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## A SOCIAL SCIENCES



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## COLOURS OF THE ROMAN EMPIRE: COULD MINORITIES BE AUTHORITIES?

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**Abstract:** Topic of racism is still very alive in today's world. This article is meant as reflection on question of how racism was understood in ancient cultures. Ancient people, Greeks, Romans, founders of modern Europe and its system of values were in constant contact with nationalities, which were different in many ways, including skin colour. Our aim is to understand, how they saw people of different skin colour – if they condemned dissimilarity or were without prejudice. Based on (not only) literary point of view of ancient authors, this paper tries to answer old question, whether racism against blacks was born already in ancient Rome and the most glorious civilization of Europa's history was based on racial segregation, or the idea of superiority based on colour of one's skin is really modern past's invention.

**Keywords:** racism, Rome, Greece, blacks, skin colour, prejudice, slavery, mythology, Mediterranean, racial superiority

### 1 Introduction

Western civilization derives important part of it's modern achievements from traditions dating back to ancient Greece and Rome. Scholarship, literature, architecture, democracy... These all are topics, which are connected by sometimes more direct, sometimes more tortuous lines between today and ancient times. But can we connect with antiquity also matters in our history which we are not so proud about? European modern past is closely linked to racism and even in modern times this issue is still actual. We can ask ourselves a question, whether roots of racist ideologies, which are judging people based on colour of their skin or ethnic background come from ancient cultures. And if the answer is yes, how were these issues perceived by inhabitants of ancient Mediterranean. The aim of this article is to acquaint reader with question of racism in ancient times, especially inside Roman Empire.

The question of racism in ancient cultures used to be very vibrant topic and thanks to that, number of researchers were interested in it's resolving. Unfortunately, in last few decades, only minority of researchers were interested in resolving question of ancient racism and only a few papers or monographies were dedicated to this topic. Because of that, modern literature lacks coherent work that would summarise this topic again with new thoughts, only papers which put together older opinions were recently written – and most of them don't bring much new information. There are four main works of three authors, which summarize this topic. First of them is Frank Snowden Jr., who in his works *Blacks in Antiquity* (1970) and *Before Color Prejudice* (1991) points out his opinion, that nothing like racism in ancient times existed. Second is Lloyd Thompson with *Romans and Blacks* (1989), who says, that racism itself against blacks in antiquity did not exist on skin colour basis, but their skin colour could create some kind of prejudice. The third is Benjamin Isaacs, who in work *The Invention of Racism in Antiquity* (2004) states, that some kind of „proto-racism“ existed, and it became basis for colonial racism of more modern history in 18th and 19th century.

First of all let's define, what racism itself means and how will we perceive it in our work. Today's racism is understood as it was „born“ in colonial era. Colonial European powers and major proponents of racist theories of superiority of white man, especially over blacks and to lesser degree over Asians, had a need to palliate this slave system. We could define racism as theory, that divides and judges society and individuals into social hierarchy based on race or colour of their skin and tries to justify social injustice by biological differences between people. In modern past it was common, that this way of thinking penetrated from human minds into law codes and international treaties. This caused racial segregation, discrimination, refusing of basic human rights to certain groups and led to legal oppression and violence against individuals or entire groups or nations – just

because their colour was different. Here we can ask questions. Did the same happen in ancient Rome? Or those masters of Mediterranean didn't try to justify their racism in any way? Or did they not know what racism in our meaning is? We can also ask, if in antiquity racial prejudices were based in legal codes, as it was common in modern past?<sup>1</sup>

While searching for an answer we return back to times not only of ancient Rome and Greece, but even to more ancient civilizations and their traditions. We will be dealing with racism based on skin colour and we will try to learn, if in ancient Rome this dissimilarity from majority population was reason for discrimination or denial of civil rights and freedoms.<sup>2</sup> We will try to learn if Roman population looked down on black people only because their skin colour or if there were more reasons.

### 2 Ancient point of view on inferior people

In the beginning, there is important to realise several critical facts about Romans themselves. Roman Empire was inhabited mostly by so called Mediterranean type (racial group), so Romans, Iberians, Greeks, Etruscians and other nations of Mediterranean were looking in antiquity very similarly and based only on „naked“ appearance were very difficult to tell apart. Slight differences in looks of course existed, but were not so striking as for example between Italic and black man from Nubia. This paper will therefore focus on perception of subaharian blacks by common Romans.<sup>3</sup> In ancient literature we can find many instances, when authors mention people of black skin, whatever they were negriod or just had skin darker than ordinary Romans. The division of ancient world must not be understood as – Europe white / Africa black. Romans called colour of their skin *albus*, what in translation means white. But when ancient author described Roman, to translate *albus* as white does not seem correct. It is better to translate the term as swarthy or light brown (HALEY, 2010, 31-32). The same opinion shares in his work Lloyd Thompson, who says, that in Roman society no concept of white people, in socio-cultural means, existed or developed. If Romans perceived any differences in skin colour, they had to understood their world as world of browns (THOMPSON, 1989, 10-11).

One of first nations of Mediterranean, that divided „qualities“ of people according to regions of their birth, and which transported this point of view to others, were Greeks. They saw themselves as superior to other nations and ethnics. But this opinion was not based on skin colour, but on geographic terms in which certain nation or tribe lived. Greeks considered themselves superior not only physically, but mainly mentally. Even their expression for foreigner – *barbaros* (βάρβαρος) was not at first meant pejoratively, but as description of people who did not speak Greek. On the other hand, their view of Persians, as trousers wearing weaklings, was typically full of prejudice (Hdt. 5.49). Irony for Greeks was, that after they lost struggle for independence against Romans, they were seen by their conquerors in same light as they saw Persians. It was Hippocrates in his work *Peri aeron hydaton topon*, who shows his idea, that one of the most important factors affecting physical human traits is place, where one lives (Hp. Aer. 3). Greeks believed, that human traits are dependant on place where one was born, are almost unchangeable, are not subject of individuality and to change them is extremely difficult. According to this Greek way of thinking, members of certain society are connected by same traits, both good and bad.

<sup>1</sup> For example in France, Canada, Portugal, USA, Great Britain etc. For more informations see WHEELER (2005).

<sup>2</sup> We come out from assumption, that skin colour is most easiest to perceive difference among people. Due to majority of „white“ people in mediterranean area, we will try to reconstruct Roman perception of black people and try to learn if being black in Roman world was really a handicap.

<sup>3</sup> It is important to state, that north African provinces and areas were inhabited in said period by fairer europoid race or it's mixes, not by purely black negriod racial type.



Strange is Greek perception of black inhabitants of Africa. Greeks had opportunities to meet people with black skin living in contemporary Sudan and Egypt, whom they called Ethiopians, *Aithiopsis* (*Aἰθιοπία*) – literally „those with burned faces“. In Homer's *Iliad* they play important role under leadership of Memnon as allies of Trojans (Hom. *Il.* 7.450). Herodotus writes, that they are good barbarians, have plenty of gold and are tallest, fairest of people and live the longest (Hdt. 3.114). If they reached Greece as slaves, they were considered very expensive and were treated as such.

Greeks thus had opinion, that main factors affecting human traits and abilities of nations are place of nations origin, climate of this place, geographical conditions, amount of freedom this nation has and autochthony.<sup>4</sup> As weakening factors Greeks considered mild climatic conditions. For example Syrians and Persians came from warm environment and rich lands, thus they were physically weaker. In opposite Celts came from less hospitable and colder environment, thus they were physically stronger (Hp. *Aer.* 12). Even Aristotle held similar opinions, he was a great advocate of slavery (Aristot. *Pol.* 1.4-8). His work was one of those, that helped spread these opinions over Mediterranean (ISAAC, 2004). Very common was also opinion, that if stronger, „better“ nation arrives and settles new region, in time this nation „adopts“ qualities, which belong to this region – because of climatic conditions, to which this nation has to adapt to. As secondary factor affecting „quality“ of people Greeks considered intermarriage with other ethnicities. This should have been avoided by „stronger“ nations. Interaction and intermarriage with others weakens the stronger nation and it is to be avoided – as logic of above written shows, for maintaining of superiority of the „stronger“ people, intermarriage with „weaker“ must be prohibited.<sup>5</sup> It is interesting to observe this theory in realistic setting. Especially efforts of Alexander of Macedon and some of his successors in the leading positions of hellenistic empires and kingdoms seem to go directly against these principles. Their policy was in great part pursuit of merge between Greek and Macedon settlers (the stronger) and Oriental populations of conquered regions (the weaker, inferior people).

### 3 Fifty shades of blacks in latin

Let us move further to the west and a little bit closer to contemporary times, to times of overlordship of Roman Empire, which adopted many of Greek intellectual concepts. We can safely assume, that greater part of Roman black population arrived there as slaves. Already in times of Roman republic existed well organized trade connection between Italy and certain African towns, from which black slaves were imported. Most probable places of black slaves import seem to be Egypt and north African towns situated around caravan paths (SNOWDEN 1947, 283). In Egypt black people were known for a long time and trade routes from south used Nile or lead around Red Sea (NOSHY, 1937, 98). In Carthage blacks were known already in classical times and reached town through caravan paths from central Africa. It is probable, that number of blacks came to Rome as prisoners of war from number of conflicts against Ethiopians. Successful, mainly defensive campaign of Petronius<sup>6</sup> against kingdom of Kush in 23 BC (Plin. *Nat.* 6.181; Cass. Dio *His. Rom.* 54.5.4; Strab. 17.1.54) certainly brought to Rome number of black skinned slaves.

How did the Romans perceive physical dissimilarity of blacks? Even compared to modern anthropological observations, we can say Roman authors were relatively experienced anthropologists. Their description of negroid type easily equals modern definition. In Roman literature we have three main descriptions of black inhabitants of Africa. First can be found in poem *Moretum* (App. Verg. 2.4.32-33), where Vergil describes his

black maid as woman with broad nose, thick lips and curly hair, and it is probably the most detailed description of negroid person preserved in Roman literature. Second comes from *Satyricon* of Petronius (Petr. 102) and third from Pliny the Elder (Plin. *Nat.* 2.189). In gigantic amount of latin literature could these three more extensive descriptions seem as not so much, but we should realize, that anthropological information about far-away nations were not so important in the eyes of common public. Exceptions could be nations in conflict with Rome (THOMPSON, 1989, 96). Description of elder Pliny is probably influenced by Greek point of view, which says, that human looks and traits are affected by natural conditions of ones origin. Romans universally accepted this Greek idea, because it's paraphrasing can be found in other Roman authors like Lucretius, Ovid, Vitruvius and also in Digest of Emperor Justinian (*Dig.* 21.1.31.21).

Latin language is very rich on expressions describing skin colour. Before we move on, we will try to interpret the most used expressions. Some latin words can not only tell us tinge, but also context, in which they are intended. The most common word used by Romans to describe black man or negroid type is, same as with Greeks, *Aethiops* (SNOWDEN, 1947, 268; 1948, 31-44). Originally Greek authors like Homer, Hesiod, Mimnermus, Aeschylus, Euripides and Apollonius of Rhodius used it perhaps to describe mythical or semi-mythical creatures, while authors of prose like Herodotus, Strabo or Heliodorus tried to use it to describe African realia (BEARDSLEY, 1967, 6). Herodotus himself deals with Ethiopians (Hdt. 7.69-70) in considerable detail, even divides them into two groups – eastern and western. In his description remains a lot of ambiguity though – he even calls Egyptians Ethiopians (Hdt. 2.104). This could lead, in later times, Roman readers to not distinguish between Egyptians and Ethiopians.<sup>7</sup> Term *Aethiops* was for Romans connected with black man or with expression for black skin itself, which was otherwise referred to with words *niger* or *fuscus*. Other expression for black skinned person was *afēr/afra*. It's most well known use is again in poem *Moretum*. It seems not impossible, that Roman *cognomen Afēr* could refer to black person – for example inscription in Pompeii *Helpis Afra rog(at)*<sup>8</sup> [CIL IV 2993z, c]. But we must approach this idea with caution, example of Gneus Domitius Afēr shows us, that *cognomen Afēr* did not necessarily have to mean black skinned person. Also example of Roman dramatic Publius Terentius Afēr is interesting, especially when we compare expressions used describing him by Suetonius (Suet. *Ter.* 5.3) and already mentioned poem *Moretum*. Suetonius uses two important expressions – *afēr* and *fuscus*. Same are used in *Moretum* to describe black slave maid. Word *fuscus* used to describe skin colour of Terentius, which Romans considered typical while describing black skinned man, cannot be left unnoticed. Terentius supposedly came from Carthage, and if we agree that black population was much more common there then in Italy (BERTHOLON, 1896, 972-974; DELATTRE, 2012), we cannot rule out his possible negroid roots. But until researchers get more examples of *cognomen Afēr* connected clearly with negroid descent, the question of his origin and skin colour cannot be definitely answered.

There are examples of more semantically related expressions in literature, such as *Maurus* and *Indus*. *Maurus* stands also for nation of African Moors, *Indus* for inhabitants of India. Expression *niger Indus* can theoretically be considered as mention of Ethiopians, however there is no clear proof in Roman literature, that Romans would describe Indian people as black. *Maurus* is used also by Juvenal in connection with *nigri* – black colour indicates sinister appearance (Iuv. 1.5.53). Martial in turn writes: „*retorto crine Maurus*“ (Mart. 6.39.6), that refers to one aspect of black people – curly hair. Word *Maurus* does not necessarily have to mean black person, but it is most probable.

It is even more complicated with expressions *niger* and *fuscus*. Both are used by Roman authors to describe skin of blacks – Ethiopians. They are used very often also to describe people with

<sup>4</sup> Original, indigenous, were for example Athenians in Attica.

<sup>5</sup> Athenians during Pericles's rule in 451/450 BC passed law, in which citizenship is allocated only to children, whose both father and mother are citizens. Until this law, only father had to be citizen. This very narrowed number of citizens who enjoyed civil benefits. Athenians considered themselves to be even better than other Greeks (Plut. *Per.* 37.2-5; Aristot. *Ath. Pol.* 26.4).

<sup>6</sup> About person of Petronius see BAGNALL (1985).

<sup>7</sup> Horatius also uses expression *Aethiops* for Egyptians (Hor. *Carm.* 3.6.14).

<sup>8</sup> For more information see SNOWDEN (1970, 270).



uncertain descent, who were probably dark skinned. These expressions were used to describe people with origin outside of Europe, or to describe skin colour of Europeans, who, for some reason, had darker skin than their surroundings (SNOWDEN, 1947, 274). Word *niger* can be in latin even synonym for *Aethiops*. That is attested in case of legendary Ethiopian king Memnon – Catullus calls him *Memnonis Aethiopi* (Catul. 66.52), meanwhile Ovid and Vergil use *nigri Memnonis* (Ov. Am. 1.8.3-4; Ov. Pont. 3.3.96-97; Verg. A. 1.489). In this case, term *niger* serves to describe Ethiopian, if we accept the fact, that in kingdom of Kush population was mainly of negroid type (SNOWDEN, 1947, 276). *Fuscus* then most probably describes person with slightly lighter skin colour than *niger*, as is mentioned in Sidonius (Sid. Ep. 2.10.4) and also in Ovid (Ov. Ars 2.567-568). This term was also used in description of racial origin of Ethiopians, as is shown in poem *Moretum* (App. Verg. 2.4.32-33) and also for example in *Elegiae* of Propertius (Prop. 4.6.78).

Expression *decolor* served to describe skin colour of people from India and Mauretania (SNOWDEN, 1947, 280). Juvenal used it to describe biracials, mulats and children coming from black father and white mother in expression *decolores heres* (Iuv. 2.6.600). Very similar was term *discolor*. Last expression used to describe skin colour is *rubens*. It's use to describe skin colour can be found only in Statius as *rubentum Aethiopum* (Stat. Theb. 5.427). Vergil uses the same term to describe colour of boiled crab or crayfish (Verg. G. 4.47-48), which means bronze or reddish colour. Tribes of blacks with red skin are known in Africa even today, for example southafrican Himba people. Question is, if these people could get so far to the Roman controlled world.

If we track names of high-ranking Roman politicians and officials in times of the republic, we cannot miss, that fairly often *cognomen* or *gentilicium* in form of latin expression may try to hint us about colour of one's skin (BROUGHTON 1951; 1952; 1986). This is even more often in times of principate or dominate, when these terms can be tracked even to pretenders to Roman throne (for example Gaius Pescenius Niger). It is tempting to say, that Romans with names such as Afer, Niger, Nigro, Afranius etc., were black. But the issue of these names is much more complicated and surely not based only (or at all) on colour of one's skin. Process of obtaining names was influenced by many factors – place of origin, achievements, or nicknames which characterise more one's personality or his ancestry. Because of lack of more biographical information about these Roman citizens, we cannot link their names to their skin colour or ethnicity. Maybe more study of this issue will reveal, whether these Romans or their ancestors were of black skin colour or not.

#### 4 Blacks in ancient literature

In ancient literature are negative references to black skinned people fairly common and quite often attribute black skinned people with same bad properties. It is not something to be surprised by, in Roman society people's imagination was penetrated with negative symbolism of black colour, which could result in bad attitude toward blacks. This attitude could be changed only in sporadic cases, if there was deeper knowledge of the individual (THOMPSON, 1989, 92). More negative association was caused for example by Charon, eternally gloomy ferryman to the Underworld, who is often described not only to have black skin, but also to have negroid characteristics. In the same way are described other demons of the Underworld, Eurynomos and Menoites. Cassius Dio tells us in his work about event, when emperor Domitian scared to death senators and high society Romans by having a feast in black and dark room and having them served by black painted boy-slaves, while telling them stories about torture and murder. Senators were preparing for the worst, but emperor send them back home with gifts (Cass. Dio His. Rom. 67.9). Another negative references are directly stories about black skinned people. For example superstitious emperor Septimius Severus ordered black soldier out of his sight during campaign in Britannia, for he feared bad omen (H. A. Sev. 22.4). Negatively write about blacks, Egyptians

and people with darker skin in general, in their satyrs Juvenal and Martial. Juvenal counts many bad things in Roman society. He mentions certain newcomers and not original residents, among them very often blacks, and is not afraid to criticize them so harshly to say, that oriental and syrian prostitutes are pushing Roman out of bussines (Iuv. 1.3.60). He advises Romans to scoff blacks not only because of their skin colour, but also because of their splayfeet (Iuv. 1.2.23). Then he connects one black Egyptian flute player with cannibalistic religious cults (Iuv. 15.49) and considers adultery of Roman woman with black man as abomination, for the husband would have coloured heir (Iuv. 2.6.600). He considers black people, as well as blue eyed and fair haired Germans as deviations and aberration from normal appearance (Iuv. 5.13.162-166). More negative perception of black people comes from north Africa. From late antiquity we have short, very abusive poem of unknown author:

„faex Garamantarum nostrum processit ad axem  
et piceo gaudet corpore verna niger,  
quem nisi vox hominem labris emissa sonaret,  
terreret visu horrida larva viros.

dira, Harumeta, tuum rapiant sibi Tartara monstrum:  
custodem hunc Ditis debet habere domus.“<sup>9</sup> (Anth. Lat. 183)

We can find number of positive references too. According to surviving references we know, that in both lower and higher circles of Roman Empire could happen, that even citizen with black skin could reach very good position. Nevertheless, in the eyes of rich Romans all poor people were equally ugly and skin colour was not primary distinguishing factor. To the high-ranking class of „white“ Romans, even rich black person could arouse some kind of antipathy, primarily due to his looks, for not meeting the Greco-Roman ideal of *kalokagathia*.

