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Market determinants and strategic options of enterprises operating in Poland - the results of the qualitative research

Abstract

The article is an attempt to identify strategic options used by enterprises adapted to the conditions created by the turbulent environment. A unique research material was obtained through in-depth interviews with top-level managers of the largest companies in Poland. The aim of the research was to identify the behavior of polish enterprises and long-term strategies used by them taking into account the need to adjust their market activities to environmental conditions. The complementary goal was to identify ongoing strategic options of the entities with the identification of the instruments they use in changing market conditions. Study allowed the authors to determine the competitive, market and strategic position of investigated companies and an indication of (1) what kind of strategic choices is undertaken in certain ambient conditions, (2) what is the justification for making such decisions.

Introduction

Contemporary strategic management of an enterprise is characterised by some necessity to match up strategic choices made with faster and faster changes observed. Business entities that function in relatively new members countries of the European Union find themselves in a specific situation. Transformation these organisations are subject to is deeper and involves constant responses to threats and opportunities. What is more, enterprises also have to adjust to (or harmonise with) conditions of the common market (of the European Union). It is difficult for the entities in question to achieve their strategic goals, which in turn calls for thorough reformulation of all their strategies including the marketing ones in order to find new ways to obtain their competitive advantage.

Acquiring some knowledge of factors that explain decision-making processes observed in enterprises that succeed in conditions of rapid changes seems to be interesting cognitively. Primary research of qualitative nature undertaken by the University of Economics aimed at recognising strategic options to be adopted by entities that became their sector leaders or challengers. Additionally, marketing tools used were identified in the context of changing market conditions that resulted from Polish accession to the European Union structures.

Theoretical and empirical background of the research

Research into market conditions has been conducted for many years. It involves each part of macro- and micro-environment of enterprises. In many cases the research is of in-depth nature. Results obtained show that conditions of running businesses are very diversified in particular areas of the European Union, and the differences are particularly visible when economic, technological and socio-cultural factors are taken into account. Accession of new member countries in 2004 and 2007, especially those from Central and Eastern Europe, has contributed to emergence of additional differences in particular parts of the European market. Such contrasts affect the way enterprises function, and the enterprises in question have to create different strategies that would be adequate to specific market conditions.

Results of the comparative research allow for concluding that the European Union countries may be divided into the following three groups:

- countries of Northern Europe including Germany, Austria, Benelux and Scandinavia – they are characterised by high GDP per capita, low inflation, low unemployment, average GDP growth, high labour costs and high productivity of the employed;
- countries that, e.g. as a result of the banking crisis stemming from bank collapses and country indebtedness are in crisis – they mainly include Southern European countries like Greece, Portugal, Italy and Spain. Ireland also belongs to that group; and
- new member countries of Central and Eastern Europe including Poland, Hungary, Slovakia, Bulgaria, Romania and the Baltic States – these countries are characterised by low GDP per capita, relatively high GDP growth, high inflation, low labour costs, low productivity of the employed¹.

Significant differences between the above-mentioned groups of countries are particularly observed in the context of GDP, labour costs and productivity of the employed. Polish enterprises that function in the last but not least group of the countries mentioned above are forced to undergo massive strategic transformation that involves getting adjusted to unified systemic conditions of the new economic area. Each of the systemic changes (abolition of tariff and non-tariff limitations, introduction of a free flow of people, goods, services and capital, and implementation of homogeneous economic conditions for

¹ Compare J. Henry, *Creativity and Perception in Management*, The Open University, Sage. London, Thousand Oaks 2002, p. 137.

enterprises) results in some necessity to reformulate numerous stages of enterprise strategy building – even if a particular entity decides to concentrate its strategic activities on the domestic market only.

