction in cultivation costs of new varieties friendly to the environment, and resilient to climate change (Święcicki et al., 2011, pp. 104–107).

The above-mentioned methods have their supporters and opponents. Proponents of genetically modified plants believe that it is one of the important factors of sustainable agriculture, which reduces the use of non-renewable raw materials and helps protect both agricultural environments (aggro-ecosystems) and natural ecosystems. In their opinion, the use of genetically modified plants prevents soil erosion (by using soil cultivation technology without plowing), reduces water and energy (fuel) consumption, and reduces CO2 emissions (Święcicki et al., 2011, pp. 104-107).
Opponents believe that genetic modifications are limited to changing only a few features, such as herbicide and pest resistance. Unfortunately, the resistance of existing genetically mutated plant varieties to adverse weather conditions has not changed, as evidenced by the decline in Bt cotton crops in China due to extreme temperature changes (Chen et al., 2005, pp. 330–340) or losses in genetically modified herbicide resistant soybeans in the United States caused by very high temperatures (the Roundup Ready soybean stems were more brittle and halved faster, thus allowing infection to penetrate) (Coghlan, 1999).

An important feature of plant production is its ability to absorb carbon dioxide and thus reduce global warming and strengthen the resilience of ecosystems. Agricultural practices, such as less intensive cultivation of plants absorbing greenhouse gases, favour the carbon sequence and slow down the release of N2O. It is important to support efficiency in the use of nutrients by optimizing time and the use of inorganic and organic fertilizers. In addition, greater efficiency in the use of resources in the economy is possible, among others, through the management and use of water-saving technologies and water storage. Plant production also has great potential for producing renewable energy and materials giving the opportunity to reduce emissions and better management of the life cycle of raw materials. Plants can replace fossil energy sources thanks to the large variety of bio-energy deposits and technology (bio-fuels, plant waste, perennial energy crops). In addition, plant materials are an alternative to industrial materials. Biopolymers, lubricants and fibers made from plants can gradually reduce the demand for petrochemical products which are energy-intensive (EC, 2009).

Food security and climate change: Guidelines for Poland strategy about food supply

As indicated by PESTA (projection of economic impacts of climate change in sectors of the European Union based on bottom-up analysis), the ongoing climate change significantly affects agricultural crops. An increase in temperatures and changes in rainfall increase the productivity of the agricultural
industry in the north, and decrease it in the centre and south (Pesta, 2009). Food security in many countries is threatened by unpredictable changes in rainfall and temperature, as well as increasingly occurring extreme weather conditions which contribute and will contribute to the damage of crops, especially in the early stages of growth and make it difficult to determine the time of cultivation, thereby reducing farmers’ motivation to farm work. Another consequence of climate change is the occurrence of new plant and soil diseases which lead to the destruction of entire crops, and their rapid evolution makes it impossible to find effective safeguards (Morton, 2007, pp. 25–27).

In connection with the above, all methods of improving arable crops are important, increasing their production efficiency and affecting the development of innovation and competitiveness of the Polish economy against the background of European Union countries, especially in the perspective of Union’s enlargement by the coastal countries of the Western Balkans, which may become an important market for organic agricultural products in the near future (Dziuba, 2014, pp. 227–228). These actions should lead to an increase in crop resistance to diseases and abiotic stress as well as tolerance to biotic stress resulting from climate change (Święcicki et al., 2011, pp. 104–107).

High and stable yields are currently guaranteed mainly by hybrid (heterosis) varieties, which are characterized by resistance to diseases and lodging, high adaptability, tolerance to soil quality and stressful environmental conditions. They significantly exceed the yield of traditional varieties (populations) by several dozen percent or even more (Święcicki et al., 2011, pp. 104–107).

Diversification of agriculture is the only way to achieve nutritional security in conditions of changing climate. According to many experts, crop diversity is a natural safeguard against adverse changes in natural and agricultural ecosystems (Diaz et al., 2006, pp. 315, 317). Genetic diversity is expected to play a key role in environments with high variability. The greater number of species and varieties in one cultivated field or one ecosystem, the greater the probability that some of them will be resistant to changing conditions. In addition, the diversity of species reduces the likelihood of diseases and
pests, limiting the number of host organisms on which they could develop (Chapin et al. 2000, p. 237).

There is a great deal of evidence that crop biodiversity will play an important role in climate change adaptation, and simplified crop systems will not be enough to ensure nutritional safety. Genetic diversification contributes to increased flexibility and stabilizes food production (Diaz et al., 2006, pp. 315, 317).