Many educated Romans had great sympathy towards Ethiopians and considered them very capable. Lucian of Samosata attributes them with invention of astrology, which was in turn adopted by Egyptians (Luk. Astr. 3.4). In Roman Empire blacks were generally prized as skilled and strong boxers. Several depictions of black boxers have survived until modern times, especially in form of small sculpture. Very well known are hellenistic statues of two boxers, today in British Museum, made of terracotta, which clearly show their negroid features and African origin. One of black boxers in Rome was man named Nicaeus, whom we don't know from any sculpture, but Pliny the Elder calls him one of the most famous boxers of his time (Plin. Nat. 7.12.51). Black people were probably very praised as athletes. From *Anthologia Latina* we know about poem dedicated to famous charioteer, who is said to have never been defeated. Poem compares him to famous Memnon, son of Eos, goddess of dawn, who was killed in Troy by Achilles. About the charioteer the poem says, that there never was and never will be any Achilles born, who could defeat him. He is Memnon in looks, not in fate (Anth. Lat. 251).

Name Memnon is also connected to black scholar and protege of Herodes Atticus. According to Philostratus Atticus mourned over death of Memnon, as if he was his own son. Also because Memnon was noble and honorable young man, eager to study and worthy of being raised in his house (Philostr. Vit. Ap. 3.11). There even exists a bust, which is presumed to be depiction of this young man. It clearly shows black man, even though the sculptor tried to show Romanised looks and refined Roman, full of proper Roman values. We can say, that at least in some cases Romans were willing to believe, that black skin doesn't have to be obstacle in acquiring Roman values and qualities. In theory every Roman, regardless of skin colour, could show same skills and *virtus* as any other citizen.

<sup>9</sup> „Garamantian filth came to our part of the world and black slave rejoices in his pitch-coloured body. Terrible ghost, which would scare by appearance, if only sound of his lips would not give away man. Hadrumeta, let underworld take away this monster: he should guard house of underworld god.“ Own translation. Term *faex* is translated very decently, it's true meaning can be much more stronger, much more vulgar.

In latin Romantic poetry we have several examples, that many Romans found black women very attractive and that black skinned women became often objects of love poems. In Ovid Sappho says, that even Andromeda, with a touch of colour from her native Ethiopia, enchanted Perseus with her beauty (Ov. *Her.* 15.35-38). Another example can be Asclepiades, who says, that in front of beauty of Didyme, he melts like wax in front of fire, although her skin has colour of coal (*Anth. Pal.* 5.121). Even Martial claims, that he was chased by girl white as ebony, but he was attracted to one, who was darker than ant or tar (Mart. 1.115).

## 5 Conclusion

Let's have a look now, on how and when the blacks got to Rome. Probably one of the oldest literary reference of blacks in Italy is description of a nurse in comedy *Poenulus* (Pl. *Poen.* 5.2.154) by Plautus. Another reference is by Terentius (Ter. *Eu.* 165-167) - in his work he talks about black slave woman, himself being of uncertain origin. These come from end of third century BC and first half of second century BC and by itself don't necessarily mean, that that there was any significant number of black slaves in Rome – but it cannot be ruled out either. During campaign of Hannibal Barca in Second punic war (218 – 201 BC) we can safely assume, that in his army and thus in Italy was present number of black skinned troops. From same time dates emission of bronze coins with head of black person on the obverse and with depiction of Hannibal's elephants on the reverse side. These coins were minted in Etruria and were probably used to supply Hannibal's Italian allies (SELTMAN, 1960, 250; SNOWDEN, 1947, 284). After the war many slaves are „imported“ to Rome – one example can be Terentius himself and we can safely assume, that among them a large number of blacks were present. In the era of principate the references of blacks inside empire increase. It is nothing to be surprised about, if we think about Roman presence and activity in Africa. Based on all to us known ancient sources, literary, epigraphical, numismatic, artistic or archaeological, we can state, that presence of black skinned people was not an exception in Roman Empire (SNOWDEN, 1947, 250). Although there are no specific statistics, we have sufficient evidence to assume, that number of blacks within Roman population was greater than it is today generally supposed (BARROW, 2010, 208-229; DUFF, 1928, 1-11).

The position of slave was, at least during beginning of Roman expansion into Mediterranean, most common status for black people. It did not have to be and was not their only legal occupation. Thanks to „globalization“ of Roman world, immigration, freedmen and distribution of citizenship, it was quite possible to meet full-Roman citizens of black skin colour.

Greeks and later Romans considered themselves ideal rulers of others, because thanks to their good geographical origin, they possess best mixture of traits. They are not only strong but also smart enough, and are only ones who combine both in perfect ratio. But their superiority is not given by their colour or by affiliation to certain race. But by, in their own opinions, living in ideal climatic and geographic conditions. We can say, that because of this, Romans were not racists in sense, in which this term is understood today. Of course, we can see in many occasions, that black inhabitants of the Empire were targets of ridicule or criticism. Black colour is also connected with negative symbolism and general population could be scared in presence of men of other, darker, skin colour, especially, if they never met someone similar before. In higher and more educated society this prejudice was cast aside. Social status of parents, property, one's own manners and charms were more important here than colour of one's skin.

Romans did not have to excuse slave system based on better or worse race as it was in colonial age. Many modern authors understand „races“ in sense of cultures and times, which they themselves come from and try to put them into context of their own ideas of how it could have worked in Rome. It is to be avoided, for very often it is misinterpretation based on one's own personal conviction. In 19th century most authors were

persuaded, that Romans thought of oriental slaves as worse then for example northern, because many British (and Europeans) in that time saw oriental people as „inferior“. If we exaggerate a little, we can label Romans as slavers of „equal opportunities“. In choosing of slaves, they did not focus only on one gender or place of origin or race. Slaves came from different religious, legal and political background and Roman law did not see them as human (at least for very long period). There ruled opinion in society, that colour black is an omen of evil, death and disaster (App. *Bell. Civ.* 4.134; Flor. *Epit.* 2.17.7-8; Plut. *Brut.* 48; H. A. Sev. 22.4-5; Iuv. 5.53-54), nevertheless existence of such rumors did not prevent Romans to come to contact with black skinned people. By all accounts in Roman Empire colour of skin was not an obstacle in acquiring citizenship or good social standing. Romans themselves don't even have for racism or segregation based on skin colour any term. Black slaves were treated in the same way as any other slaves of any other colours were. Only on accounts of Greek and Roman prejudice of quality of nations based on place of origin, they could have been selected for different professions. Against systematic aversion also testifies absence of any law, that would prohibit marriages of Roman citizens with people of black colour. And according to archaeological and literary evidence, these marriages were not unknown to Romans (Mart. 6.39.6-7; Iuv. 6.595-601; Flacc. *Decl.* 2; Plin. *Nat.* 7.12.9).

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#### Primary Paper Section: A

#### Secondary Paper Section: AB, AC, AO

## COMPARATIVE STUDY OF POLISH SME SECTOR ON THE BACKGROUND OF THE EUROPEAN UNION COUNTRIES

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**Abstract:** On the modern business arena there are a variety of units and economic organizations which are closely linked with the economy of each country. The principal economic actors are companies which underpin the economic system of each country. A specific group of these entities are small and medium-sized enterprises, which is one of the leading sectors of European economies. For this reason, this article is devoted to analysis of the activities of European small and medium-sized businesses, with particular examining the state of the Polish SME sector. Using statistical data, the basic information characterizing the development of these entities has been presented.

**Keywords:** enterprise, SME sector, the countries of the European Union

### Introduction

The discussion on the problems of the SME sector should start from the definition of the company which, according to Schweitzer, is the technical, social and economic unity (unit) whose task is to satisfy the needs of others with the decision-making autonomy and its own profit [Schweitzer, 1988, p. 15]. Furthermore, it is worth noting that all developed countries recognize the essence of entities belonging to the SME sector; therefore, the interest in this sector has been taking place continuously for many years [Wolak-Tuzimek, 2010, p. 105]. The polemic primarily focuses on the following issues: creation of economic growth, job creation, participation in export and also the effectiveness the improvement of which may occur, among other things, through the implementation of control mechanisms [Lament, 2014, p. 22-25]. An undeniable fact is that the largest part of the national income is formed within companies. A convergent characteristic of the economies of the European Union countries is the presence of a very large number of small and medium-sized enterprises. Approximately 99.8 % of registered business entities in Europe belong to this sector, which constitutes a motor of the European economy and the main source of employment. Undoubtedly, entities that are included in this category are a priority for improving the competitiveness [Howaniec, 2014, p. 40] and employment, thus awakening the spirit of entrepreneurship and innovation in the EU Member States. On the basis of these arguments, it cannot be denied that the SME sector occupies a very important position in national economies.

The purpose of this article is to examine the situation of the Polish sector of small and medium-sized enterprises on the background of selected countries of the European Union. Therefore, indicators describing the state of European entrepreneurship have been analyzed. The results of the study will also indicate which of the European countries performs best in this regard, which on average, and which is the worst and thus has the most to catch up as compared to the best European economies.

### 1 Comparative analysis of European SME sector

The study examines the state of European small and medium-sized enterprises on the basis of the statistical data from 2011-2013. For this reason, 8 indicators characterizing the level of the sector in selected EU countries were chosen. These indicators are:

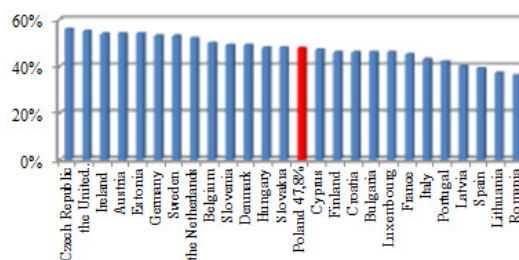
- the share of gross value added generated in the corporate sector in the EU;
- number of enterprises in selected EU countries;
- number of newly established and liquidated enterprises;
- number of employees in enterprises;
- average employment indicator per company;

- indicator of entrepreneurship;
- turnover per employee in European companies;
- investments in fixed assets for one company in the EU.

### 1.1 Participation of European companies in the creation of GDP

On the basis of data published in the latest report on the state of PARP SME sector it can be concluded that in Poland in 2011 the share of the corporate sector GDP was exactly at the same level as the average characterizing the EU countries (47.8 %). Poland compared to selected EU countries in this regard was ranked in the middle of the pack but, after all, it is a relatively good/satisfactory result even from the point of view of the degree of development of the Polish economy and its potential for development. Chart 1 below shows the percentage shares of twenty-six EU countries in the gross added value generated in the corporate sector. In the ranking, the leading positions are occupied by Czech Republic, the United Kingdom and Ireland. Poland, however, is ahead of the countries such as Slovenia, Denmark, Hungary and Slovakia. Also, Poland outclasses in this respect e.g. France, Italy and Spain.

Chart 1. *Share of gross value added generated in the enterprise sector in Poland and selected EU countries in 2011*



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 14

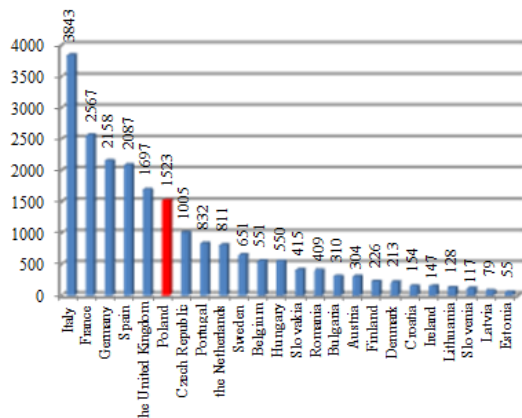
### 1.2 Number of enterprises in selected EU countries

The second part is devoted to empirical analysis of the number of active companies in Poland compared to other European countries. It is one of a few very important indicators to conclude on the state of Polish entrepreneurship in comparison with the European one. When analyzing chart 2, we can conclude that the Polish economy in 2011 in this respect occupied a place at the forefront pack. Sixth place in the ranking certainly speaks for Polish optimistic situation in this area in the coming years.

Nevertheless, the clear leader among the European countries was Italy. In 2011, approximately 3.8 million companies functioned in this country, which means that in Polish economy in comparison with the Italian one about 2.5 times as few actually did. The second position, also with very good results (about 2.6 million companies), belonged to France, while the last place on the podium was occupied by Germany (2.2 million). Poland was preceded by only two other countries: Spain (2.1 million) and the United Kingdom (1.7 million). The latter, however, had a slight advantage over Poland, since the difference that separated the two countries amounted to exactly 174 thousand companies. By far, the greater difference in values occurs when comparing Polish number of firms with other EU countries. Subsequent place belongs to the Czech Republic which loses as many as 518 thousand economic entities to Poland. Countries that follow had not been able to launch a million companies. The closest were Portugal (832 thousand) and The Netherlands

(811 thousand). Further follow such countries as Sweden, Belgium and Hungary. The second half of the pack is opened by Slovakia with the result of 415 thousand, followed by Romania and Bulgaria. Yet the fewest number of enterprises in 2011 functioned in Slovenia - 117 thousand, then in Latvia - 79 thousand and Estonia - only 55 thousand economic entities.

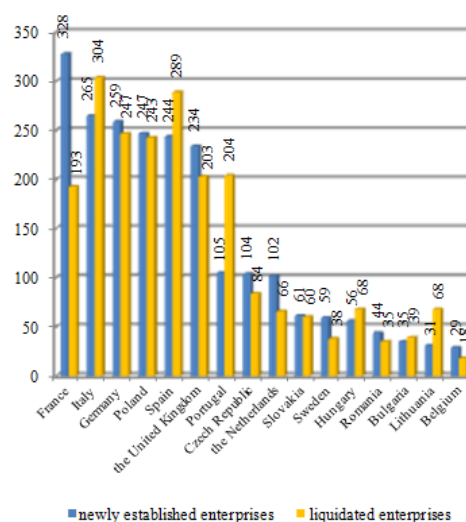
Chart 2 Number of enterprises in Poland and selected EU countries in 2011 (in thousand)



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 17-18

When examining the number of enterprises in European economies it should be borne in mind that in this area the number of newly established enterprises is extremely important but not more than the negative aspect regarding the number of liquidated companies. These two indicators have a direct impact on the total number of companies; therefore, chart 3 depicts data describing both values (to facilitate the analysis). It should be noted that, as it was in the case of the previous measures and analysis, this time Poland again performs very well as compared to its European competitors - the fourth position in terms of the number of newly created entities in 2011 (247 thousand). The three countries that obtained a better result than the Polish economy was France (328 thousand), Italy (265 thousand) and Germany (259 thousand). On the other hand, the remarkable success is probably the fact that Poland managed to overtake the economies of Spain (244 thousand) and the UK (234 thousand) with its number of new entrants. The smallest increment of new economic entities in 2011 is noted for Bulgaria (35 thousand), Lithuania (31 thousand) and Belgium (fewer than 30 thousand). The analysis should also cover the number of liquidated entities in the EU - which are presented in chart 3. The first conclusion to be drawn when interpreting the chart below is that the largest number of liquidated entities in the analyzed year was reported by Italy - 304 thousand, and Spain - 289 thousand. In these two countries, the number of liquidated entities was higher than the one of the newly established. Germany, with the number of 247 thousand, and Poland, 243 thousand, followed, then Portugal, the United Kingdom and France. In the middle of the classification were the Czechs and the Dutch, and to close the pack: Bulgarians - 39 thousand, Swedes - 38 thousand, Romanians - 35 thousand and Belgians - only 18 thousand.

Chart 3 Number of newly established and liquidated enterprises in Poland and selected EU countries in 2011 (in thousand)



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 21

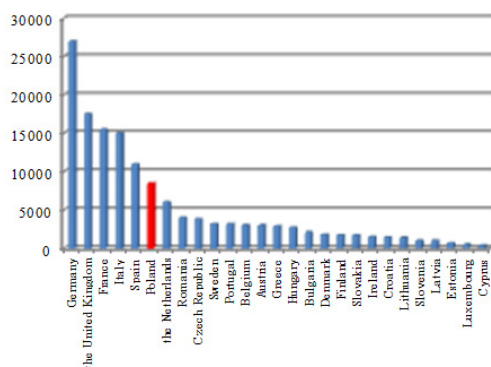
However, when analyzing the individual situation of individual EU countries in terms of the greatest difference between the number of newly established entities and the number of the liquidated it should be noted that in this regard France has the best performance with the difference in question of 135 thousand entities in favor of the emerging ones. On the other hand, Portugal found itself in a diametrically different situation in 2011 with up to nearly 100 thousand recorded liquidations over the emerging ones. The relatively smallest difference of these two indicators refers to Poland - (4 thousand) and Slovakia - (only 1 thousand).