Reports on barriers to development of entrepreneurship in Poland indicate that conditions of running business activities in Poland are still ones of the most difficult in Europe². Strategic decisions made by Polish enterprises have to include a diversified and in a majority of cases detrimental context of business related legal regulations³, a level of earnings, wealth and purchasing power of Polish consumers, development dynamics, unemployment levels, prices of goods and services, labour costs, labour productivity, dynamics of births, employment immigration, average life expectancy, research and development expenditures, a number of patents registered in the European Patent Office, access to natural resources, and expenditures on environmental protection⁴. Results of the quantitative research conducted in the group of small and medium sized enterprises show⁵ that enterprises perceive their environment to be more and more variable and uncertain. Moreover, economic policies that are implemented by both domestic and regional or local authorities are subject to more criticism. Entrepreneurs are especially dissatisfied with fiscal law, labour law and business jurisdiction. They have to bear high costs related to administrative procedures while registering and liquidating their enterprises, performing their fiscal obligations, maintaining employment documentation, litigating and recovering their liabilities or making construction relating investments.

All forces that have been driving the economic growth in Poland including relatively low labour costs, accessibility to cheap resources, beneficial geographical location or the European Union accession will be of less and less significance⁶.

Information gap, i.e. why is it justifiable to carry out qualitative research?

As it has already been demonstrated above, quantitative research into economic conditions carried out by specialised European and Polish research centres provide valuable information. However, it is possible to find an important information gap here. There is no any in-depth research that would allow for finding reasons why Polish entrepreneurs present specific opinions and make particular strategic choices. The information gap in question refers, in particular, to key factors and processes that affect (positively or negatively) strategic choices made by Polish managers, predominantly, in the general market context but also in the context of specific sectors the respondents represent.

From the cognitive perspective, it is important to describe conditions of running a business in Poland. This description is made on the expert level of knowledge by respondents with much business experience who are able to provide a comprehensive depiction of the reality described. It is also recommended to know opinions of top managers who head enterprises that run wide-scale operations (Poland-wide or international), i.e. persons who are

² *Economic Survey of Poland, 2010*, the OECD report, Policy Brief, Organisation for Economic Co-operation and Development, April 2010, <http://www.mg.gov.pl/node/10238>, [1.8.2013].

³ *Mapping the Implementation of the Services Directive in EU Member States, The Chambers' Perspective*, Eurochambers Policy Survey: February 2010, Eurochambers, The Association of European Chambers of Commerce and Industry, Brussels 2010.

⁴ <http://appsso.eurostat.ec.europa.eu/nui/mainPage.do?lang=en> [5.8.2013].

⁵ *Development trends of the small and medium sized enterprise sector as evaluated by entrepreneurs in the second half of 2010*, No. 1/2011, Ministry of Economy, Department of Analyses and Forecasts, Warsaw 2011, p. 5, http://www.mg.gov.pl/files/upload/8438/MSP_2_2010.pdf [1.8.2013].

⁶ *Report on the Economy, Ministry of Economy* (oryg: Raport o stanie gospodarki 2011, Ministerstwo Gospodarki), (2011), p. 234, www.mg.gov.pl/files/upload/8436/RoG2011.pdf [6.8.2013].

characterised by impressive practical experience in managing market entities, and who as a result of their positions can adopt relatively wide perspectives while assessing market phenomena. To close this information gap, it is necessary to diagnose the way managers of Polish enterprises perceive particular factors of their environments, particularly including socio-demographic, culture-oriented, economic and technological phenomena, thus concentrating scientific cognition on elements that are connected with assessment of the state policy and legal regulations.

Research methodology

The research project resulted in obtaining unique cognitive material by means of employment of individual in-depth interviews with top executives of the largest enterprises in Poland. Research of primary nature was decided to be carried out in the interpretative mode.

The way managers of Polish enterprises perceive particular environmental factors was diagnosed. Respondents were given a possibility to confront a scientific perspective of perception of phenomena and tendencies observed in the Polish business environment with some practical assessment of the importance of the factors in question for business practice. Research procedure allowed for attempting to look at phenomena subject to research from the respondents' subjective point of view without any preliminary categorisation or hierarchisation of the factors and phenomena subject to analysis. Formulation of questions provided respondents with possibilities to perceive problems subject to research both from the position of a manager of a particular organisation, i.e. including all specifics of the way entities of a particular sector or market function and in the broader business context, thus allowing for assessment of conditions to be faced while running a business in Poland. The assessment is made from the level of the expertise represented by business practitioners. Particular information to be obtained was to turn out helpful while identifying the following:

- environmental factors perceived by executives as the most important and influential in the context of the situation of Polish enterprises,
- interdependencies between strategic positions of enterprises and strategic options realised,
- strategic actions undertaken by entities subject to research in order to adapt to environmental conditions and to obtain beneficial competitive position.