Italy is an example here, where the large genetic diversity of wheat reduced the risk of crop failure following drought. With a 20% drop in precipitation, a mere 2% increase in diversification reverses the downward trend and increases their potential compared to average values (Di Falco et al., 2008, p. 91).

In the United States, crop yields from three years in the state of Michigan were compared and it was found that crop yields with high diversity were nearly 100% higher than homogeneous crops. Moreover, it has been shown that crop diversity improved soil fertility and reduced the need for chemicals (Smith et al. 2008, pp. 789).

However, the great famines in Ireland or Ethiopia are a proof of the inefficiency and sensitivity of homogeneous crops (Fraser et al., 2008, p. 49).

In addition to increasing the diversity of crops and their varieties, also increasing genetic diversity within a single species can play an important role in adapting to climate change. The literature indicates that Marker Assisted Selection (MAS), a selection supported by molecular markers may be the method to achieve this goal. By using natural plant varieties, a significant number of immune traits can be grown. The advantage of MAS is that the markers can be used already in the early stages of cultivation and in the early stages of plant development. This makes it possible to eliminate plants which do not contain the desired genes, which limits the number of materials for further stages of cultivation. DNA markers have practical applications mainly in immune culture and in the selection of some quality-related properties (Święcicki et al., 2011, pp. 104-107).

Thanks to the MAS method, plants have been cultivated which are important from the point of view of resistance to extreme weather phenomena.
(drought, extremely high or low temperatures, floods). Flood-proof rice can be an example of success. Thanks to genetic mapping, scientists have isolated a DNA fragment containing a gene that makes rice resistant to long-lasting immersion in water (Xu et al., 2006, pp. 705–708).

As it results from the above considerations, there is a number of solutions which can be used to reduce the rate of growing climate change with the help of plant production, and increasing the adaptability to new, often unpredictable weather conditions. However, do the smart specializations take them into account?

**Sustainable development at a regional scale: Regional Innovation Strategies (RSI) in Poland**

The list of national smart specializations includes social health, agri-food, forest-wood and environmental bio-economies, sustainable energy, natural resources and precipitation management as well as innovative technologies and industrial processes. The specialization of agri-food bio-economy assumes biological progress in plant and animal production, among others through creative cultivation of plants and fungi, breeding of animals with increased utility values, with the possibility of using molecular and biotechnological tools taking into account the issues of biodiversity and resistance to climate and environmental changes (Internet source B).

<table>
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<tr>
<th>Voivodeship</th>
<th>Important areas</th>
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<tbody>
<tr>
<td>Masovia</td>
<td>Safe food, Intelligent management systems, Modern business services, High quality of life.</td>
</tr>
<tr>
<td>Lower Silesia</td>
<td>Chemical and pharmaceutical industries, Spatial mobility, High quality food, Natural and secondary raw materials, Manufacture of devices, machinery, material processing, Information and communication technologies (ICT).</td>
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<td>Region</td>
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<tr>
<td>Kuyavia-Pomerania</td>
<td>The best safe food - processing, fertilizers and packaging, Medicine, medical services and health tourism, Automotive, transport equipment and industrial automation, Tools, injection molds, plastic products, Information processing, multimedia, programming, ICT services, Bio intelligent specialization, natural potential, environment, energy, transport, logistics, trade – water and land routes Cultural heritage, art, creative industries.</td>
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<tr>
<td>Lublin</td>
<td>Bio-economy, Medicine and health, Low-carbon energy, IT and automation.</td>
</tr>
<tr>
<td>Lubuskie</td>
<td>Industry approach: automotive production and services, Metal industry, Environmental technologies and services, Technologies and services for human health, Social and industry cooperation. Sectoral approach: Green economy, medicine and health, IT and automation, Low-carbon energy.</td>
</tr>
<tr>
<td>Lodzkie</td>
<td>Modern textile and fashion industry (including design), Advanced building materials, Medicine, pharmacy, cosmetics, Energy, including renewable energy sources, Innovative agriculture and agri-food processing, IT and telecommunications.</td>
</tr>
<tr>
<td>Lesser Poland</td>
<td>Life sciences, Sustainable energy, Information and communication technologies, Chemistry, Production of metals and metal products and products from mineral non-metallic raw materials, Electrical engineering and engineering industry, Creative and leisure time industries.</td>
</tr>
<tr>
<td>Opole</td>
<td>Chemical technologies (sustainable), Sustainable construction and wood technologies, Technologies of the machine and metal industry, Technologies of the energy industry (including renewable energy sources), Agri-food technologies, Health and environment protection processes and products.</td>
</tr>
<tr>
<td>Subcarpathia</td>
<td>Aviation and astronautics, quality of life, information and telecommunications.</td>
</tr>
<tr>
<td>Pomerania</td>
<td>Offshore and port-logistics technologies, Interactive technologies in an information-saturated environment, Eco-effective technologies in production, transmission, distribution and consumption of energy and fuels, as well as in construction, Medical technologies in the field of civilization and the aging period diseases.</td>
</tr>
<tr>
<td>Silesia</td>
<td>Knowledge and innovation communities, Public service networks, infrastructure of the regional innovation ecosystem, SMEs in the global economy chains, Talents and competences.</td>
</tr>
</tbody>
</table>
Więtokrzyskie | Metal and foundry industry, Modern agriculture and food processing, Resource efficient construction, Health and pro-health tourism, Information and communication technologies, Trade fair and congress industry, Sustainable energy development.
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Warmia-Masuria | Water management, Wood and furniture industry, High quality food.
Greater Poland | Bio-raw materials and food for conscious consumers, Interiors of the future (furniture and interior decoration industry), Tomorrow’s industry (machine production and repair industry, automotive industry), specialized logistics processes, ICT industry, modern medical technologies.
West Pomerania | Large-scale water and land constructions, Advanced metal products, Wood and furniture products, Environment-friendly packaging, Chemical and material engineering products, Modern agri-food processing, Multi-modal transport and logistics, Products based on information technologies.