### 1.3 The number of people working in enterprises in selected EU countries

The indicator characterizing the European corporate sector is the number of people working in it – as presented in chart 4. The number of people working in this kind of entities in 2012 stood at 133 million people [Eurostat data for 2012]. The largest contribution to the employment rate was held by the most numerous in terms of population EU countries. These are mainly five European economies: German (more than 26 million working in enterprises), British (about 18 million), French (15 million), Italian (15 million) and Spanish (almost 11 million). It is worth noting that the results of these five countries account for less than 2/3 of the total number of persons employed in the EU -28. Poland, which occupies sixth position, ranks just behind this group of countries. Its employment rate outnumbers countries such as The Netherlands, Romania and the Czech Republic. Subsequently, there go Sweden and Portugal. At the end of the classification there are 16 EU countries, mostly considered small in terms of population as well as the number of the employed. It is therefore necessary to mention e.g. Belgium, Hungary, Ireland, Slovenia, Estonia, Luxembourg and Cyprus.



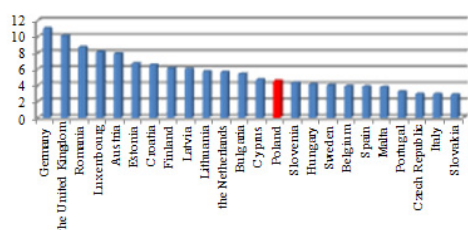
Chart 4 The number of the employed in 2012 (in thousand) in companies in Poland and EU Member States



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 24-25

Another part of the research in this subgroup is devoted to the analysis of the average level of employment at one company in Poland and selected EU countries in 2012 - chart 5. Based on Eurostat data, Poland, with the result of about 4.3 persons employed in a single economic entity, occupies 14th place among 24 European countries. However, in the EU, one company is on average workplace for approx. 5.4 employees. Certainly the undisputed leader in the presented ranking is Germany with a score of 11 employees on 1 company during the year. The second position with the result of 10 employees came in the United Kingdom. Key positions of these two countries are mainly due to the share of large companies (both German and British) in their employment structures. Third place went to Romania, and the following places were occupied by the following countries: Luxembourg, Austria and Estonia. However, half the rate belonged to Bulgaria and Cyprus, and Poland was behind them. The rate, however, is closed by the following countries: Czech Republic, Italy and Slovakia, which received the results very close to each other - (less than three employees per one economic entity).

Chart 5 Average employment per one company in Poland and selected EU countries in 2012



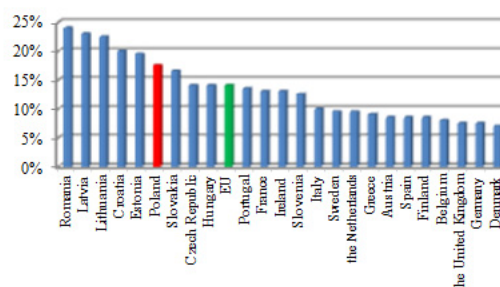
Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 26

After analyzing the number of employees in the European corporate sector and the average level of employment in one company, we should also examine the rate of entrepreneurship that characterize selected countries of the Union - graph 6. It should be emphasized that the level of entrepreneurship is measured as the number of adults intending to start a business within the next three years.

In 2013 the rate of entrepreneurship in the Polish economy was above the EU average. This reflects the fact that the Poles tend to act, search for new solutions, make changes in the previous activity, use emerging opportunities [Wolak-Tuzimek et al.,

2015, p. 13]. A very high sixth position of Poland certainly affects the favorable situation of this country in the future. However, the best results in terms of the rate of entrepreneurship noted Romania, followed by Latvia. The third and fourth place was taken by Lithuania and Croatia. In contrast, Slovakia came in just behind Poland. It is worth noting that the Czech and Hungarian economy achieved the rate of entrepreneurship at the level of EU average. Portugal was only slightly worse, closely followed by France and Ireland and Slovenia. Nevertheless, the weakest level of the entrepreneurship indicator is characterized by the following countries: United Kingdom, Germany and, with the worst result, Denmark.

Chart 6 Entrepreneurship rate (% of adults who intend to start their own company in 3 years' time) in selected EU countries in 2013



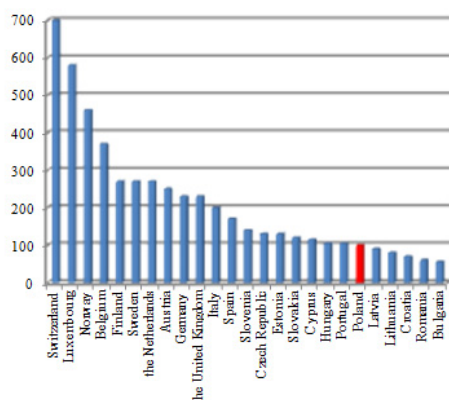
Source: Own calculations based on European Commission Press Release Database Sheet SBA 2014 Brussels: 2014. Figures for 2013. [http://europa.eu/rapid/press-release\\_IP-14-655\\_pl.htm](http://europa.eu/rapid/press-release_IP-14-655_pl.htm), [Access 12.05. 15]

#### 1.4 Financial and investment situation of enterprises operating in Europe

In view of the Eurostat data, Polish corporate sector productivity, measured using the results attributable to one employee - chart 7, is significantly lower than the average in EU countries. Analyzing the chart below one can conclude that, according to company turnover per an employee, Polish companies take 20th place (with the result of approximately 100 thousand EUR in 2012), in the presented European countries ranking. Poland in this aspect stayed ahead of only five countries, namely: Latvia, Lithuania, Croatia, Romania and Bulgaria. In contrast, the companies from Switzerland did the best (almost 700 thousand EUR), Luxembourg (over 570 thousand EUR), Norway (approximately 450 thousand EUR) and Belgium (approximately 360 thousand EUR).

It may be noted that Polish companies stand out from economic entities from more developed countries in Europe. This is mainly due to the fact of ownership and disposition of poorer technological equipment and the use of unsuitable organizational solutions that translate thereby at a relatively low share of added value in production value.

Chart 7\* Turnover per an employee (in 2012 in thousand EUR) in enterprises in Poland and in selected European countries



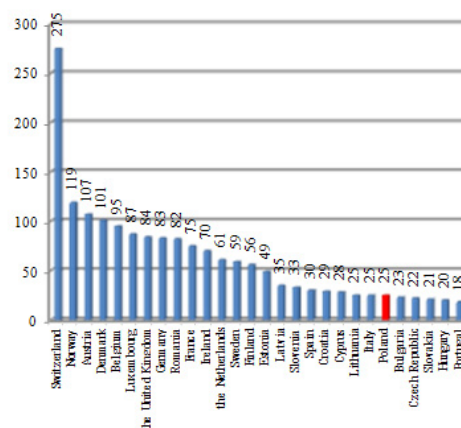
\*On the last two graphs (ie. 7 and 8) two countries not belonging to the EU are also included, namely: Switzerland and Norway, in order to make a thorough comparison of these countries.

Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 33-34

The appropriate level of investment is essential for the proper development of businesses, so that this indicator is extremely important when comparing the Polish economy against the of selected European economies. Unfortunately, just as it occurred with the previous analysis, again, the Poles can not be satisfied with the level of investments allocated to fixed assets in 2011 - this fact is confirmed by chart 8.

In Poland, investments in fixed assets of the average company is only 25 thousand EUR. This result is significantly different from those obtained by the more developed countries of Europe. There is a gap between the leader of the classification - Switzerland - and the Polish economy, as this country got the result of more than 275 thousand EUR. The second position belongs to Norway, however, it has got the result of over two times smaller than the leader (119 thousand EUR). Only third place described the country of the EU - Austria (over 107 thousand EUR). Just behind the podium came in Denmark, followed by Belgium, Luxembourg and the United Kingdom. The top ten also includes the following countries: Germany, Romania and France. While the middle part of the classification was reserved for Ireland, the Netherlands, Sweden, Finland, Estonia, Latvia, Slovenia and Spain. However, a few countries managed to stay ahead in the ranking of Poland, the former is Croatia - 29 thousand EUR, Cyprus - 28 thousand EUR, Lithuania - 25 thousand EUR or even Italy also 25 thousand EUR. Poland in terms of size of fixed assets for 1 company takes 21st place of presented EU countries, which is certainly not a satisfactory result. Poland in this ranking stays ahead only of countries such as Bulgaria (23 thousand EUR), Czech Republic (22 thousand EUR), Slovakia (21 thousand EUR), Hungary (20 thousand EUR) and Portugal (18 thousand EUR).

Chart 8 Investments in fixed assets for one company (in thousand EUR) in Poland and selected European countries in 2011



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 40

### Summary

At the present time, no one denies the role of SME sector in economic development. Undoubtedly, small and medium-sized enterprises are seen, throughout the whole European Union, as the driving force of the economy, both of individual countries as well as the Union as a whole. However, it should be noted, that the importance of the examined sector in the economy of the EU countries is varied and thus depends on the level of socio-economic development of the country.

Comparing Poland to other EU countries, it must be concluded that it is doing on average, and in some rates relatively well in terms of entrepreneurial activity. In 2011, the Polish enterprises sector share in GDP was exactly at the same level as the average characterized by the countries of the European Union. However, due to the growth potential of the economy it is not a good result.

In 2011, Poland in terms of number of enterprises was sixth out of 24 EU countries - and got a result of 1,523 entities. However, Italy has proven to be the leader of the classification (2.5 times more companies than in Poland), while the least well in this respect did Estonia where, in the audited year, there were only 55,000 functioning economic entities.

Poland did very well also against the number of newly established enterprises, as out of 16 EU countries, it won fourth place (only France, Italy and Germany were moving ahead of Poland). The rate was closed by Bulgarians, Lithuanians and Belgians.

Polish companies won a high sixth place in terms of the number of employed in enterprises persons in 2012. However, in this indicator undeniable winner was Germany, followed by the British, the Italians and the French. The worst in this ranking were the following countries: Estonia, Luxembourg and Cyprus.

The Poles are certainly enterprising people, because their rate of entrepreneurship in 2013 exceeded the EU average, and consequently they won sixth place out of twenty-four European economies. Unexpectedly, Romania won in this combination, while Denmark came in last.

Poland did much worse in terms of the rate of turnover per an employee in 2012, taking one of the last of places. Among the countries belonging to the EU Luxembourg did the best, and Bulgaria the worst.

Poland, in terms of investments in fixed assets in 2011, also did unfavorably against EU competitors - position in third top ten of

the classification, which does not bode a positive future perspective in this regard.

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**Primary Paper Section: A****Secondary Paper Section: AH, BB**

## CURRENT CONCEPTS OF MANAGING THE COLLEGE

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**Abstract:** Introducing to the subject matter the college concerning functioning is a purpose of the present article in the context of current concepts of managing the educational establishment. The text aims to show that the university as a public or non-public organization has a well-established social position. Provides education students, dynamically evolving, is oriented on the environment. The main purpose of a university education is available to all. In directing this specific educational institution use of different management models. The most up to date, according to the author, have been described, all of these concepts are to encourage employees to be more intensive and effective work.

**Key words:** university management concepts, the functioning of higher education, education generally, university employees, effective work.

### 1 Introduction

Taking into consideration aim of the college, her mission, vision it is possible to define them as the future state of affairs or of process planned by the perpetrator, and in such field like education also a state of the man or the group which is supposed to be produced or kept for in order to meet the needs of people.<sup>1</sup> Each college taking a specific purpose or purposes shall be guided by the current management concepts that will help in its/their implementation. The same management (according to the Encyclopedia Quick Reference) is discussed in terms of a normative act issued pursuant to and in order to comply with the law by the executive authority.<sup>2</sup> To the university authorities, in a series of activities organized include such activities as:

- establishing tasks and plans;
- getting stores;
- instructing, the coordination;
- permanent supervision of the work of subordinates;
- control of the execution of tasks and plans.

### 2 Concepts of managing the college

Activity of academy is based on providing certain financial means. Government funds economic subsidies which are getting to public academies; the objective of economic subsidies is funding tasks connected with "training full-time students, the participants of doctoral studies, research staff and maintaining the university, including the renovation".<sup>3</sup>

First thing, budget is an activity plan and defines the structure of expenses, approve the funding of individual actions. After approval, budget becomes control factor which appraise the regularity of operations from the point of view of their financial order and compliance with the plan.<sup>4</sup>

The concept of budgeting is connected with budgetary policy whose mission is to use public revenue and expenditure for the implementation of the tasks facing the country. Therefore, state decides about size of the budget allocated to higher education and its functioning. It should be pointed out, that government budget includes:<sup>5</sup>

- incomes and state burden for a period of one year;
- presentation of the action plan, where financial objectives are submitted as financial targets;
- set of tools for specific tasks of a state.

Performance budget is a three-year consolidated plan which includes state budget units expenses, state special purpose funds and state legal persons, referred in article 4 act 1 section 12 of 30 June 2005 about public finances drawn up in the system parts, tasks and subtasks.

The main goals of performance budgeting includes:<sup>6</sup>

- ensuring more effective implementation of public tasks;
- ensuring greater effectiveness of public tasks;
- increasing the efficiency of public spending, improve the transparency of public finances and to provide citizens and parliamentarians more readable information on the measures taken and their costs.

Minister of Science and Higher Education has the power over financial means for education according to law act from 30 of April 2010.<sup>7</sup>

Managing through motivation is totality of actions and decisions taken by every manager to encourage workers to work harder, challenging him to put in an maximal effort in completing his tasks, contributing to results and development of the organization.<sup>8</sup>

Planning actions with help of notions and it's control with the help on will are the base for motivation, characteristic for a grown man, who has a professional, caring and social roles in organized society.<sup>9</sup>

Managing of a university in aspect of staff motivating may have many aspects. They can be considered in categories of:

- appreciation (Rector's award, diploma, public praise, financial award);
- meeting of the lecturers, managing staff with satisfied students;
- promotion (getting new degrees, self-realization, building individual carrier path, conferences, respect in both work and outside of work environment, opportunity to develop);
- partnership in management of university, delegating independent tasks, influence on politics of the university, need of power, identification with the university, loyalty towards university, need to take the risk and stay active;
- salary level, additional benefits, work itself, independence in work, work atmosphere, work evaluation.

With a view on motivational factors to students, we can outline the following:

- scholarships, graduation act, which is a ticket to get satisfying job, will to get education, possibility to obtain a well paid job, perspective to pursue a carrier in education, broadening the horizons, getting to know interesting are of knowledge;
- keeping job, acquiring higher social status, promotion, well paid job, professional independence;
- trending study courses, rich history and traditions of a university, attractive fields of study, culture of the organization, highly qualified educational staff, very good contacts with both national and international universities, institutions, enterprises, possibility to have internship in particular field;
- content of study related with future occupation, topic of classes meets expectations, development of analytic thinking, classes that help to improve knowledge in area

<sup>1</sup> T. Komorowski, *Prawo oświatowe w praktyce*, Wyd. Empi, Poznań 2003, s. 43

<sup>2</sup> M. Karolczuk-Kędzierska (red.), *Encyklopedia podręczna*, Kraków 2002, s. 1074

<sup>3</sup> Ustawa Prawo o szkolnictwie wyższym, art. 94

<sup>4</sup> W. Goriszowski, *Współczesne koncepcje zarządzania i funkcji kierowniczych w oświacie*, Wydawnictwo Wyższej Szkoły Pedagogicznej Towarzystwa Wiedzy Powszechnej, Warszawa 2000, s. 36

<sup>5</sup> G. Świdorska, *Rachunek kosztów i rachunkowość zarządcza*, wyd. Stowarzyszenie Księgowych w Polsce, s. 226-231

<sup>6</sup> Ustawa z dnia 30 czerwca 2005r. o finansach publicznych, Dz. U. nr 249, poz. 2104 z zmianami, art. 4.

<sup>7</sup> Ustawa z dnia 30 kwietnia 2010r. o zasadach finansowania nauki, Dz. U. nr 96, poz. 615.

<sup>8</sup> B. Kaczmarek, Cz. Sikorski, *Podstawy zarządzania*, PWN, Warszawa 1997, s. 45

<sup>9</sup> W. Pomykało (red. nauk.), *Encyklopedia pedagogiczna*, Fundacja Innowacja, Warszawa 1993, s. 386

that students take interest to, opportunity to participate in student organizations.

It is stated, that motivational factors are important to both students and staff. They should be one of the priorities of effectively run university.

In the management technique by goals the principle of liability for errors, deviations and all kinds of shortcomings in the implementation of the objectives are strictly adhered, which causes the minimization of this kind of cases. The appraisal of efficiency of the management and work of employees are the base of payment policy in connection with results which were gained by organization and tool to improve governing.<sup>10</sup>

Management through goals is not a simply process, is not easy to implement. But view about advantages of management mechanism for setting objectives, appraisal and integration personal goals with organizations becomes more common. The Programs of the management by objectives has gained common acceptance, but they still demand volume of time and energy.<sup>11</sup>

"The main goal of the tertiary education in Poland is contribution in quality of life improvement by creating, boarding and popularizing knowledge, training skills to use it for personal and general benefit and influence for raising quality of public service. The main goal of the tertiary education is also creative connection between academic environment with global academic community and intellectual community and also with domestic and foreign companies and public institutions. The achievements of polish scholars should have positive influence on image of Poland in the world. Academies should has impact on breaking barriers and ethnic prejudice, building positive relations between people with other nationality, religion and views."<sup>12</sup>

There under, seeking to realization following strategical goals in academic management in Poland in prospective to 2020:<sup>13</sup>

- "variety", increased diversification of the institution of tertiary education, in which academies will have different educational and research missions, is main condition of the conversion of education and science research quality;
- "openness", academies should open themselves on their social environment, keep partnership relation and get signals from environment; Make tertiary education common currency was the first step to wider opening college on social environment, but further actions are needed;
- "mobility", preparation of students to function in global society and science research development demand significant augmentation of the scientific and educational cadre and students; mobility is not understood in only geographical sense, equally important is institutional mobility (change of institution where particular person is employed), between sectors (working in many different environment, especially in academic and business) and designing (participation in many different projects and research teams);
- "competition", is an universal stimulating factor rising quality and limiting costs.
- "efficiency", limited financial means and increasingly competitive condition of academy working demands increasing the efficiency of resource management and better organization of academy; upcoming demographic collapse can menace failure many academies, the improvement should come before it will advent; the management of the polish public academies has to become more effective inter alia by using experience and the best habits from foreign academies;

- "accountability and clarity", the basic demand in Europe towards autonomic academies is their spending means accountability which are come from country, sponsors and students and also clarify of management and other activities of academy; accountability provides effective using of means and clarify gives stakeholders full insight in working of academy, who can make decision based on it (financial support, to make decision to study etc.)