Respondents are selected from the group of representatives of top executives who manage the largest enterprises in Poland⁷. The group of 25 enterprises subject to research includes 14 entities that offer investment goods or services, 6 enterprises that manufacture consumer goods and 5 enterprises that do not match this classification unambiguously. All organisations subject to research are large enterprises because of the major criterion of sample formation. An internationalisation scale of activities undertaken by enterprises subject to research is also diversified. Foreign market activities are differently undertaken by 16 of them including 10 players who are more active on international markets (and whose competition is predominantly foreign). Enterprises subject to research include 14 absolute leaders or those who are in the group of leaders in their sectors in Poland. Other enterprises are major or average players in their sectors and they challenge leaders or are located in attractive market niches. A vast majority of enterprises (including 7 joint ventures) subject to research belong to the private sector. In case of 3 enterprises, the State Treasury has a major or total stake in the ownership structure.

⁷ *Ranking of 500 largest – as far as their revenues are concerned – enterprises in Poland*, <http://www.lista500.polityka.pl/> [5.10.2011].

In the period from November 2010 to February 2011 altogether 25 in-depth interviews were conducted. An independent contractor responsible for the interviews provided raw research material in form of interview recordings and their transcripts that was subsequently subject to processing, i.e. reducing, coding and sorting and then analysing and interpreting.

Research results

Determinants of strategic decisions

Research material obtained in accordance with the specifics of the qualitative research approach is characterised by its multi-level nature, numerous inter-dependencies and some partial thematic overlapping that may be frequently observed in case of many issues discussed.

From the point of view of strategic decisions made it was really important to assess threats and opportunities – particularly with reference to legal conditions to be found on the harmonising European market. An environmental factor that is perceived by Polish managers as the one that affects the situation of Polish enterprises to the highest degree is in fact construction of the Polish legal system. The system is thought to be unclear, imprecise and in many cases inconsistent with the Community law. Therefore, instability and high volatility of regulations are factors that largely affect selecting strategic options because enterprises really involve their resources while having to follow changing regulations and adapting to parameters that, according to unanimous opinions of managers subject to research, should be characterised by relatively low variability. Respondents also pointed out to excessive interpretative liberty administration clerks take while dealing with businesses, which in connection with inconsistent and imprecise law generates particularly negative consequences for strategies realised⁸. In this situation a choice of a strategic option is burdened with high risk that is understood to be a possibility that previously unplanned detrimental actions are going to be undertaken by entities that regulate the market.

Surprisingly, in statements made by managers subject to research it was possible to find some information about the lobbying undertaken by enterprises from countries of the so called “old Union” in order to affect strategies of Polish enterprises. Some unambiguous suggestions that the countries in question inspired changes in business related regulations appeared as well (especially with reference to quality requirements observed in the European Union)⁹. Respondents particularly highlighted problems of the trade with Russia, i.e. different sanctions that are frequently imposed by our Eastern neighbour, which was thought to have clearly political background.

In the context of the influence the opening of our Polish market has on strategies of enterprises subject to research, respondents stressed diversified nature of the effects involved. Apart from different foreign trade facilities, it is necessary to remember that opening economy simultaneously means intensification of competitive phenomena on numerous markets. Managers subject to research usually pointed out to the effect of transferring means designated by the European Union to support restructuring and modernising of less developed economies of countries and regions, and to the fact that this effect was of stimulating nature for financing their strategic activities. Positive effects of transferring the means in question are, in respondents’ opinions, directly manifested in supporting key strategic decisions

⁸ Especially if we take into consideration that clerical staff enjoying so much power are not thought to be well qualified.

⁹ For example, negative assessments involved some opinions about the climate related resolutions to be adopted by Poland that would have to bear considerable costs of pro-ecological business solutions and reductions in emissions, whereas countries that generate much more pollution destroying the world ecosystem would not have to observe such requirements.

(mainly in case of investment and research and development), and indirectly in generating demand for enterprises' goods and services.

Research undertaken in form of in-depth interviews additionally revealed that the context in which managers formulate their strategies is influenced both by enterprises' assessments of strong and weak points along with threats and opportunities., and wider social expectations along with features, beliefs and systems of values of people who were responsible for planning processes and implementation related actions.