Source: Author’s own study based on voivodeship strategic documents on the development of smart specializations between 2014 and 2020.

In Masovia, as part of safe food, priority directions of activities are: crop techniques, measures and methods limiting the negative impact of plant production on food and the environment, methods of producing/obtaining high-quality food as well as special-purpose food and functional food, including food produced using traditional techniques, methods and measures extending the usability of agri-food products (including the development of specialized packaging adapted to specific needs), technological and tool solutions for assessing food safety, development, assessment and production of pheromone dispensers attracting insects and crop pests, designing biodegradable functional materials made from renewable raw materials for applications in the food and packaging industry and the introduction of new technological processes in existing production which will be energy-efficient, safe for the environment, and at the same time ensure high quality and production efficiency (Internet source C).

The diagnosis of the development of the Lower Silesian Voivodeship up to 2020, among the significant phenomena conditioning the further development of the region, identified a multi-polar arrangement of geopolitical...
forces, green development, increase in efficiency, knowledge-based economy, increase in public awareness of the factors of sustainable development, including the climate threat. It was noted in this point, that due to society’s dependence on the natural environment the demand for warning systems, new technological solutions, preventive investments and rescue services is growing. However, the description of the specific objectives of the strategy lacks other specific indications for actions aimed at preventing the negative impact of the climate on the economy, including food security (Regional Innovation Strategy of Lower Silesia, 2011).

In the strategy of the Kuyavian-Pomeranian Voivodeship, “The best safe food - processing, fertilizers and packaging” was listed among development potentials. This area includes the system from the production of agricultural products, through processing to distribution and delivery to customers along with all related production and service aspects. The specialization is based on highly advanced agriculture, a highly developed sector of enterprises from the food, fertilizer and packaging industries. Among the smart specializations of the voivodeship there are Agricultural and Food, Forest and Wood and Environmental Bio-economy, which includes: innovative technologies, processes and products of the agri-food and forestry-wood sectors, healthy food (of high quality and ecological production) and biotechnological processes and products of specialist chemistry and environmental engineering (The Kuyavian-Pomerania Voivodeship Board, 2015).

In the Lublin Voivodeship, “Bioeconomy” is a key intelligent specialization and covers all types of economic activity based on bio-technologies, especially plant and animal production, feed manufacturing and agri-food processing, pharmaceutical and chemical industries, renewable energy sources (bio-refineries, bio-fuels), public health and environmental industries and services (eco-business), including pollution level management (Regional Strategy of Lublin Voivodeship, 2014).

In the Regional Innovation Strategy of the Lubuskie Voivodeship, one of the smart specializations in the sectoral approach is “Health and quality of life”
and it includes healthy, safe food (including regional products) covering the entire production process from agriculture through processing to sales on the regional, national market and foreign markets (export) (Internet source D).