Realization six main strategic goals in academic management in Poland is intended to contribute in drawing near sector of tertiary education to European standards.

### 3 Summary

From experienced a dozen or so last years in Poland deep transformations are occurring in all areas of the social life which still are transforming the face of the Polish society. Economic and social political transformations set their stamp in the sphere of the widely understood education (also at colleges).<sup>14</sup>

The best argument for higher education is a common good. In the end, everyone has an interest in ensuring that education was at a high level. Education is a matter of all citizens. The quality of education is directly related to the level of people's lives: employers, citizens. A strong education system is the foundation of civil society, prosperous and democratic.<sup>15</sup>

- The efficiency of higher education can be assessed in relation to the three types of educational standards, namely: of standard software; of standard of achievements of students (of effects of the education);
- of standard of required qualifications of university teachers, the organization of classes, the base of the material college, i.e. the standard of required conditions.<sup>16</sup>

Only conditioning supporting the college (financial, incentive, of management informed for the purposes of the organization) created both by her alone as well as a development and proper functioning can cause surroundings for her.

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**Primary Paper Section: A**

**Secondary Paper Section: AE**

# A CASE STUDY OF THE APPLICATION OF MANAGERIAL TECHNIQUES OF A SELECTED TEAM MANAGER IN THE BUSINESS PRACTICE

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**Abstract:** The way of working has significantly changed over the past century. Before, people were working in manufactures executing the same task each day. With the industrial revolution the composition of working changed significantly. The evolution went from individually executed tasks to tasks executed in teams. Team work represents the future of working. However, team has to be created and maintained, otherwise the team will split up. The leadership and management of a team lies in the responsibility of the team manager who is monitoring the performance of his/her team members. Yet, how does the team manager perform? This paper presents the results of executed case study analyzing the managerial techniques applied by a chosen manager in practice. Discussion proposes improvements to detected drawbacks.

**Keywords:** management, team work, leadership, managing virtual teams.

## 1 Introduction

Today's business world is characterized by dramatic turbulent changes in uncertain environment with international multicultural influences and global international companies. Big corporate companies with high number of employees are struggling to survive and to succeed in the market with their products and services. Nowadays, in times of cost reducing, teams are becoming larger and far more employees are assigned to one team manager when compared to the past. One manager has to lead a whole group of specialists and create a team.

A manager "directs the activities of the organizational unit in order to achieve set goals"<sup>1</sup>. The task of the manager is to care for the members of his/her team, their needs, to ensure their efficient and successful execution of assigned working tasks and to ensure meeting of the set corporate goals. The role of a manager is no easy task as the leading of people requires specific skills, knowledge and personal attributes. A manager "works with people and coordinates their activities in order to achieve the goals of the organization"<sup>2</sup>. Leading people is no easy task as people are unique and it is no easy task to connect their individualities and get them working towards common goal. Not every person is capable of it. However, everyone can learn it.

A manager is a person in the position or "a managerial employee whose activities are devoted to particular field, who applies his/her vision, has strategic perspective, works with outlooks and looks into the future"<sup>3</sup>. Some managers are born managers, granted with necessary skills and character attributes, other can learn the necessary skills and talents and become a manager.

To become a manager, the title from a university is not enough, or to take a vacancy with the manager description. To be a manager, it means to meet decisions. "A manager is not the only one who is affected by the results of his/her decisions, his/her decisions are affecting other subjects"<sup>4</sup>. To be a manager means

to be able to manage the activities and tasks, lead assigned workers and solve conflicts among team members or between team members and other workers from other departments. "A manager is the employee of the organization, who coordinates the activities of one or more workers of a particular organizational unit and is responsible for the results resulting from the activities of this organizational unit."<sup>5</sup> His/her "main mission is to manage goal-oriented the activities of others through application of managerial functions indirectly, thus, through his/her assigned, ensuring the achievement of organizational goals"<sup>6</sup>. "Managers are responsible for the achievement of results through of specialized effort of other persons, individuals, in groups or in organizations"<sup>7</sup>. "Management is first of all a process of leading people"<sup>8</sup>.

In today's world, when big corporate companies build local and virtual distributed teams across the whole organization or within a department of that organization, which consist of one nationality or more frequently of more cultures. These global conditions increase the requirements on the management. To lead a virtual distributed team and to become one with the team is not simple. It is very difficult to create a pleasant comfortable working atmosphere for the whole team out of a toxic environment, which is sabotaging the team functioning and is preventing any type of performance. To create a place, where the workers will proactively execute working tasks and achieve far higher results thanks to created synergy effect.

The employees today are under the cause of fluctuation are leaving usually due to their superiors. "People leave managers, not companies"<sup>9</sup>. The managers are embodying the organization for them as they are denoting the main factors which are influencing their future. They are the subjective judges of their performance. There are many reasons for leaving jobs. However, most of them are influenced by the direct superior manager directly or indirectly. Due to a bad manager a good employee can leave the organization. The organization won't recognize that a good employee has left as the organization will read solely the bad reference which the manager wrote into the system. A new employee will be found and take over the tasks of the left employee who can be better or worse at the employee before. Yet, he/she will need a quite long time to learn everything necessary in order to execute the tasks as efficiently as the worker before. And the organization is losing time and costs.

A good leader can inspire and motivate the assigned workers. Such a manager each company is searching for. Despite of the fact, that many specialized expert books are devoted to management, many researchers are also today researching this field as new obstacles are continuously showing up in business practice. This article is describing the performed case study of the application of managerial techniques in business practice of a selected manager.

This paper is organized as follows: Section 2 describes the research subject and basic managerial techniques. In section 3 the results of observation are stated and discussed. The research results are summarized in the conclusion.

## 2 Research Object and Methodology

In this chapter the research object and the used research techniques are specified.

<sup>1</sup> MAJTÁN, M. a kol. Manažment. Bratislava: SPRINT, 2008, p. 22.

<sup>2</sup> MIKUŠ, P.; DROPPA, M.; BUDAJ, P. Vybrané problémy teórie manažmentu a marketingu. Ružomberok: VERBUM, 2006, p. 7.

<sup>3</sup> HANGONI, T.; IMRICHOVÁ, A. Manažment a jeho aplikácia v sociálnej práci. Gorlice: ELPIS, 2010, p. 29.

<sup>4</sup> PAPULA, J.; PAPULOVÁ, Z. Manažérské rozhodovanie: Prístupy a postupy. Bratislava: Kartprint, 2014, p. 8.

<sup>5</sup> RUDY, J.; LUPTÁKOVÁ, S.; SULÍKOVÁ, R.; VARGIC, B. Organizačné správanie. Bratislava: Faber, 2007, p. 13.

<sup>6</sup> MIKUŠ, P.; DROPPA, M. Základy manažmentu. Ružomberok: VERBUM, 2010, p. 40.

<sup>7</sup> DONNELLY, J.; GIBSON, J.; IVANCEVICH, J. Fundamentals of management. Boston: IRWIN, 1992, p. 2.

<sup>8</sup> MÍKA, V. T. Základy manažmentu. Virtuálne skriptá. [online]. 2006, p. 8.

<sup>9</sup> BUCKINGHAM, M.; COFFMAN, C. W. First, Break All the Rules: What the World's Greatest Managers Do Differently. New York: Simon & Schuster, 1999, p. 34.

### 1.1 Research Methodology and Research Process

The research was performed in form of long-term participated covert observation in current business practice in selected private company. The business activities of this company lied in financial sector. Due to this reason, the company gave a higher stress on security. The period of time devoted to this observation exceeded two and half years.

### 1.2 Research object

The selection of the research object was random selection of available research objects fulfilling selection criteria which were: managerial position and no managerial education.

The object of observation was a male employee in his mid-thirties in managerial position of a team manager of a software development team of an international company. The assigned team was responsible for maintenance and development of software applications. The team was composed of two nationalities distributed into two separate locations.

The research subject was in charge of employees of his nationality located in one city. The workers of both locations were working in distributed teams on a daily base via information communication technology means like phone, email, video-conference etc. Occasionally, also visits occurred between these locations if it was necessary.

The position of the research object can be described as lower managerial line position. The observed manager was responsible for the leading of assigned team which was working for foreign market. At the beginning of the observation, the assigned team consisted of 10 workers. At the end of the observation, the team consisted of 21 workers and hiring was planned.

This was the first managerial position of observed object without past experience. He achieved this position approximately one year prior the observation start. Before, he worked for this company in the position of project manager for approximately 2 and half years with moderate results. Before he worked for another company as software developer where he gathered limited developer experience.

He achieved the position of a line manager due to the structural changes in the company which decided to expand and needed managers. The company decided to appoint existing employees with knowledge about company's structure and processes into managerial positions. The search for new employees, especially the search for managers, takes a lot of time and resources. The company decided to go this way.

The direct superior of observed manager was a foreign director of the department who was assigning tasks to him and getting him familiar with his tasks. Another direct superior of the observed manager was a local manager who was responsible for several departments of local company. Although some hierarchical changes occurred during the observation, the described relationships were not touched.

The foreign director had also a foreign manager who was responsible for the assistance services of the director and managing together with the director the foreign team of workers. That foreign manager was on the same position as the local observed manager, thus, those were colleagues.

The director led his department with supporting way of leadership and tried to professionally develop the talents of his workers, ensured the budget for his department and projects for all his workers. The observed manager preferred to lead with power and information control.

### 1.3 Hypothesis

The working hypothesis was as follow: We assume, that for the efficient execution of managerial functions in a managerial

position, the managerial educational preparation may lead to better results.

## 3 Research Results

In this chapter the research results are presented and discussed. The research results are demonstrated on 3 main tasks which were in the responsibility of observed manager. Each of the tasks represent a specific level of management: operational, tactical and strategic management.

### 3.1 Operation

The typical operational task of observed manager was represented by assurance of necessary access rights and access accounts and assurance of working equipment for his workers. Without a computer, the software developer cannot develop or without an access right or account he/she cannot efficiently develop or do maintenance of assigned software applications.

The company disposed of dedicated specialized processes for each kind of access or each type of equipment. Most of them were done via internal ticketing systems. However, for each type of access request another system has to be used.

### 3.2 Tactics

The typical tactical task of observed manager was represented by allocation of workers to projects. It is important to have adequate amount of work for each worker in order to avoid overworking of assigned employees or to prevent their inefficiency of not working. To this task also the assurance of deputy organizing belongs together with hiring of new workers.

### 3.3 Strategy

Among strategic tasks of observed manager we count his responsibility for assurance of achieving project deadlines in timely manners. The projects of that company were often measured in years. They also represented the source of income for the department. In managing this task, the manager faces pressure from above and reluctance from the bottom.

### 3.4 Evaluation of approaches, methods and techniques applied in the phases of decision making

In this section, the evaluation of used types of thinking by observed manager during execution of above mentioned tasks is presented (tab.1). Among these types of thinking belong<sup>10</sup>:

- Intuition* – actions based on feelings without the use of analytical techniques and methods or methodologic systematic procedures,
- Mechanical* thinking – actions based on use of methodologies of recommended analyses according to existing procedure,
- Strategic thinking* – use of analyses which divide between present and future and consider possible outcomes, their causes and context.

**Table 1: Evaluation of used thinking concepts during the given phases of the decision making**

Phase of problem solving	Operation	Tactics	Strategy
Identification	a	c	b
Analysis	a	b	b
Search and creation of solution variants	a	b	b
Selection of decision criteria	a	b	b
Selection, Decision making	b	b	a
Implementation of chosen decision	b	a	a
Control over implementation of decision	b	a	a

<sup>10</sup> PAPULA, J.; PAPULOVÁ, Z. *Strategické myslenie manažérov: Za tajomstvami strategického myslenia*. Bratislava: Kartprint, 2010, p. 141-152.

### 3.4.1 Operation

The solutions regarding the issues with the access rights and accounts were sought separately and partially, it is not possible to plan it. The preparation of accesses is possible solely in case of a new software application or worker if it is already certain which system he/she will be charge of. However, usually such an issue with missing access rights or accounts occurred unpredictably, was immediately reported and has to be solved urgently. All the analysis was performed by the worker in the need of the access. In the case of a new system or worker, the accesses have to be planned and requested sufficiently upfront.

At the beginning of the observation consulted the observed manager every step with the experienced team members. However, he made the decision individually. The implementation of the solution included the access requesting (finding the right system, the correct request form, filling out all necessary details and submitting it). At the beginning, every single worker was executing the request process on his/her own. This changed during the observation on the proposal of the observer and in the middle of the observation, it was processed by one assigned worker who was in charge of it for the whole team. This change increased the efficiency and speed of the whole process as the individual workers had to gather the necessary knowledge of access requesting each single time due to the occurring changes of those processes in the company. However, at the end of the observation the worker of this task has been changed by a team information email of the manager without any further communication before or after what caused a lot of distraction in the whole team. This was perceived as unprofessional behavior of a manager by whole team. The aspect of missing communication can be seen as the demonstration of missing experiences, nontransparent handling and missing education. The communication denotes an essential part of management.

### 3.4.2 Tactics

The observed manager consulted the problematic of resources allocation to particular projects with experienced senior workers of his team. During the discussions with the senior workers he tried to assess the work load of all team members, if there is a need of more workers to be assigned to a project or to hire a new worker. The selection of the solution variant was made in group approach too.

In the phase of criteria selection, which are important for the selection, observed manager used individual autocratic directive style of decision making. He was the only one who was informed about the project work load of particular workers as well as about the future planned projects or hiring plan with new workers joining the team soon. That was the reason for using individual autocratic directive style for the criteria selection, decision making as well as the implementation. However, it is necessary to add, that the observed manager was implementing the instruction of the supervising director without own contribution.

Also in tactics it is necessary to mention the high disinterest in the less experienced particular team members. Whereas the observed manager did consult this topic with seniors who were solely 2 to 3 members of his team, the opinions of the remaining team members were not considered. As the leader and manager of a team, a manager is responsible to enable the personal growth of all assigned team members as well as to manage the appropriate work load of all of them.

### 3.4.3 Strategy

In strategic field the situation was alike the tactical area. The observed manager discussed the state of selected projects with each single worker. He was the only one informed and executed all phases of decision making individually using directive autocratic style.

Also in this area the lack of communication was detected. The individual team members did not know which worker was assigned to which project, who has experience with which technology etc. This everything had a significant drawback that too much productive time was wasted with the repeated discovery of known, misunderstandings and miscommunication.

### 3.5 Evaluation of the application of individual and team approaches for the problem solving in the phases of decision making

In this section, the evaluation of used types of approaches which were applied by observed manager during the execution of above mentioned tasks is presented (tab.2). Following approaches are recognized<sup>11</sup>:

- a) *Individual approach*:
  - I. *Directive style* – very little tolerance, fast logic decisions, preference of short-termed effects and standardized solutions
  - II. *Analytic style* – logic, rational, with emphasize on execution of detailed analyses, elaboration of solution variants and their evaluation, tolerant
  - III. *Conceptual style* – creation of several distinguish solution variants based on creativity and intuition, preference of strategic views and tolerance to untraditional solutions
  - IV. *Behavioral style* – focused on creative solutions, open to incentives from surroundings, use of communication for conflict mitigation and elimination, requires the acceptance of given position towards subordinates
- b) *Team (group) approach* – used mostly by solutions of non-programmable, individual and unrepeatable procedures
  - I. *Brainstorming* – focusing on creativity of group members, allows creation of new untraditional alternatives and selection of generally acceptable solutions
  - II. *Delphi technique* – based on anonymous presentation and mutual evaluation of the opinions of individual group members, does not require the presence on one place if compared to brainstorming
  - III. *Formal (quiet) group technique* – written discussion of members located in one place, avoidance of possible contradictory opinions and elimination of emotional crashes
  - IV. *Affirmative cards method* – used by higher number of discussion attendance, the color of the card expresses the opinion of the discussion member
  - V. *Pair selection technique* – additional technique, selects the most suitable solution by mutual comparison of proposed variants
  - VI. *Criterial selection technique* – selection of suitable variant based on fulfillment of the greatest number of evaluation criteria, this can be used by both decision approaches: team and individual approaches

**Table 2: Evaluation of used approach during the given phases of the decision making**

Phase of problem solving	Operation	Tactics	Strategy
Identification	b VI.	b VI.	aI./bVI.
Analysis	b VI.	b VI.	aI./bVI.
Search and creation of solution variants	a I.	b VI.	aI./bVI.
Selection of decision criteria	a I.	a I.	a I.
Selection, Decision making	a I.	a I.	a I.
Implementation of chosen decision	b VI./a I.	a I.	a I.
Control over implementation of decision	b VI.	a I.	a I.

<sup>11</sup> PAPULA, J.; PAPULOVÁ, Z. *Strategické myslenie manažérov: Za tajomstvami strategického myslenia*. Bratislava: Kartprint, 2010, p. 117-132.

### 3.5.1 Operation

As mentioned before, access issues were processed individually at the time of the occurrence and those are partially not plannable. Planning was possible solely for new workers or new software applications.

The implementation of selected solution was in second half of the observation done on team base where one assigned worker was submitting requests for each team member including all connected processes based on the information received from the particular employee. The verification and check of the newly received accesses was also done on team base where the requestor contacted the particular worker who checked the new accesses on his/her own and reported the results to the requestor. The requestor thereafter communicated the results to the responsible department. In case of a failure, the administrators from another department were working closely together with the observed department in order to remedy the detected issue.

### 3.5.2 Tactics

As concluded before, the first phases (identification, analysis, creation of solution variants) were processed on team base for the resource allocation issue. In the phase of selection criteria which are determining the choice itself as well as in the followed phases of decision making the observed manager used individual autocratic directive style of decision making. The observed manager was the only one who knew the work load of assigned workers of his team as well as the planned future work load. Due to this reason he used the individual approach for the creation of selection criteria as well as for the later phases. The implementation of chosen option like hiring of new employee, worker assignment to projects, etc. as well as the control were done on individual directive approach according to the instructions of the director.