Enterprise position vs. strategic decisions

Determination of the position a particular enterprise occupies in the market is of major importance for the research conducted. While carrying out the research, the following hypothesis was set: a position largely determines a form of a strategy to be adopted influencing, inter alia, the scope of actions planned, objectives set and potential methods of allocation of resources. Classification presented in Table 1 shows division of enterprises subject to research with reference to their market positions identified.

Table 1. Classification of enterprises subject to research taking their market positions into consideration

		Key Customers		
		Country	Europe	World
Key Suppliers	World	Ethnocentric 3 entities	Geocentric (Global) 7 entities	
	Europe		Eurocentric 3 entities	Polycentric (International) 4 entities
	Country	Multi-local 8 entities		

Source: Own on the basis of M. Komor: *Euromarketing*. PWN, Warszawa 2000, p. 51.

Enterprises subject to research that were identified to be global enjoy much freedom while choosing their strategies. In this case, future key strategic choices are not limited (or forced) by any market regulations. Realisation of "the conscious long-term choice" allows for relatively free decision-making in the context of utilisation of resources to achieve business targets. Sense of strategic freedom allowed these enterprises for presenting long-term objectives that most frequently made up some clearly defined strategy (of strategic, tactic and operational objectives). These objectives took here a qualitative form, thus representing market situations desired by enterprises involved, they resulted from a formulated market vision, vision of an enterprise or mission. As a result, they were rather concentrated on the development of the enterprise track record and not on meeting recent goals. They were open, they were of directional nature, and they even adopted a transcendent form, i.e. a form of "market dreams". Therefore, they would be really difficult to be measured in the process of any control.

Strategy that is referred to as "conscious adaptation" is characteristic for entities that come from a group deemed to be ethnocentric. This strategy allows enterprises to adjust to even detrimental market regulations because strategic perspective of the enterprises involved is far reaching and anticipation of potential events allows for relatively fast minimising consequences of negative regulatory changes, e.g. by skilful management of a problem situation (decisively sooner before the crisis) and by some decisions made with reference to

capital accumulation and concentration of activities. Analysing the research material obtained, it is possible to conclude that in the enterprises in question in the process of formulating strategic objectives a synoptic approach – “of a directed learning” – dominates. A concept of a place to be reached by an enterprise in future is firstly formulated. Then, there is a process of finding detailed objectives during which possibilities (and sometimes even methods) of realising such objectives are simultaneously analysed. In case of this group of enterprises transcendent objectives predominated. Such objectives were frequently concentrated on issues related to ensuring long-term perspective security for enterprises.

A vast majority of enterprises subject to research are in their anticipation position. These are mainly smaller players in their sectors. In respondents’ opinion, influence of regulations on the way organisations function is not strong. However, there is some belief in the organisations in question that some market phenomena limit freedom to choose a required strategy. Having studied the research material, it is possible to conclude that decision-makers are not sure if it is time they made strategic decisions and that they are in some standby mode observing their environment. They want to make key strategic choices only when they know future market events. Respondents representing this group frequently referred to uncertainty experienced by other entities in their sector or branch.

Other strategy realised was referred to as “adaptation under pressure”. It requires enterprises to face some present or future necessity to get adjusted to conditions of their environments – mainly those that are created by the institutional regulator (state bodies or international institutions). This strategy is mainly implemented by multilocal organisations and one large entity that was identified to be polycentric. The organisations in question predominantly include entities that are active on the market of resources. The pressure experienced is largely related here to new regulations introduced by the European Union institutions to control the organisations’ performance. The organisations in question believe these regulations are not beneficial. These regulations may directly affect freedom of choosing a domain and production processes. They may also indirectly influence, inter alia, the volume and structure of demand. External regulations call for some necessity to introduce numerous internal regulations, which particularly affects organisations that employ many people. Frequent regulator’s impositions of directions to be aimed at while undertaking business activities result in emergence of difficulties in building strategies already on the level of formulating objectives. Intangible objectives predominate here and they concentrate on reaching relatively quick and short-term benefits. Some inclination to formulate dependant objectives (resulting from inter-dependencies with other objectives like e.g. owner’s policies) is typical for this group of enterprises to such an extent that contents of some objectives (e.g. the group related ones) directly result from obligations that are imposed by the regulator.