The strategy of the Lodzkie Voivodeship among smart specializations includes “Innovative agriculture and agri-food processing”, but the recommendations it contains are of a general nature and relate mainly to the search for new technological solutions for the development of these areas of specialization (Internet source E).

The identified intelligent specialization of the Lesser Poland Voivodeship, “life sciences”, includes “healthy food and nutrition”, one of the indicated subsections. The specialization includes research, development and implementation of technologies and methods of production, processing, storage and distribution of high-quality food, in particular functional food, i.e., having specific characteristics which meet specific nutritional needs, as well as food with traditional, regional and ecological values. “Sustainable agriculture” is another subsection, which is based on obtaining high-quality agricultural products intended for food and recreation purposes and used as raw materials for infrastructure and insulating materials (Lesser Poland’s Intelligent Specializations, 2015).

Selected intelligent specializations of the Opole Voivodeship within the scope of “agri-food technologies” indicate the use of molecular and biotechnological tools for the production of seed and nursery material as well as innovative methods of plant cultivation, increasing their resistance to diseases, pests, climate and environmental changes (Smart specializations in the Opole Voivodeship, 2016).

One of the leading smart specializations of the Subcarpathian Voivodeship was defined as the area of “quality of life”. In the next step, it is grouped into the following areas: production and processing of the highest quality biological and health food, ecological and sustainable agriculture and processing, sustainable and responsible tourism, health and well-being, eco-technologies: renewable energy sources (distributed energy, smart grids, wind turbines, water turbines, solar panels, biomass boilers, geothermal energy)
and energy-saving and intelligent construction (passive, zero energy and plus energy houses) (Regional Innovation Strategy of the Subcarpathian Voivodeship, 2015).

In the Podlaskie Voivodeship development plan, one of the departments into which smart specializations are grouped is “agri-food, forestry and wood bio-economy” and includes: innovative technologies, processes and products of the agri-food and forestry-wood sectors, high-quality food, biotechnology processes and products of specialized chemistry and environmental engineering. The planned activities related to the implementation of the development plan based on smart specializations, as well as the rest of the document, do not mention the issue of climate change and adaptation activities related to it (Podlaskie Voivodeship Board, 2016).

In the Świętokrzyskie Voivodeship the “modern agriculture and food processing” specialization includes: research, development works and technological, raw materials, and packaging innovations, safe and healthy food as well as management of production, distribution and marketing processes in the field of: agricultural crops, raising and breeding of animals, production of food and drinks, forestry, fishing, services activities related to the rent and lease of machines and equipment. The sub-areas of this specialization include “arable crops, raising and breeding of animals”, including bio-technologies taking into account the sustainable development of agriculture, biodiversity, breeding plants and animals using molecular sciences and resistance to climate and environmental changes; automation of plant cultivation, raising and breeding of animals, the use of methods of cultivating plants, raising and breeding of animals, which increase productivity and at the same time reduce the burden on the environment and methods with increased utility values. On the other hand the “agri-food production and processing” sub-area includes food safety, including quality control and safety systems for food raw materials and food in individual links in the food chain, product identification, food prognostic testing techniques, development of safe and environmentally friendly methods of production technology, processing and storage of food,
production and processing of food and genetically modified forage at the same time examining the benefits and threats to the environment and human health. Another sub-area, “Agricultural machinery and equipment”, includes modern machinery and equipment for collecting, storing plant and animal products, processing – reducing losses in energy and water consumption, increasing food durability and low cost, low-emission food security [Smart specializations of the (Świętokrzyskie Voivodeship, 2015).

In Warmia and Masuria, high-quality food is among the smart specializations. Due to the fact that arable land constitutes more than half of the voivodeship’s area (54.71%), it is necessary to constantly develop the sector by increasing innovation and introducing new technologies – they stimulate cluster structures operating in the voivodeship, including dairy and beef producers. The degradation of the natural environment, which can change the favorable image of Warmia and Masuria as a clean region with high natural values, underlies the development of negative scenarios for the specialization. According to the SWOT analysis, the weaknesses of the region include a short vegetation period and a harsh climate - reducing the possibilities of growing many plants, and limiting the size of crops, however, the danger point and the recommendations regarding this specialization do not mention climate change (Dzieminowicz et al., 2015, pp. 67–70, 83–90).