### 3.5.3 Strategy

By the supervision of projects progress was the application of managerial methods and techniques similar to the tactics. The observed manager was informed about the current stage of each project during the discussion with each team member. During this random and irregular discussions he was informed also about alternatives of further process. The analysis as well as all later phases were mostly processed individually by the observed manager. Processing this supervision task the observed manager used his prior knowledge and experiences which he collected in his prior professional path in the role of project manager. However, a huge lack of communication was detected also in this field where the team members were not informed neither knew about all the projects processed in the department, nor about who is responsible for which project. This led to several cases of disinformation and misunderstandings. Later the workers were also demotivated as they did not see the possibility of professional growth like working with new frameworks in their employment. This led to higher worker turnover.

**Table 3: Evaluation of the used approach of problem solving during the given phases of the decision making**

Phase of problem solving	Operation	Tactics	Strategy
Identification	a	A	a
Analysis	a	A	a
Search and creation of solution variants	a	A	a
Selection of decision criteria	a	A	a
Selection, Decision making	a	A	a
Implementation of chosen decision	a	A	a
Control over implementation of decision	a	A	a

### 3.6 Evaluation of the approaches applied by the observed manager in the problem solving during the phases of the decision making

In this section, the evaluation of used types of approaches which were applied by observed manager during the execution of above mentioned tasks is presented (tab.3). Following approaches are recognize<sup>12</sup>:

- Standardized methodic procedures* applicable in given organization
- Creative approaches*

#### 3.6.1 Operation, Tactics and Strategy

The observed manager used the valid systematic methodology processes of the organizations in all fields of managerial decision making. During the whole period of performed observation the particular manager reacted to the requests of his subordinates and used the incorporated processes of given organization. A creative approach was visible solely in the area of further education of his subordinates where he reactively organized few trainings. However, it is important to state, that the reason of such an approach was used solely due to the cost saving measurements of the company. It was less expensive to make a tailored training with the instructor in the company with all team members as to send 2 or 3 team members into external company for a training on the same topic with the same instructor.

### 3.7 Evaluation of the analytic methods and techniques applied during the problem solving in the phases of the decision making

In this section, the evaluation of analytic methods and techniques which were applied by observed manager during the execution of above mentioned tasks is presented. Tab.4 shows the use of diverse techniques by observed manager by the execution of operational, tactical and strategic managerial tasks.

**Table 4: Evaluation of the used type of the analytic methods and techniques**

Phase of problem solving	Operation	Tactics	Strategy
Identification	a	d	d
Analysis	b	b	b
Search and creation of solution variants	g I.	g I.	g I.
Selection of decision criteria	h	iI.opti	iII.feas
Selection, Decision making	h	iI.opti	iII.feas
Implementation of chosen decision	n I., o I.	n I., o I.	n I., o I.
Control over implementation of decision	j II.	j II.	j II.

where *opti*, *feas* denote optimal and feasible.

Management techniques used to identify and analyze the problems:

- Occam's Razor**<sup>13</sup> - a fairly old but time proven and still currently used effective technique which presents things simplistically and does not deal uncertain details. It tries to deal with problems that concerns the particular organizational unit and not with all the problems of the organization.
- Pareto's principle**<sup>14</sup> - Principle 80 20 of the Italian economist Pareto of 19th century who found out that 80% of the wealth is in the hands of 20% of people. This rule was subsequently simplified and today this rule says that 80% of problems are caused by 20% of causes or that 20% of customers generate 80% of the revenues of the organization.

<sup>12</sup> BEŇOVÁ, E.; VÖRÖS, K.: Zvyšovanie obchodnej výkonnosti webových stránok. In: Digital Science Magazine [online] vol. 3, issue. 2 (2014), p. 1-3.

<sup>13</sup> BERKUN, S. *Making Things Happen: Mastering Project Management*. Sebastopol: O'Reilly Media Inc., 2006, p. 155-174.

<sup>14</sup> DELERS, A. *Pareto's principle*. Namur: Lemaitre Publishing, 50minutes, 2015. p.1-32.



- c) **Ishikawa's diagram**<sup>15</sup> - known also under the name of cause and effect diagram for analyzing of causes and consequences based on the principle of causality.
- d) **Differentiation according to the urgency of problems**<sup>16</sup> - helps to focus only on urgent problems that need to be addressed and tries not lose time by finding solutions of non-essential issues. It divides problems in following categories:
  - a. *Problems with a high degree of urgency* - need to be resolved immediately, the solution cannot be delayed. Typically, these issues have huge consequences or are completely preventing execution of tasks as such.
  - b. *Problems with a medium degree of urgency* - the development of a solution can be spread over time and planned.
  - c. *Problems with a low degree of urgency* - search for a solution may be postponed and it is sufficient to monitor only the detected problem. These problems are usually kind of uncomfortable, however, they do not represent a major obstacle in the execution of tasks.
  - d. *False alarm* - do not require solution. Those usually resolve themselves without intervention.

Management techniques used for creating variants:

- e) **The Variants Matrix (Ansoff Matrix)**<sup>17</sup> - used mainly in marketing for creation of variants based on the perception of two to three factors in the matrix.
- f) **Branched decision** - used in connection with higher number of factors, it resembles the shape of a branched tree where each branch is one solution, it allows to search for the extreme solutions.
- g) **Analogy techniques** - developing creativity:
  - I. *Personal analogy* - element solver identifies alone by himself and looks for the solutions based on of his/her experience.
  - II. *Direct analogy* - looks for similar situations in the past that generate solutions
  - III. *Symbolic analogy* - brings new perspectives as it seeks the solution in different areas
  - IV. *Fantasy analogy* - new views created based on unproven ideas.

Management techniques used for determining the criteria for solution assessment, evaluation and control of the variants:

- h) **One-criteria decision making** - application of only one criteria when by selection
- i) **Multi-criteria decision making** - decisions are based on multiple criteria
  - I. *Maximization principle* (solution which best meets criteria), *optimization* (best meets the objective function under the given criteria) and *of satisfaction* (it is not looking for the best option, but takes the first solution meeting the criteria)
  - II. *Principle of feasibility* (feasibility solutions), *acceptance* (solution fulfilling the objectives of the organization) and *vulnerability* (considers risks of solutions)
  - III. *Principle of intuition, methodical recommendations and opinions derived from defined goals and objectives*
- j) **Comparison:**
  - I. *Comparing with past results*
  - II. *Comparing with planned results*
  - III. *Comparing with results of other organizational units*
  - IV. *Comparing with prescriptive standards*

#### V. Comparing with the hypothetical situation

- k) **decision matrix**
- l) **decision-making board**
- m) **assessment of the alternative solutions using differentiated weights selected request**

Management techniques used to implement decisions and to monitor their realization:

- n) **Leadership style**
  - I. *Autocratic*
  - II. *Participative*
  - III. *Democratic*
- o) **Decision-making style**
  - I. *individual* (analytical, prescriptive, conceptual, behavioral)
  - II. *group* (brainstorming, Delphi method, a formal technique (silent) group, the method of matching cards paired technology selection, criterial decision-making)

### 3.7.1 Operation

At the beginning of the observation an interest in the problems of other line managers in the same position was detected by the observed manager. He advised and taught them how to do which tasks if he did have the necessary know-how. He shared his knowledge with others where most of them were new managers. At the end of the observation, the situation changed and the observed manager did care solely about issues that concerned him or his team. Here we can conclude that he used the Occam's razor technique in operation. However, there may be several reasons for this change and the most probable may be the lack of time and too much responsibility in view of the constantly growing number of team members. The second reason may be sense of power and the reason that he had to find out the processes for yourself and wanted others to have to walk the same difficult path full of obstacles. Whatever the reasons may be, the observed manager started to address solely problems under his responsibility concerning his team of what we can conclude him using the Occam's razor.

For the analysis of actual issues the observed manager applied the Pareto's principle at all levels of urgency. Though the analysis he assessed the most likely causes of the encountered issues and he tried to solve those first. The use of Pareto's principle was applicable to all areas of managerial decision (operation, tactics, strategy). The reason of the use of this principle may also lie in the lack of time and higher amount of issues due to too many team members.

The observed manager applied the analogy technique of variant formation. The need of accesses and their requesting was although different for each kind of access, however, all of them were similar in the view of the process steps.

At the selection step of the decision making the observed manager used one-criteria selection with regard to the possibility of access and rights associated with it.

In the implementation phase the manager observed applied the same leadership style at all levels which was the autocratic, directive leadership style. He conducted the decision always by himself and ordered the chosen implementation, which he subsequently inspected and compared with planned results. Here it is necessary to state that the observed manager essentially and mechanically executed the instructions of his superior and that at such a position shall be a person who is able to independently manage and decide and reduce the work load of their superiors on such a way as they are responsible for several teams.

### 3.7.2 Tactics and Strategy

As previously mentioned, the observed manager always applied differentiation of issues according to their urgency and priority. He tackled the issues which were in turn from the more urgent to less significant. The most probable cause may be the fact that

<sup>15</sup> KERN, J. *Ishikawa Diagramme - Ursache-Wirkungs-Diagramme*. Norderstedt: GRIN Verlag, 2008, p. 1-32.

<sup>16</sup> PAPULA, J.; PAPULOVÁ, Z. *Manažerske rozhodovanie: Prístupy a postupy*. Bratislava: Kartprint, 2014, p. 94-96.

<sup>17</sup> SILBIGER, S. A. *The Ten-Day MBA 4th Ed.: A Step-by-Step Guide to Mastering the Skills Taught In America's Top Business Schools*. New York: HarperBusiness, 2012, p. 337-338.

without their solution those issues either stopped all production of the entire company or the particular department (personnel could not work) and did not meet its objectives.

As the noted above the observed manager applied the Pareto's principle in the analysis. In the phase of creation of the selection criteria the observed manager applied various techniques depending on the area of the relevant issue. Addressing issues related to tactics or strategy the observed manager diversified his criteria and conducted the election according to several criteria (multi-criteria decision-making). Solving the allocation of labor he took into account the assigned workload, experience of the worker with the particular technology, etc. While dealing with project deadlines he considered the importance of the project reflected, its urgency, number of workers and departments involved, project funding and costs, etc. Due to the fact that the observed manager did not sought for several solutions and was mostly satisfied with one or two solutions; we can conclude that he was guided by the principle of feasibility and by the principle of an appropriate optimization in the phase of determination of selection criteria. In the field of tactics, the observed manager tried to choose the optimal solution to the problem in view of existing labor resources of his team and considering the needs of the project itself. In strategic area the observed manager applied the principle of feasibility and focused on feasibility of project deadlines under the given circumstances.

In the implementation phase, as already mentioned above, observed manager conducted followed the same procedure at all levels which was the autocratic directive style of leadership.

### 3.8 Evaluation of methods and techniques applied by observed manager during the solution of a given and a similar problem

The table below (tab.5) shows the assessment of the effectiveness of methods and approaches to address mentioned challenges and problems of a similar type. At the same time, concrete consequences are outlined resulting from the application of selected methods and approaches.

For the indication of the consequences of applied methods and approaches, following symptoms were included:

- a) **Financial results**
- b) **Competitiveness** (comparative advantage)
- c) **Possibility of success**
- d) **Assurance of conditions for carrying out work**
- e) **Assurance of the implementation** (realizing, of the embodiment) **of individual work tasks**

**Table 5: Evaluation of consequences of applied methods and techniques**

Phase of problem solving	Operation	Tactics	Strategy
Identification	d	e	a
Analysis	d	e	a
Search and creation of solution variants	d	e	a
Selection of decision criteria	d	e	a
Selection, Decision making	d	e	a
Implementation of chosen decision	d	e	a
Control over implementation of decision	d	e	a

#### 3.8.1 Operation

During the solving of issues in operational field of management, the assurance of appropriate working conditions for executing workers (d) denoted a necessity as without the accesses the workers were not able to process their tasks which very soon gets visible also in the remaining spheres e), b), c) and a).

#### 3.8.2 Tactics

With the execution of tactical tasks the observed manager ensured the processing of individual projects and individual

working tasks e). Through hiring of new qualified and experienced workers he not only worked towards the improvement of comparative advantage of the company b) but also towards the increase of the comparative advantage of the particular department within the company itself c). Analyzing all the effects connected to the execution of given tactic tasks, that the significantly aimed goal was the execution of working tasks as such e).

#### 3.8.3 Strategy

Achieving project deadlines was mostly mirrored in the financial results from the point of view of the observed manager a). The financial results were significantly influenced by delayed product delivery deviating from the set deadlines when the company representatives were dealing with the client regarding price change and cuts whereas the production costs of that particular product are continuously increasing. The evaluation of the department depends on financial balance, performance and on the success of its products in the market at the same time c).

### 3.9 Improvement proposal of the application of the managerial methods and techniques applied by observed manager and the final evaluation

In this chapter a proposal of options for improvement of the applied managerial methods and techniques by observed manager shall be found. It shall help to improve addressing those challenges and problems of a similar type in the various stages of the decision making process as well as the possibility of the use of other approaches, procedures, methods and techniques in decision process. The following indications can be found in the table below:

- a) *Satisfaction with the applied procedures*
- b) *Need for improvement of decision-making*

**Table 6: Evaluation of the monitored consequences of applied managerial methods and techniques**

Phase of problem solving	Operation	Tactics	Strategy
Identification	a	a	a
Analysis	a	b	b
Search and creation of solution variants	b	b	b
Selection of decision criteria	b	a	a
Selection, Decision making	b	a	a
Implementation of chosen decision	b	b	b
Control over implementation of decision	b	b	b

From the analysis of the observed object solely a very limited satisfaction with the application of managerial methods and techniques in various stages of problem solving in all areas of management can be deduced. It is essential to improve the application of new managerial methods and techniques in all areas in the last three stages.

Using of Occam's razor and Pareto's principle is very effective, but not sufficient in carrying out management functions. It is important to be interested in occurring problems and trying to systematically eliminate them by anticipating and better control instead of extinguishing fires.

Similarly, the categorization of problems according to the urgency is commendable but not sufficient. It is not enough just to solve problems that involve insurmountable obstacle in the execution of working tasks. It is necessary to address issues systematically in order to prevent their future occurrence and to establish a systematic solution for workers who could perform found solutions by themselves and would therefore reduce the work load of a manager.

Despite of the fact, that the observed manager was in charge of managerial position for the first time, and joined to it relative shortly before the actual start of the observation, it is necessary to point out insufficient skills of chosen person for the

responsibilities and role of the managerial function which he was not able to perform independently even at the end of the observation what represents a relatively long term. There is an urgent need to develop skills in management areas such as strategic thinking, leading, planning, organization and control. Under the supportive leading of the director he partially developed his skills and during the time of exposure at this position he gained experience and self-confidence, but was still lacking of independence even after such a long time.

Of all the ways of thinking the observed manager used so far only intuition and mechanical thinking. It would be appropriate to apply strategic thinking and to focus first on the introduction of systematic procedures for dealing with constantly emerging problems of the same type and on the prevention of these problems.

One of the most important factors of unsuccessful implementation of management functions is autocratic prescriptive style of leadership, which is perceived by his assigned staff as power demonstration and does not give workers the opportunity for personal growth. This style of leadership is the most intolerant approach towards new creativity and differences in personalities of individual employees. It would be appropriate to apply democratic or team (group) decision making of problem solving.

The evaluation approach currently used is apparent of stiffness and rigidity from the view of team members. It would be appropriate to introduce new creative approaches to work organization, for example by introducing new project management methodologies such as agile methods, and new ways of working, such as pair-programming, etc. That would represent a good addition to Occam's razor, Pareto's principle and the division of problems according to urgency that manager inadvertently applied. The introduction of Ishikawa's diagram could pinpoint the causes of problems and thus help to prevent them.

In the search for and development of solution alternatives it would be appropriate to seek multiple solutions and create branched opportunities. In the phase of evaluation of possible solutions it would be appropriate to establish a multi-criteria evaluation and strive for maximization principle and not to implement just the first practical option that seems as a satisfied solution.

The analysis of the application of managerial methods and techniques by observed manager was significantly influenced by his ignorance of relevant methodologies and techniques due to the lack of managerial education. If the observed manager would show interest he could fill out his gaps very fast as the organization provided an entire database of books and trainings to their employees free of charge and even outside the workplace where sufficient number of managerial literature, trainings and courses were included. Another option would be to fill out the gaps by professional managerial education where he would gather large boundless of missing the knowledge of possible managerial practices, techniques and procedures as well as their consequences in all areas of management. This education can be also in form of e-learning inside the organization.<sup>18</sup>

#### 4 Conclusion

In this paper, the analysis of application of managerial methods, techniques, and procedures used by a selected manager from business practice was studied.

According to the results of research carried out, it is necessary to state that some management methods and techniques were unwittingly used by the observed employee in the position of a

line manager without him absolving managerial education before. Although he used solely very simple managerial methods and techniques, those are very effective (e.g. Occam's razor, Pareto's principle, multi-criteria decision making, etc.).

However, it is necessary to state that the observed manager was lacking the use of managerial techniques and methods in many management areas such as strategic thinking and leadership. It is strongly advisable for companies, to fill managerial positions with skilled well educated people who are better prepared for the managerial function and to continue with the professional managerial development of management employees.

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**Secondary Paper Section: AE, AM, BC**

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## FINDINGS FROM TESTING THE RELATIONSHIP BETWEEN BUSINESSES SURVIVING SUCCESS AND MOTIVATIONAL FACTORS OF NASCENT ENTREPRENEURS.

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**Abstract:** Entrepreneurship has a significant influence on the development and economic growth of countries. Whereas successful entrepreneurship create jobs and pay tax to countries, unsuccessful entrepreneurship unnecessary bind resources. A wide variety of factors have an influence on the business surviving success. This study shows that the motivation of the entrepreneur has an influence of almost 10% on the business surviving success. The model between the motivational structure and the geometric mean of the return on sales over three years is significant. Analyzing different motivational factors show, that people who are founding a business because of the desire to be independent as well as desire for social recognition have a significant and positive influence on the business surviving success. The study shows, that the influence of the motivation on the geometric mean of return on sales over three years as well as the return on sales in year one, two and three after the company was founded. The results provides governmental institutions as well as venture capitalists a framework in order to analyses the motivational of entrepreneurs before investing in company.