A number and types of entities that follow the strategies mentioned above are presented in Table 2.

Table 2. A number and types of entities that follow particular strategies

		Influence of market regulations	
		poor	strong
freedom to choose a strategy	high	Strategy of conscious and free choice 2 global	Strategy of conscious adaptation 3 global 1 ethnocentric
	average	Strategy of hesitation/anticipation Smaller players predominate: 3 polycentric 1 eurocentric 1 ethnocentric 3 multilocal	Strategy of adaptation under pressure Giants predominate: 1 polycentric 4 multilocal
	low	Strategy of incremental choices no entities	

Source: Own on the basis of *Zarządzanie strategiczne. Koncepcje – metody*. Ed. R. Krupski. Wydawnictwo AE im. Oskara Langego we Wrocławiu, Wrocław 2003, p. 28.

The research results could mean that a strategy of “incremental choices” is not found in the reality of Polish businesses. In fact this strategic option is not chosen by any enterprise subject to research. However, in Poland there are, undoubtedly, organisations whose activities are based on management by trials and errors, frequently without any logical sequence. Their management is limited to some attempts at adapting to challenges of the market by means of looking for effective methods to be used while realising intentions discovered (strategic objectives). It would be a real coincidence if at least one organisation that was run this way were included in the ranking of five hundred largest enterprises. No organisations that would decide for incremental choices are related to the way organisations were selected for the research sample – this selection eliminated organisations that did not implement any strategy.

Another stage of the research was to determine strategic actions undertaken by entities subject to research in order to adapt to environmental conditions and to obtain their competitive advantage. The results show that a majority of enterprises are (or will be) forced to look for external sources of support in order to implement necessary changes. Entities that belong to larger capital groups naturally utilise external support. Respondents who represent other entities that are looking for external help consider joining strategic alliances like e.g. performing capital operations (mainly aiming at consolidations). Transformation is supposed to aim, mainly, at operational processes. It is expected to carry out continuous and gradual restructuring and performance improvement. If the changes planned were actually successfully completed, they would be, in respondents’ opinions, permanent and they would result in transformation that might even involve teleological aspects (a new vision, mission or strategic objectives). Cooperation with external entities is mainly perceived to be an opportunity to perform numerous diversified and beneficial transformations that predominantly include some increase in productivity, better access to resources or strategic suppliers, an opportunity to obtain some technological advantage (e.g. by means of some patent advantage resulting from access to external sources of research), breaking entry barriers that are mainly set by strong competitors and creating barriers when organisation’s competitive position is strong (e.g. by creating umbrella brands).

Conclusions

As it had been assumed, the research proved that influence of the environment on the processes of formulating strategies was different. As a result a number of strategic options that may be taken into consideration by enterprises functioning in particular business contexts

is influenced differently as well. In respondents' opinions major factors that make it difficult to realise particular strategies selected predominantly include information of new regulations being introduced (e.g. regulations related to the control of margins obtained by trade enterprises in Poland), unclear contents of already binding regulations that are of major importance for business (e.g. regulations that were supposed to help businesses fight unfair competition, construction permits, area development plans or certification) or delays in proceedings undertaken by public institutions (that significantly reduces attractiveness of running a business in Poland).

Results of in-depth qualitative research indicate strong dependencies between strategic positions of enterprises and strategic options realised by the enterprises in question. Authors are aware that the research carried out in the qualitative research context provides approximate information only. Depending on the results obtained, such research may serve as some launchpad for thorough research carried out by means of, e.g., quantitative methods. Methodological problems have to be faced when e.g. it is necessary to decide which of the strategies resulting from the SWOT strategic audit enterprises subject to our research should realize. However, authors believe that obtaining respondents' opinions about threats and opportunities (resulting from e.g. all regulations described above), strengths and weaknesses (resulting from e.g. positions occupied, key competencies, etc.) together with respondents' opinions on necessary intra-organisational improvements, selected segments (e.g. in case of interactions between products and markets), instrumental interactions (by means of marketing tools) and market processes allow for formulating generalisations that are presented in their article.

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