In the adopted innovation strategy of the Greater Poland Voivodeship, the area of bio-raw materials and food for conscious consumers includes the production of bio-raw materials and food throughout the entire value chain, from good quality raw materials, using modern methods and technologies as well as sales and distribution, and also management of post-production waste. The justification for the choice of specialization emphasized the increase in added value generated by the food and agricultural industries by increasing product innovation in response to consumer needs and new challenges such as climate change, decreasing energy, water and food resources or aging. The strategy of the Greater Poland Voivodeship, despite the emphasis on the significance of plant production resistant to climate
change in the most important courses of action for the development of specialization until 2020, provided no guidelines for activities (Department of the Economy of the Voivodeship Marshal’s Office, 2015).

The list of smart specializations of the West Pomeranian Voivodeship includes “modern agri-food processing”. This specialization was distinguished from bio-economy sector and includes agricultural activities, including various types of crops, animal husbandry and breeding, fisheries, and services supporting plant and animal production as well as food production. The specialization is to focus on concentration and consolidation of the industry towards functional food and improve its microbiological quality. The document indicates the strong need to oppose global brands/products and overcome the following barriers: poor cooperation between suppliers and producers and poor cooperation between small producers and distributors (wholesale/retail trade) (Marshal’s Office of the West Pomeranian Voivodeship, 2016).

The following voivodeships did not distinguish food safety or agricultural production issues as smart specialization: Silesia, Pomorskie and Lubuskie.

**Conclusions**

Thirteen voivodeships took into account food security and its important component, the agricultural sector in their smart specializations, but only three of them indicated the need for adaptation to climate change. Against the background of all voivodeships, in the context of climate change, the Opole Voivodeship stands out, which indicated specific agricultural adaptation tools, which also increase food security.

Low-carbon emission economy, is recommended in regional innovative strategies to reduce the negative impact of the economy on the environment. There is, however, no information on the costs of this impact, not to mention the promotion of activities aimed at better adaptation to new weather conditions, also in agriculture. Considering the scale of the threats posed by
climate change, the analysis of voivodeships’ innovation strategies reveals serious problems, such as low awareness of the consequences that climate change may have for agriculture and for the directly related food security. These specializations are designed to indicate industries and problems relevant to the region but unfortunately they ignore issues related to the impact of climate on the agricultural industry. It should be remembered that this is a document reaching a wide range of recipients, due to the issues of obtaining financing, therefore it should also be used to raise awareness of significant environmental, social and economic problems. Agriculture will not only be severely affected by climate change, but also to a large extent contributes to increasing greenhouse gas emissions to the atmosphere. The strategy of mitigation and adaptation to climate change is implemented by choosing cultivation techniques which increase soil carbon dioxide content and the use of resistant cultivation systems (Internet source F).

Cultivation of mixed varieties in Poland requires scientific support, both in terms of the genetic basis of this phenomenon, as well as estimating the effects of heterosis in various different varieties, predicting the occurrence of the phenomenon of heterosis and selecting components for hybridization, and in the case of self-pollinating plants, developing techniques to obtain desired, large number of mixed seeds. It is necessary to develop new methods and tools based on the latest achievements in the field of genetics, genomics and physiology of plants, which could be used in hybrid breeding of the most important agricultural plant species, in particular self-pollinated cereal species, but also rye, triticale and maize (Święcicki et al., 2011, p.102).

The use of in vitro cultures and DNA-based technologies at plant breeding stations is associated with the need to have greenhouses and appropriate laboratory equipment for conducting molecular analyzes and in vitro cultures as well as highly qualified staff. For these reasons, these methods are used to a very limited extent in Polish commercial companies, while in Western and American companies they have a significant share in breeding programs. This is one of the reasons why Polish plant breeding cannot keep up with
the biological progress represented by foreign varieties (Święcicki et al., 2011, pp. 104–107).

Unfortunately, given Poland’s past experience in the field of innovation (including eco-innovation and climate change), it is difficult to expect a breakthrough caused by RIS. At the end of the current financial perspective, it may turn out that, as was the case with the previous EU development strategy, the grandiose terms conceal the mediocre quality of actions (Burchard-Dziubińska, 2016, pp. 83–85). Most Voivodeship Development Strategies are documents with several hundred pages, often written in scientific language, which the entrepreneur must wade through to prepare an application for financing, equally rich in detail. This is probably not conducive to the development of innovation, but only drives bureaucracy and generates unnecessary costs.
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