**Keywords:** Entrepreneurship, entrepreneur, motivation, motivational structure, business surviving success, return on sales

### 1 Introduction

The influence of entrepreneurship on the economic growth of a country was already mentioned by Schumpeter in the beginning of the 19<sup>th</sup> century. According to Schumpeter, entrepreneurship promotes the technical development of a country and promotes innovation in countries. (Schumpeter 1934) Societies of countries are influenced positively by high entrepreneurial activities within in countries. For example, successful entrepreneurs create new jobs in countries. (Aldrich 1999) Within the entrepreneurial process, inefficiencies in societies of countries are shown. (Kirzner, 1997) Furthermore, entrepreneurship is forcing competitors to be more efficient and innovative. (Schumpeter 1934)

Literature shows a lack of connection between entrepreneurship and the motivation of entrepreneurs. At the same time, it becomes clear, that the entrepreneurs has high share of the explanatory power for the success of entrepreneurship. (Rauch and Frese, 2000) The role of the motivation of entrepreneur was analyzed by other authors. They show that the motivation is an important factor for the development of the founded enterprises. (Shane et al, 2012) Baumol et al. even point out that the motivation of the entrepreneur is the key element to explain the process of establishing a new company. (Baumol, 1968)

### 2 Materials and Methods

Data set of entrepreneurship are rare since it is difficult to identify entrepreneurs in the first years and they are most often not willing to share detailed information. The first data set with a large scale is PSED I, which was recorded in the late nineteenth. Entrepreneurs were called every year for 3 years to record a large set of variables. Based on the first PSED, which was recorded exclusively in the USA, the GEM (Global Entrepreneurship Monitor) was conducted in fourteen countries. This data set was used to compare countries regarding the entrepreneurial activities. The weakness of this dataset is, that it didn't record the development of the founded business over time.

The second data set of PSED took the experience of the prior dataset and improved it further in terms of methodological issues. The data sample of the PSED II dataset is representative for 12.6 million entrepreneurs in the USA, which is significant larger sample than PSED I and the GEM. In addition to the size of the sample and the methodological improvements, the PSED II differs from the other dataset since it records the data for 5 years. The PSED II is recorded in order to gain a more detailed

picture on the people who become entrepreneurial active, the entrepreneurial process itself and the relationship between the characteristics of the entrepreneur and the outcome of the entrepreneurship. (Reynolds et al., 2005)

The record of the PSED II dataset started in the year 2005 by calling 31,845 people in the USA by a professional screening company in order to identify people who are in the process to find a business. The study was initiated and organized by the University of Michigan. The identification of the entrepreneurs are based on several factors. The entrepreneur has to own the business, participate in entrepreneurial activities by himself and the founded business has to be in an early stage of the development. In total, 1214 entrepreneurs were identified who were willing to participate in the survey. The interview to identify the entrepreneur in the screening interview call was only two minutes. The first interview was sixty minutes and among a wide range of information, the motivation of the entrepreneur was recorded. The entrepreneur were called exactly one year after the initial interview for the following five years. (Davidsson, 2006) (Reynolds & Curtin, 2007)

PSED II is the largest dataset about entrepreneurship available, but also has some information missing for specific variables. For example, the entrepreneurs were not always willing to share the financial information. In the first step, the dataset has to be cleaned for rows which have missing information. The necessary information for this study are the motivation of the entrepreneur to start the company as well as all information about the revenue and expenses for the first 3 years. The identified records in the dataset, which include all relevant information, are 103 sets.

The motivation of the entrepreneur was recorded by 14 motivational variables. The entrepreneurs rated themselves on a scale from 1 to 5. In that way, there is one or more dominant motivational factors in the motivational structure of the entrepreneur. The motivational variables from the PSED II dataset were analysis by factor analysis. The result of the analysis is, that there are four motivational factors with have significant loadings from the motivational variables. The four factors identified are the desire for independence, need for achievement, need for social recognition and the desire for financial reward. The business surviving success is demonstrated by different financial factors. The financial information from the PSED II data are the expenses and revenue for 3 years. Based on this information, the profit for each year is calculated. With the information on the revenue and profit, the return on sales is calculated for all 103 founded enterprises. The return on sales for the first 3 years after the company was founded are 3 indicators for the business surviving success. In the next step, the geometric mean of the return on sales over three years is calculated. This financial indicator provides a stable picture on the business surviving success over the years.

The relationship between the motivational factors and the business surviving success, indicated by the return on sales for each year separately as well as the geometric mean on the return on sales over three years, is tested by a multiple regression analysis. The results of each of the multiple regression analysis is shown separately and interpretation is done by taking into account all different results. The results of the multiple regression analysis are demonstrated in several tables in the next chapter.

### 3 Results

The relationship between the need for achievement, desire for financial reward, strive for independence as well as the need for social recognition and the geometric mean of 3 years on the return on sales is build and evaluated. The four motivational factors are the dependent variables and the geometric mean of the return on sales as the business surviving success is the

independent variable. The relationship is tested with a multiple regression analysis and tries to foresee the business surviving success based on the motivation of the entrepreneur.

The impact of different factors of motivation on the business surviving success is described by the R square of the multiple regression analysis. R-square is the measure for the explanatory power of the whole model and indicates the variance of the dependent variable described by the independent variable. The multiple regression analysis show an R-square of 0.083. It can be concluded, that 8.3 percent of the business surviving success is explained by all factors of the motivation. Other factors which have an influence on the success, have a share of 91.7 percent.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,288	,083	,046	,26824

*Table 1: Model Summary of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success*

R square is based on the amount of predictors of R value corrected. Whereas the multiple correlation is the correlation between R of the predicted value and the observed value. R is the correlation of the motivational factors and the business surviving success. Testing the multiple correlation coefficients between the business surviving success and the motivational factors results in an R of 0.288 with a standard error of 0.26824. It can be concluded that the calculated prediction of the business surviving success has a change of 27 percent to be wrong.

**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1.	Regression	,645	4	,161	2,243	,070
	Residual	7,123	99	,072		
	Total	7,769	103			

*Table 2: ANOVA of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success*

ANOVA analysis is conducted to get a more detailed insight of in the results. Sum of squares shows the ratio and variances of the multiple regression analysis. This sum of squares is 0.645.  $0.645 / 7.769 = 0.083$  is the R square. The proportion of variance, which is not to be explained by the model, is quantified by 7.123. The result of the F-test is 2.243 and the p-value is 0.07. Therefore, the p-value is slightly higher than 0.05. Also the p-value is higher than 0.05, it can be concluded that a relationship between the motivational structure of the entrepreneur and the geometric mean of the return on sales over 3 years as the business surviving success exist

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,284	,026		48,816	,000
	Need for achievement	,034	,029	,123	1,168	,246
	Financial reward	-,048	,030	-,173	-1,593	,114
	Social recognition	,026	,029	,096	,906	,367
	Impedence	,063	,028	,228	2,217	,029

*Table 3: Analyse of the coefficients of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success*

By analyzing the impact of each of the motivational factors on the business surviving success, a differentiated result can be seen. The B value is the weight for the influence of each independent variable on the dependent variable. For the need for achievement, a positive weight with 0.034 is calculated. The significance of this factor is 0.246. The results in the table

'Coefficients' show additionally, that only the motivational factor 'Financial reward' is negative. This motivational factor has an opposite influence on the business surviving success compared with the other three factors. From analyzing the significance of each motivational factor, it can be concluded, that the desire for independence has a small p-value of 0.029, which is below 0.05. The three other factors have a higher p-value than 0.05. This indicates that the desire for independence has a positive and significant influence on the business surviving success.

From analyzing the geometric mean of the return on sales over 3 years as the financial indicator for business surviving success, it can be concluded, that the model itself is close to the significant level of 0,05. Looking on the factors of motivation separately, the desire for independence has a significant and positive impact on the business surviving success.

### 3.1 Year 1

The next model which will be analyzed is the impact of the motivational structure on the geometric mean of the return on sales in the first year.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,303	,092	,055	,33127

*Table 4: Model Summary of the multiple regression analysis between the motivation of the entrepreneur and the business surviving success in year 1*

The motivation structure in the first year explains the business surviving success with an R Square of 0.092 and an R of 0.303. The dependent variable is explained by the motivational structure by 9.2 percent.

**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1.	Regression	1,100	4	,275	2,506	,047
	Residual	10,864	99	,110		
	Total	11,964	103			

*Table 5: ANOVA results of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 1*

The significance level of the model is below 0.05 with 0.47. It can be concluded, that the motivational structure of an entrepreneur has a significant impact on the business surviving success in the first year.

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,341	,032		41,291	,000
	Need for achievement	-,007	,036	-,021	-,199	,843
	Financial reward	-,019	,037	-,056	-,518	,606
	Social recognition	,072	,036	,211	2,000	,048
	Impedence	,070	,035	,206	2,013	,047

*Table 6: Analysis of the coefficients of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 1*

By analyzing the motivational factors it becomes clear, that two factors have a significant impact on the business surviving success. In the first year after the company was founded, the desire for independence has a significant influence with a p value of 0.047. The b-value is 0.070, which shows a strong influence on the business surviving success. The second factor which has a significant impact is the need for social recognition.



Social recognition has a significant impact with a p value of 0.048 and a B-value of 0.072.

The multiple regression analysis of the return on sales in year 1 shows, that the motivational structure of entrepreneur on the business surviving success is significant. In addition to that, the social recognition as well as the desire for independence in the first year are significant.

### 3.2 Year 2

For the second year after the company was founded, the motivational factors have a small impact on the business surviving success with an R Square 0.009 and an R of 0.094.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,094	,009	-,031	,43418

Table 7: Model Summary of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 2

Analyzing the significance of the model, there is no significant relationship between the motivational structure and the business surviving success. The p-value is 0.926 and significant higher than the 0.05.

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1. Regression	,167	4	,042	,222	,926
Residual	18,663	99	,189		
Total	18,830	103			

Table 8: ANOVA of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 2

The coefficients of the model show, that there is no significant relationship between one of the motivational factors. The relationship for 'financial rewards' and 'social recognition' have a negative influence on the business surviving success.

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,258	,043		29,539	,000
	Need for achievement	,025	,047	,060	,544	,588
	Financial reward	-,039	,048	-,092	-,815	,417
	Social recognition	,012	,047	,028	,254	,800
	Impendence	-,003	,046	-,007	-,069	,945

Table 9: Analysis of the coefficients of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 2

### 3.3 Year 3

In the third year after founding the company, the influence of the motivational structure on the business surviving success increases, compared to the influence in year 2. The R square increased to 0.069 and R of 0.264.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,264	,069	,032	,74455

Table 10: Model summary of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 3

The significance of the model between the business surviving success and the motivational structure of the entrepreneur is 0.126. The significance is higher than in year 2, but higher than in year 1.

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1. Regression	4,099	4	1,025	1,849	,126
Residual	54,881	99	,554		
Total	58,980	103			

Table 11: ANOVA results of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 3

Analyzing the coefficients of the models shows, that there is a significant factor. The impact of the motivational factor 'independence' is significant with a p-value of 0.026.

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,267	,073		17,349	,000
	Need for achievement	,048	,080	,064	,602	,549
	Financial reward	-,130	,083	-,172	-,1572	,119
	Social recognition	,183	,081	,242	2,262	,026
	Impendence	-,040	,078	-,053	-,512	,610

Table 12: Analysis of the coefficients of the multiple regression analysis between the motivational structure of the entrepreneur and the business surviving success in year 3

The other three factors are not significant. The factors 'financial reward' and 'independence' have a negative influence on the business surviving success.

## 4. Discussion

The results of the analysis show, that there is an influence between the motivational structure of entrepreneurs and the business surviving success. The relationship is significant between the geometric mean of the return on sales over three years and the motivational structure, as well as the return on sales in the first year and the motivational factors. This indicates a strong influence of the motivation on the financial indicators of business surviving success. In both cases, almost 10% of the business surviving success is explained by the motivation. Considering all factors which potentially have an influence on the entrepreneurship, 10% can be considered as a high share. Therefore, it is necessary to analyze the motivation of entrepreneurs in detail.

Comparing the significance of the first year with the second and third year, it can be concluded that the influence is higher in the beginning of the entrepreneurship. This can be explained by the fact, that in the first year it is more likely that the entrepreneur works by himself without employees. This increases the influence of the entrepreneur on the founded company.

Analyzing the different motivational factors shows, that the desire for independence has a significant relationship between the geometric mean of the return on sales over 3 years. Furthermore, the desire for independence is significant in the first year after the company was founded. This shows, that the motivational factor 'independence' has a high influence on the business surviving success. The second motivational factor, which has a significant influence on the business surviving success, is the desire for social recognition. It influences the return on sales in the first year after the company was founded as well as on the third year. No significant relationship can be identified in the second year as well as on the geometric mean of the return on sales.

The other two analyzed factors, the desire for financial reward as well as the need for achievement have no significant relationship with the different financial indicators for business surviving success.

## 5 Conclusion

It can be concluded, that people who are driven by the desire for independence and social recognition have a higher change to found a business which has a high return on sales and therefore a higher change to survive. For institutions, which invest in entrepreneurship, it is recommended to analyze the entrepreneur. The motivation of the entrepreneur indicates the change for success of the investment. The institutions to which these results are recommended, are for example governmental institutions which try to support entrepreneurship in their country as well as private venture capitalists who expect a high profit from their investment.

Further research can take into account additional financial indicators to analyses the effect of the motivation. The next step would be to analyses the entrepreneurship between countries which differentiate by promoting different kinds of motivation to start enterprises.

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## Primary Paper Section: A

## Secondary Paper Section: AE, AH, AN

# TRANSLOCATION OF HISTORIC MONUMENTS AS AN ECONOMIC PROJECT

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**Abstract:** Translocation project, in conservation perspective, is the transfer of a historic objects in another location. It is performed only in exceptional cases, i.e. if this is the only way to save the cultural heritage object from destruction. In the author's opinion, translocation constitutes a specific type of economic project which requires proper management of its subsequent phases. Indication of the main features of such project and specify the stages of implementation, are decisive and perform a vital role in the efficiency and effectiveness of the undertaken translocation operations. Therefore, in this article, author will attempt to identify and indicate the framework of subsequent stages (phases) and strategic operations in implementing translocation projects of historic objects.

**Keywords:** project, management, translocation, effectiveness, efficiency, historic monuments, cultural heritage.

## 1 Introduction

During the recent several decades a significant change has been observed in terms of approaching cultural heritage management. The initial care for conserving relics of the past and memorabilia left behind by previous generations was replaced by the activities referring to cultural resources focused on the dedicated conservation manifested in the form of maintain both, their structures and functions. As a result of growing competitiveness and the changing environment, and also in view of the emerging opportunities and threats resulting from e.g. global economy, as well as the increasingly rigorous market conditions, cultural heritage resources have become one of the elements meeting the needs of a modern society.

The period of global economic and social transformations provided the background for the changes experienced in many areas. One of such activities, resulting from the above-mentioned transformations, referred to the need for fighting the degradation of objects of cultural heritage. Currently a significant spatial pressure, has become quite noticeable, which is reflected in:

- the cities, especially their central parts, can usually offer very limited space for construction, therefore it is frequently attempted to substitute their "old" features with the "new" ones,
- the progressing congestion imposes modernization and transport infrastructure development, which can also result in the planned features interfering with the already existing ones,
- the increasing pressure for residential housing development as well as social and economic infrastructure is also visible in rural areas.

Thus, the desire to improve the broadly understood socio-economic infrastructure requires appropriate space which, quite frequently, has been used in a different way (built-up space). It often happens that historic buildings (monuments) represent the features constituting obstacles in the development of new built-up areas or infrastructure and which, in accordance with legal regulations, should be protected and conserved for future generations. Due to their essential importance for maintaining national culture continuity and owing to their potential economic value generating diverse effects, cultural heritage resources should be utilized in an adequate manner and covered by the activities having impact on socio-economic development of particular areas. However, on the other hand, their location can constitute a substantial developmental barrier, e.g. a new function assigned to a particular space. It is not always possible to "include" the existing historic monument in a new concept of a given area management, or attempt to assign new functions to such sites, since it is not conducive with their conservation and protection but, on the contrary, aggravates the above-mentioned problems of conservation and architectural nature.

Hence, such situations have to be approached based on the analysis, assessment and management strategy in terms of decisions about an appropriate management of a particular historic building. Therefore, such approach should cover all elements from the perspective of effectiveness and efficiency of conservation and management policy (protection and guardship of a site, its translocation management process), as well as their socio-economic efficiency (obtaining advantages from presenting the object and using it for other purposes than the originally assigned function).

For this reason the translocation, in the author's opinion, constitutes a specific type of economic project which requires proper management of its subsequent phases. Indication of the main features of such project and specify the stages of implementation, are decisive and perform a vital role in the efficiency and effectiveness of the undertaken translocation operations. Later in the study an attempt will be made to identify and indicate the framework of subsequent stages (phases) in implementing translocation projects of historic landmarks. First, however, the problems related to translocation in its conservation and economic project oriented dimension will be discussed.

## 2 Translocation project as a conservation and an economic project

The activities involved in the translocation of historic buildings can be analyzed in two ways. Firstly, from the perspective of conservation activities, and secondly in terms of an economic venture.

In the first case translocation, as it has already been indicated, represents a transfer consisting in moving or relocating a building (immobile object), brick-and-mortar or wooden, into a different site [ICOMOS, 2010, p.4]. In conservation terminology the activities consisting in a historic building translocation are frequently related to the notion of recomposition, i.e. "reassembling a historic monument (or its parts) using authentic components", which "can take place if a building collapses or is relocated" [Tajchman, 1995, p.156]. Therefore, translocation remains a complicated technological process which requires considering individual characteristics of a given object, such as: the type of construction material, area, volume, weight, the method of building foundation, etc. [Hamberg – Federowicz, 2012, p.21]. In terms of a historic building disassembly the following translocation projects are distinguished:

- demountable constructions – mainly wooden buildings, architectural details, in specific cases brick-and-mortar objects (brick, stone),
- non-demountable constructions – mainly covering brick-and-mortar constructions, wall paintings and stucco [Curtis, 1979, p.2].

Such operations are performed in exceptional cases only, when it is the only method to save the object from damage (see figure 1)

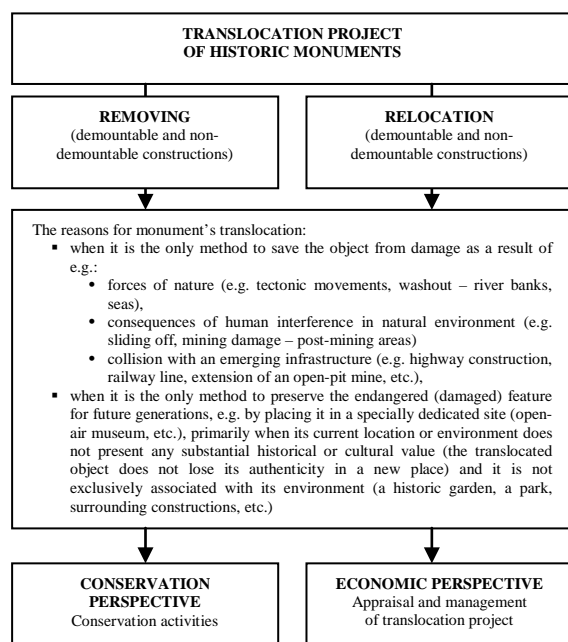


Figure 1. The reasons for the translocation of the historic building and perspective of perceiving it.

Source: Author's compilation

The second approach to translocation refers to the translocation of a historic building in terms of a specific economic project which it undoubtedly is. Translocation remains a part of the main characteristics of a project listed in the publications on management or the assessment of economic (investment) projects (table 1).

Table 1. Translocation of a historic monument in the context of project main characteristics

Main characteristics of the project	The characteristics referring to translocation projects of a historic monument
Specific purpose	The fundamental purpose of translocation projects referring to historic monuments is saving an object from damage and the desire to preserve it for future generations.
High complexity	An object translocation requires coordinating numerous activities at different stages (preparing, implementing, completing) and levels (strategic, operational) of its execution and especially combining conservation approach with the technical part of translocation and the entire management process.
Specified timeframe	Specified timeframe resulting from the availability of specialized equipment, human resources. Sometimes such timeframe results from weather constraints (particular season) or the condition of an object itself (danger of collapsing).
Limited, mainly financial, resources (budget)	Usually executed by public institutions within the framework of strictly defined budgets. The need to manage public resources effectively.
Focus on benefits	The main benefits are of socio-economic nature: result from higher tourist attractiveness of the area to which a particular feature is being moved eliminating the conflict with planned infrastructure, advantages of aesthetic, historical, cultural, etc. nature.
Uniqueness, rareness, individual character	Due to the uniqueness and rareness of historic monuments themselves and their environment a translocation project presents the same character (different geographic, geological, technological, etc. conditions.)
Risk of failure	The risk of damaging the relocated object, fracturing its structure or elements while transporting, complications prolonging the project implementation, which could thus be reflected in its costs.
Usually the involvement of people and institutions representing diverse specialties	The implementation of a translocation project requires both coordination and consultations with people and institutions representing various specialties: architects, conservation officers, technologists, engineers, specialists in project and finance management, etc.

Source: author's compilation based on [Janasz, Wiśniewska, 2014, p.56; Little, Mirrlees, 1982, pp.3-6; Meredith, Mantel, 2003, pp. 8-10; Goblet, 2006, pp.34-38].

Based on the above presented background an attempt can be made to define the concept of a translocation project in an economic dimension. Therefore, a translocation (relocation) project of a historic monument is approached as a one-time, unique venture characterized by limited timeframe and budget, the implementation of which in an effective and efficient manner is supposed to result in preserving a particular historic monument from damage and passing it over to future generations in a proper shape.

A translocation project, like any other economic venture, is characterized by phases (stages) in executing subsequent activities intended for implementation. Referring to one of the most popular and also the best visually and practically presented proposals of a project lifecycle, suggested by UNIDO [Behrens, Hawranek, 1993, pp. 9-10] representatives, the following phases can be distinguished: preparatory (pre-investment) phase, implementation (investment) phase, as well as operation and completion phase. In case of translocation projects preparatory phase remains definitely the most important stage to carry out. Therefore, the divisions recommended by Ch. Chapman and S. Ward [2003, p. 19] can be suggested as the development of the previously followed approach. They distinguish four phases within the framework of which preparatory activities cover two stages, i.e.: the initiation and the concept creation phase and also the planning phase. Furthermore, the authors identify the execution (implementation) phase and the closing (exploitation) phase.

It should be remembered that with reference to moving projects we can come across two groups of objects, i.e. demountable and non-demountable ones. This division, in relation to translocation types, i.e. relocation (performed more often in case of demountable buildings) or moving (primary referring to non-demountable objects), shall decide about the subsequent activities planned within the framework of a particular venture. In case of demountable constructions the project oriented activities will concentrate on disassembling, transport and re-assembling an object in its destination. With reference to a non-demountable feature the focus is on specifying the technology adequate for the moving or relocation process and next on shifting the historic monument (table 2). It should also be emphasized that from a technological and technical perspective translocating a non-demountable feature remains a more complex and more difficult to perform – the need to move the entire object without damaging it. Table 2 presents basic project lifecycle (management) stages (economic approach) along with the subsequent phases of the correctly programmed and carried out conservation process (conservation oriented perspective). Standard activities planned for translocation projects of demountable and non-demountable historic monuments are also presented in relation to the above-mentioned two approaches.

Table 2. Project management phases in the context of conservation process and translocation types of a historic monument

Project management phases		Phases of a historic monument conservation process	Translocation of a demountable object	Translocation of a non-demountable object
Preparatory phase	Initiation and concept creation phase of a project	Comprehensive knowledge of a historic monument	The choice of an object for translocation	The choice of an object for translocation
		Valuation of a historic monument		Analysis of the building's technical state and geotechnical conditions
	Project planning phase	Conservation oriented conclusions and guidelines	Preparatory works (e.g. inventory and marking particular components of an object, preparing its environment, planning its transport route, etc.)	Development of a translocation object
		Conservation project (planning all types of works indispensable for the complex)		

		solution of all conservation problems)		
Implementation phase (execution)	Project implementation along with its author's supervision		Disassembling of an object	Protecting and strengthening the construction system of a translocated historic monument
			Preparing components for transport and reassembling (protection, conservation, strengthening and reconstruction of the construction fragments damaged during an object disassembly)	Reassembling and preparing equipment and mechanisms necessary to transport an object
			Transport	Execution of the translocation operation
			Object reassembling in its destination	Object foundation in its destination
Operation and/or completion phase of a project	Development of post-completion documentation		Development of the project post-implementation documentation	Development of the project post-implementation documentation
			Using an object in its new location (previous or new function)	Using an object in its new location (previous or new function)

Source: author's compilation. The terminology of conservation stages according to the approach suggested by J. Taichman [1995, p. 150].

The information presented in table 2 illustrate that, in general terms, the conservation phases of a historic monument are the same as the standard ones typical for an economic project management. However, while in case of strictly economic projects each phase is approached as equally important from the perspective of the entire project management process, in case of the conservation type of projects the preparatory phase is primarily emphasized. In its course numerous specialist documents are being developed, e.g.: the analysis of a historic monument, construction-conservation inventory, historical studies (archeological, decor, architectural ones, etc.), valuation of an object, to be followed by very precise conservation oriented guidelines, which have impact on a technical design and the execution of construction-conservation works referring to the historic monument. As J. Tajchman emphasizes "considering the specific nature of all such operations, depending on the general concept, type of a historic monument and its preservation condition, as well as respecting its authentic substance, differentiates a conservation oriented project from a typical construction one, referring to reconstruction or major renovation of a building" [Tajchman, 1995, p. 156].

Based on the above presented background, we can indicate that, a translocation project, similarly to any other one, requires an adequate management process to be carried out, i.e.: sufficient material, human, information resources in the preparatory phase (planning and organizing of a translocation project), performing specialized operations in its implementation phase (executing physical translocation) and proper project completion. Having taken such perspective, the focus of a project team is concentrated on the effectiveness and efficiency of the activities planned for execution within the framework of the carried out project.

It should, however, be emphasized that a translocation project of a historic monument is also characterized by a strictly economic dimension. Such project can generate multi-faceted effects, i.e.: economic, social, cultural, aesthetic, etc., before, during and after its implementation. From such perspective it seems significant to determine both financial and socio-economic efficiency of a project, i.e. attempt answering the following question: To what extent (if at all), the effects of translocation can compensate for the usually high costs of translocation.

For these reasons it is crucial to conduct appropriate identification and analysis of strategic activities within the framework of particular phases in a translocation project. In the opinion of the author of the presented study, logistics activities plays an important role among them. Therefore, the next part of the article presents an attempt of their identification and general characteristics.

### 3 Strategic decisions in translocation projects with particular focus on logistics activities

Despite the fact that a translocation project itself is not a strictly business (profitable) one, still the plan structure of its implementation covers numerous activities of such strategic nature. These can include:

- set a goal of the project,
- determine organizational structure of the project,
- determine the project manager and the project team,
- specify the schedule and milestones,
- establish the project budget ,
- determine the control and monitoring methods.
- identify the main risks of the project.

Above decisions can have a significant impact on the efficiency, effectiveness and efficacy of the entire translocation project. This indicates, that the actions implemented as part of the project may include several processes and activities relating to many areas of broadly understood management. Among them, can be identified e.g.:

- time management,
- human resource management
- risk management,
- process management
- finance management,
- logistics management.

In case of translocation projects one of the most important areas is the appropriate management of logistic activities. The Council of Supply Chain Management Professionals (CSCMP) define logistics as the process involving planning, implementation and monitoring of an effective and efficient transfer and storage of goods (loads), services and the associated information from the place of origin to the point of their consumption in order to meet client's expectations [Vitasek, 2013, p.117]. While adopting the particular components of this definition for the purposes of translocation projects it should be emphasized that a specific type of item (load) can be involved, i.e. a transported historic monument. It is mainly accompanied by the transfer of specialist, technical and technological information. The existing location of an object is its place of origin, whereas the consumption (usage) site is the new destination of its foundation. Transfer streams remain the elements connecting overall phenomena and processes related to translocation, while the logistics operations, in the author's opinion, are of great significance in this area.

The subject literature on logistics lists numerous logistics operations supporting the decision-making process. H.Ch. Pfohl [2010, pp. 8-10] discusses general business logistics to be performed in connection with the implementation of logistics processes: storage, transport, reloading, development and transfer of orders and packing and marking. He also attracts attention to the fact that the first three items represent major processes in the flow of goods. The others are of supplementary nature. Similar logistics activities presents E. Kulińska [2010, p.76] who distinguishes e.g.: storage, transport, accepting goods, shipment of goods, waste management, development of customer orders, inventory control, demand forecasting, production planning, purchase. As it has already been mentioned, translocation is not a mass type of activity, hence the particular logistics operations can occur, within the framework of a particular translocation project, with diverse intensity. Some of them, e.g.: demand forecasting or production planning, in case

of translocation, are nor present at all. Table 3 lists the examples of translocation projects of historic monuments and logistics operations associated with them.

Table 3. Examples of translocation projects of historic monuments – reasons, costs and basic logistics activities.

Name of the object	Location (city, country)	Reason of translocation	Cost of translocation	Logistics activities					
				Reloading (including loading and unloading)	Transport / displacement	Storage / warehousing	Packing and marking	Order development and execution	Transfer of information (technical, managerial, etc.)
Non-demountable constructions									
The old management building of the former machine factory Oerlikon (Maschine nfabrik Oerlikon - MFO)	Zurich (Oerlikon district), Switzerland	The collision with the route of planned transport infrastructure (planned construction of a railway tunnel)	\$ 12.7 million	X	X	-	-	X	X
Gay Head Lighthouse	Aquinnah (Wyspa Martha's Vineyard, Stan Massachusetts), USA	Due to erosion of the shore	approx. \$ 3.5 million	X	X	-	-	X	X
Cape Hatteras Lighthouse	Removing of Cape Hatteras Lighthouse, Buxton, USA (North Carolina)	Due to erosion of the shore	\$11.8 million	X	X	-	-	X	X
Fortified 750-year-old Emmaus Church	Heuersdorf, nearby Leipzig, Germany	The village of Heuersdorf was set to disappear, swallowed up by a massive brown coal mine.	€3.0 million	X	X	-	-	X	X
Military bunker SP-96 (part of the fortifications called „Olsztynska positions“)	Witramowo nearby Olsztyn, Warmian-Masurian Voivodeship Polska	The collision with the route of planned transport infrastructure (Expressway S7 Warsaw-Gdańsk)	approx. 2.0 million of PLN	X	X	-	-	X	X
Demountable constructions									
The Wheelwright House (wooden house, example of regional architecture of Upper Lausitz)	Wigancice Żytawskie nearby Zgorzelec, Lower Silesian Voivodeship, Poland	The village of Wigancice Żytawskie was set to disappear, swallowed up by a brown coal mine Turów.	approx. €0.25 million	X	X	X	X	X	X
The Abu Simbel temples	Abu Simbel, a village in Nubia, southern Egypt.	Temples were under threat from the rising waters of the Nile that were about to result from the construction of the Aswan High Dam	approx. \$ 40 million	X	X	X	X	X	X

Source: author's compilation based on online sources [APR 2015, National Park Service 2015, Spiegel Online 2007, The Telegraph 2012, Isida Project 2014, Zagroda Kołodzieja 2015, TVN24 2010].

As shown above, logistics activities can fulfill an important role for the implementation of the translocation project. Their importance is mainly visible in case of translocating

demountable objects, within the framework of which the activities related to disassembly, transport and storage are intensified. In some cases, determining the correct level and standards of the logistics services can turn out one of the most important strategic decisions having crucial impact on the project schedule or overall costs involved in the entire project. Among strategic logistics decisions of crucial significance for a translocation project of a historic monument the following can be listed e.g.:

- in terms of location – selecting an object destination, choosing the storage site for the relocated object components,
- in terms of transport – selecting the means of transport, choosing between using own transportation, or outsourcing it from external transport service providers,
- in terms of information transfer – selecting an information transfer system within the framework of a project, having considered the needs of particular project stakeholders (e.g. investor, conservation officer, chief designer of operations, transport company, etc.).

The above presented discussion confirms that logistics operations in a translocation project of a historic monument can take the form of decisions made at both an operational level and a strategic one. Especially in the latter case there is a need for their proper planning. It should be manifested in two forms:

- as an organizational separation of logistics operations in the project internal structure (self-service in terms of the execution of logistics operations)
- as the identification of major logistics activities commissioned to the cooperating, outsourced entities (e.g. subcontractors).

Usually, however, a mixed structure turn out to be the best solution in this matter.

#### 4 Conclusions

Translocation of historic monuments are very complex projects, particularly from a technological and technical point of view. In addition, their internal structure and scope, in many cases, require to coordinate operations performed by several entities and meet very restrictive requirements and recommendations, frequently imposed by the legislation in force or specialized conservation regulations. Among the strategic activities planned for implementation an important role is played by logistics operations. The presented discussion allows concluding that the purpose of logistics activities in translocation projects is to ensure multifaceted and often multi-entity coordination and cooperation. It is carried out in the process of subsequent phases made up of the implemented projects focused on the transfer of a specific material resource taking the form of a translocated historic monument.

The problems discussed in the study go along with the trends in the development of project management and logistics management related to its implementation in various ventures within the sphere of public or socio-economic services. Translocation projects of historic monuments definitely remain one of them, whereas the conducted general analysis covering the identification of main features, strategic operations and logistic activities in stages of project is supposed to extend the knowledge about management in atypical applications. The intention of the article's author was to initiate further, in-depth research in this field, whereas the article represents an element of more extensive discussion on the importance of project management and logistic aspects in the functioning of certain cultural institutions (museums, open-air museums) and managing cultural heritage.

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**Primary Paper Section: A**

**Secondary Paper Section: AE, AH, AL, AP**



# ENVIRONMENTAL PROTECTION IN ECONOMIC TERMS IN FOCUS ON EVALUATION METHODS OF NATURAL CAPITAL

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**Abstract:** The contribution presents the concept of the environment and natural resources protection in terms of different theoretical economic theories with a focus on the concept of neoclassical environmental economics, which are based on the fundamental principles of environmental valuation. The article describes the selected main methods of valuation the environment and natural capital, their characteristics and application examples, incl. the concept of total economic value of the environment.

**Keywords:** Contingent valuation method, Hedonic prices method, Hessen's method, neoclassical environmental economics, the total economic value, travel cost method.

## 1 The environment from the perspective of economic theory

Using of natural resources and environmental protection are often discussed topics not only in the natural but also in the social sciences. It is a general issue that has an influence on many spheres and concerns everyone. Important role in this area is economics, which deals with the allocation of scarce resources and also the behaviour of people in relation to these goods. Within economics, however, there are different theoretical orientations to explain the ecological issues and recommendation connected with appropriate approaches and using of natural resources is different.

Neoclassical environmental economics, market-based approaches to environmental protection, economical ecology, economic and environmental institutional economics can be considered four main economic schools of thought that deal with human behaviour in relation to natural resources. All four theories of environmental protection have a relatively short history. Therefore, they follow historical school of economic thought which preceded them.

Neoclassical environmental economics as a separate a scientific discipline within economics emerged came into existence in the 60s of the 20th century. It is a period when environmental problems began to attribute greater importance to the field of the international political agenda. Using neoclassical models based on the assumption of perfect competition and zero transaction costs, was firstly determined the optimal rate of environmental pollution in the US and then this direction gradually began to influence environmental policy of other countries (Vatn, 2005).

In the same period also gave birth to a number of ecological groups whose common idea became resistance against economic growth. It was considered by most economists as beneficial up to that time. Environmentalists questioned the economic growth, because of exhaustibility of natural resources, as a criterion for the prosperity of society. The main cause was, according to them, the orientation on human preferences and values (eg. Anthropocentric approach) only and also ignorance of internal value of nature. Supporters of these ideas have created an alternative to the neoclassical environmental economics and during the 70s the foundations so called Ecological economics were laid so. Ecological economics sought to define and design tools to achieve sustainable development in intergenerational solidarity.

In the 90s of the 20th century, was created ecological institutional economics based on the ideas of the Austrian school that dealt with determining the right institutions to achieve effective and long-term using of natural resources. Austrian school also had a strong influence on other school of thought - eg. market-based approaches to environmental protection. One of the basic features of the Austrian school is critique of state intervention in the functioning of the market, followers of the Austrian school point out the negative approach of the

Government in the field of ecology and using restrictions, taxes and other regulations as well. Natural resources according to representatives of these ideas may not necessarily be in public ownership, if there is a precise definition of property rights. Even natural resources can be traded, since the environmental policy of the state is not a prerequisite for ensuring the quality of the environment (Van den Bergh, 2000).

At the present, the neoclassical environmental economics (environmental economics) is the main direction within disciplines linking economics to environmental protection. Its main recommendations for the protection of natural resources are formulated on the basis of comparison of perfect competition model and the real world. In this way, market failures are determined. By correcting these failures with using of government regulation, the situation is returned to the point of optimum. The concepts of neoclassical environmental economics are also based on the basic principles of valuing the environment, which are the subject of the last chapter of this document (Farský and Ritschelová, 2010).

## 2 Principles of economic valuation of environmental resources

The valuation of any items, services, goods is comparison with the costs of the farm with the willingness to pay. Much more difficult is the valuation of such goods for which markets do not exist, as is currently the case in nature. Contemporary science is aware that natural resources and ecosystems are a prerequisite for life.

The nature has always been understood as a mean to live and survive. As long as was the sparse population on the Planet, there were not any problems with using of natural resources. The situation began to change dramatically in the 20th century, due to the fact that increasing population density and human activities began to change its character.

The nature and its resources can be divided into two main groups. The first group consists of material resources - soil, forests, minerals and others that are used in economics as objects of market and property relations. In economics, they are comprehensively referred to as natural resources.

In addition, the nature creates conditions for maintaining of life. This includes the atmosphere, oceans, sunshine, plants and animal species and all connections between them. This covers 99% of all plants and animal species that are not economically exploited. These resources, which still remain outside the economic system and are the most often used as free and open resources can be described as so called environmental resources (Moldan, 1997).

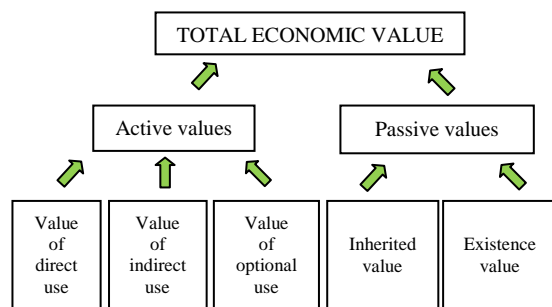
The expression economic valuation or economic value is patterned on mainstream economics of the individual's willingness to pay for a good or service, or willingness to pay for the exclusion of certain costs, eg. health hazards resulting from bad environment.

The economic value according to mainstream economics represents valuation of something useful which is either acquired or lost from the perspective of the current generation. This scale resulting from change in environmental quality is called the total economic value of the environment (Šimíčková, 2002).

The authors diverge from terms concerning valuation of the environment very often. Some use term of valuation of environment, the others economic evaluation of nature. Even in the concept of total economic value they are not unanimous. Some of them use overall economic value of environmental goods or total economic value of the environmental quality etc. Economic evaluation is in the concept of contemporary

economic theory anthropogenic method, because it puts only human preferences, i.e. evaluation from human view. Therefore is a process which reveals subjectively-conceived economic value. According to the concept of mainstream economics is not evaluated only the nature itself and its wealth, but people's preferences in relation to changes in state of the environment.

Fig. 1 represents the total economic value that reflects so called Active Values (exploitable) and Passive Values (unexplainable), which together form the total economic value.



**Figure 1: The total economic value**

Source: own processing based data: SEJÁK, J. et al. *Oceňování pozemků a přírodních zdrojů*. Praha: Grada Publishing, 1999. 251 s. ISBN 80-7169-393-6.

Active values are the benefits derived from the current using of products and services such as wood, berries, fishing, drinking water and hiking as well. Passive values are intrinsic values of the environment, which are not associated with the current using of environmental goods and services, but they are important for future generations.

The active value consists of the value of direct use, the value of indirect use and the value of the optional use. The first group includes industry, agriculture, holiday and tourism, which means fundamental economic activities that the environment has been creating conditions for their actual implementation. An example of indirect use, there are the activities, such as flood control, thus creating measures to improve coexistence with the natural influences. The value of the optional use means a discovery of new using of natural resources (Seják, 1999).

The Passive value means inherited value and existence value. The inherited value is by literature often referred to as intergenerational value and also the value of the link. It is the intention of the present generation to preserve environmental value for future generations. In appreciating environmental goods are determining costs and revenues in the long term. Whether and to what extent in the economy account of the needs of future generations, it follows from the above discount factor of time. The higher the discount rate in a given society towards natural resources applied, the less into account the needs of future generations and can hardly be considered its development as sustainable<sup>1</sup>. Existential value is the value which is known to exist, but has never been used. This includes the very existence of landscape and natural resources, which is necessary for the preservation of ecosystems and a necessary condition for the continuation of life in the form as we know it (Seják, 2002).

The basis of the valuation of environmental goods is by neoclassical environmental economics determine the total economic value of the stock of natural capital and the total economic value of stocks changes. There is therefore the assessment of the present value of environmental resources and there is also necessary to assess the damage, respectively loss amount and quality of the resource<sup>2</sup>.

<sup>1</sup> A similar discrepancy exists also within one generation. Willingness to pay is based on the ability to pay. Willingness of the poorer to pay for conservation of natural resources will be probably lower than by the wealthier. It is possible this contradiction resulting from income differences eliminates through the application of a more equitable tax system.

<sup>2</sup> In certain cases, the evaluation can be carried out indirectly through damage to health and property.

In practical terms, evaluation of natural resources conducts in these fundamental steps:

- 1) Identification of targets for the economy and the environment.
- 2) Identification of key users and ecosystem functions.
- 3) Formulation of relations between functions and use.
- 4) Use of appropriate evaluation method.
- 5) Determination of total economic value.
- 6) Analysis possibilities/alternatives for achieving the objectives.

For the valuation of natural phenomena and goods are used three main ways - the use of market prices, use of expressed preferences and use of observational preferences derived from actual human behavior (Ritschelová, 2006).

## 2.1 The use of market prices

In the case of using market prices, it is possible use a method of human capital and market valuation method to physical impacts. Human capital method estimates the costs, which come into damage health because of environmental changes<sup>3</sup>.

Method of market valuation of physical impacts monitors the differences in prices of goods and services, which are due to physical changes in the environment. Water pollution reduces the number of fish, air pollution can reduce crop. In these cases, environmental changes reduce the market value of the outputs. In other cases environmental changes increase costs eg. cleaning station from mudflats. These changes always cost someone money (Seják, 1999).

## 2.2 The use of expressed preferences

For the expression of preferences a method is used based on a hypothetical survey of preferences (Contingent Valuation Method - CVM), which is called by literature as well as contingent evaluation method or the method of contingent valuation. It works by the creations of the hypothetical market for environmental goods. Using a questionnaire is drawn up willingness of respondents to pay (willingness to pay - WTP) for the conservation of natural values. There is a process that is similar to the procedure based on the willingness to accept (willingness to accept - WTA), which means determining the lowest amount of compensation that the respondent is willing to accept in exchange for impaired environment. According to the theoretical assumptions, both methods of detection should produce similar results. Although in practice is shown that there are significant differences among them<sup>4</sup>.

The whole process is divided into three basic stages. First of all, respondents are acquainted with the issues and relevant information that are provided to them. The following is a questionnaire with the question with an open end or a dichotomous choice of selection. The fundamental question e.g.: How much are you willing to pay...? is then supplemented by more specific questions to illustrate the personality of the respondents. The last phase concerns the evaluation.

This method is often discussed due to the high probability of distortion of the results. This distortion can be of three kinds:

- Information: due to the quality and quantity of information provided to respondents.
- Strategic: respondents can answer their intentionally under- or overestimate in order to influence the real cost of the environmental goods. For example effort to reduce ticket prices to rock cities, reserves, parks, natural swimming pools etc.

<sup>3</sup> The economic costs are estimated from changes in worker productivity. This method does not reflect the subjective assessment of health, costs of pain and suffering and other relevant factors.

<sup>4</sup> The causes of this result are psychological.

- Methodology: there can be a wrong formulation of questions or the wrong choice questions. With open questions is danger of extreme values, a dichotomous choice can influence the decision of the respondent (Seják, 2002).

### 2.3 The use of observational preferences

In the case of observational preferences is used method of hedonic prices and travel cost method. Hedonic prices method assumes the existence of a market for tradable goods which is influenced by non-market goods environment. The economic value of the environmental service is appreciated that directly affects the market price of a product. This method is used in the real estate market. The method is applicable only if it excludes the effect of other factors that determine the price of real estate (utilities, amenities, transportation). If these parameters in both cases are the same, it can be argued that the different real estate price is due to the quality of the environment (e.g. due to contamination of the water source, the load area emissions, noise, access to the park, etc.). The difference in prices can be characterized as a willingness to pay for quality of the environment. The main disadvantage of this method is the limitation of its use and the high demands on accurate information about the real estate market and elimination secondary factors (Seják, 1999).

The second method, which is used in case of observational preferences, is the travel cost method. This method has been used since 1949. This method comments on the value of holiday resorts, such as protected landscape areas, national parks, water levels and other attractions. The award takes into account the financial and time demands of the site - the distance the visitor must undergo, transport costs, visit duration, frequency of visits etc. The basic idea is to use information about transport costs as an estimate people's willingness to pay for staying in a holiday resort.

The procedure begins with the determination of zones at different distances from recreation sites and realization research in these areas in order to get the average number of visitors to the recreation sites from each zone. The second phase is to determine the financial costs necessary for the journey from individual zones to recreational sites and generate demand curve of the recreational area and determination recreational values of the area.

The main advantage of this method is its wide applicability. Distortion result may occur because of the so called multipurpose visit. Visitation of locality may be part of the round trip which includes a visit as well as other locations. The visit may be just turning on the route e.g. stop on a business trip, visiting relatives etc. In this case, it must be observed outcome spread among multiple locations. The principal disadvantage of this method is that it reflects the factors concerning only arrival. The actual recreation and factors associated with residence in a given location are not taken into account, so this method underestimates the total value of resources (Seják, 2002).

### 2.4 The expert forms of expression values of the environment

Shortcomings of these methods described above led in recent years to use other ways to evaluate environmental goods. One of the so called expert forms of expression values of the environment is a Hessen's method. Using that no the valuation of by consumers, but through environmentalists who have relatively more knowledge about the life-giving functions valued resource (Seják, 2002). Hessen's method has been using in Germany for 30 years and is currently steering it into a charge loss and subsidies for improving area, which occurs due to human activities. Hessen's method is also included in the so called European Commission White Paper (EU, 2011).

### 3 Conclusion

Increasing human population treats with natural capital as a free good. From generation to generation, people inherit this kind of

capital, which have been generating over 3.8 billion years. Over the last century, however, due to economic activities disappeared half wetlands and half of the forests. Only in the Czech Republic has been for the past 50 years dried one million hectares of farmland. Therefore, approximately economic valuation of the environmental value of goods is the first step to include the services that nature provides in planning national policies. And it means change for public behaviour and a prerequisite for sustainable development for future generations.

On various economic aspects of the environment can be viewed from different views. One option is a view in terms of subjects operating in the developed economy, the other one would be from the perspective of developing countries, where focus on environmental protection „is postponed to another track because of logical reasons“. In terms of developed countries, there is given the emphasis on water protection, economical use of this resource and its pollution control. From a global perspective, however, 2.4 billion people are not connected to the sewerage system and 1 billion people lacks access to safe drinking water. Hardly in such conditions will be an emphasis on protecting natural water supplies, when the company does not have it (UN, 2015).

Generally, it can say that environmental protection is applied in societies where they are provided basic human needs and where local inhabitants are not in danger of life and health. Afterwards other sophisticated social goals can be observed and checked. Access to natural resources is therefore influenced by many factors, including political influences, access of government, institutional conditions, religion, ethnic, historical and other features of the individual economies. This, however, given the scale of the issue, is not the subject of this paper, which focused economic contexts in a developed economy.

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**Primary Paper Section: A**

**Secondary Paper Section: AH**

# COPING WITH SCHOOL FAILURE, STRESS AND SOCIAL SUPPORT IN THE CONTEXT OF SELF-CARE

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The paper is published within the frame of grant APVV-14-0921 Self-care as a factor in coping with negative consequences of the implementation of the helping professions.

**Abstract:** The article deals with school failure coping and searching for the relations to stress, social support and selected areas of self-care. It is based on the assumption, that self-care, which is absent in the complex perception in the preparation for the profession of a social worker, as well as for practitioners, can be related to the selected phenomena. The sample of 217 social science students confirmed the existence of the relations between the stress experienced and the selection of strategy for coping with school failure. Stress positively correlated with the social support as well, in particular with the areas as family and friends. Differences in the selection of strategies of school failure coping depending of the faith, alcohol abuse frequency and place of residence.

**Keywords:** Coping with school failure, stress, social support, self-care.

## 1 Introduction

Social work is a very demanding assisting profession. Its domain is providing assistance and care to the others. The social workers definitely need good intentional long life self-care to be able to perform their profession well. There are many studies proving the fact, that the workers in the most demanding positions neglect self-care (Figley 2002, Burton, Pakenham, Brown 2010, Hricová, Vargová 2014), which can show by occurrence of various negative phenomena at work (Figley 2002).

## 2 Self-care

Self-care is an extensive term involving several parts and it is presented in the form of several concepts. The literature defines self-care as a system of individual activities serving to help the assisting workers to cope with different external and internal challenges they face. Its definitions and contents are different regarding their professions. However, their essence is aware/intentional performing activities for regulation of human functioning and development (Denyes, Orem, Bekel 2001).

Godfrey, Harrison, Lysaght, Lamb, Graham a Oakley (2011) defined according to contentual analysis 139 definitions of self-care, seven factors which were contained in the definitions and in which they differed. The factors were assorted from the aspects of: health, illness and disability, general consequences: self-care performer, professional health care workers and the aspect of health care system.

Many of the definitions are based on the medical aspect and they involve above all the self-care part. According to Lovas (2014) it is important to clarify the relationship between the terms self-care and health care. The term of self-care involves from the psychological aspect above all the aspect "self". In such perception it is possible to understand health care as one of the parts of self-care. Self-care then according to Lovas (2014) presents a summary of intentionally, self-regulation based performed activities related to health, physical and psychological well-being and personal development.

The issue of self-care is within social work practice often discussed in the context of ethical issues. A part of keeping the competencies of social workers within providing professional services it is important for the assisting worker to be in the state of physical, mental and spiritual well-being (Profitt 2009). An ideal concept of self-care is its widest perception. Abroad it has been considered an inevitable part of performing assisting professions for decades.

In performing the assisting professions, it is appropriate to view self-care as a part of the professional life and it should be involved in the preparation for occupation.

## 3 Coping with school failure

Stress and coping with it are at present a part of everyday life. For the young people school and coping with school failure can present some of the stress sources and burden in it-self. Success or failure at school can prove to which extent the student has fluffed his studying objectives. We can talk about success, if the student has managed higher standards with small problems. Failure is characterized by difficulties and incapability to achieve requested objectives and often it involves other problems (Chitty 2009). The consequences of school failure can have far reaching impact on the individual, educational problems are for young people often related to undesired reactions.

There are several theories, which explain school failure from different aspects (Chitty 2009). The theory of intelligence is based on finding IQ score. Supporters of this theory express opinion, that intelligence can be hereditary. However, this theory is severely criticized by sociologists, who claim, that there is correlation between genetics and environmental impacts, that IQ tests are culturally prejudiced – non-objective, as they are based on the average values. The theory of cultural deprivation relates school success to the communication skills. According to its supporters, there is a relation between socio-economic factors and language skills of the individual. This has according to them an impact on education of an individual and his school success (Giavrimis, Papanis 2008).

The theory of material deprivation relates school failure to poverty. This theory is based on the idea, that poor environment brings about vulnerability to diseases, accidents and lacking educational opportunities. The theory of interaction assumed, that the evaluation criteria of teachers are based on their cultural background. This is related to certain stereotypes, which can put some students to disadvantage, some authors even claim that there are the so called attributes if an ideal student, which can be considered by the teacher to be a more important criterion than learning (Wiggin 2007).

According to Carey (2003), regarding school failure, it is necessary to consider factors from several areas: the student's personality, which involves factors as IQ score, faith in own skills, motivation, in relation to school mates or absences. Another area is represented by school factors involving general climate and culture of the school, educational plans, evaluation, size of class rooms, qualities of teachers and quantity of homework. The family represents the factors as interest of parents in their child's education, education of parents, discipline in the family, relations in the family. The last area is the aspect of gender, race and cultural and socio economic indicators.

The issue of success and failure at school is often related also to specialisation, or target orientation and motivation of students. Target orientation is also related to coping with school failure. According to Brdar, Rijavec and Loncaric (2006) there is a relation between target orientation, coping with failure and school success. In their opinion it is important to distinguish learning orientation, where the emphasis is placed on understanding, acquiring knowledge, improving competencies and skills. The main idea is that performance of the rest is irrelevant, if I try, I will achieve success, it is irrelevant if the success is achieved by the rest. Performance orientation is characterized by the effort to prove high skills and evaluation in comparison to the others, with efforts or endeavor of no value.

## 4 Social support

Social support has been analyzed in more details in the last 40 years. The first authors dealing with it are Cassel, Caplan a Cobb (Mareš 2004). This theory involves different specific approaches which research it in different lines. Some experts (House 1981, Stewart 1993) point out, that in the quantity of definitions it is

impossible to find conformity in definition or method of measuring social support. After summing up definitions it is possible to state at least the fact, that social support means existence of close people who are able and willing to provide assistance to an individual when needed. For the purposes of this research the author worked with the perceived social support provided in three lines: family, friends and other close people.

Social support was one of the first identified factors impacting, along with unfavourable life situations, mental well-being and health of a human, which has been confirmed by many research studies (Šolcová 1999). According to Šolcová and Kebza (1999) it is possible to distinguish two types of social support: a bumper model related to coping with stress and the model of main impact, which assumes protective character of the social support from the aspect of health, regardless of the stress experienced. In this research the author deals with the bumper model researching the relation between social support, stress and coping with school failure.

Another factor specifying social support is its direction, when it is distinguished, if support is given or taken. Kebza and Šolcová (1999) talk about anticipated and gained support and objectives – really provided and expected support. Majority of measuring tools finds perceived social support, which is rather discussed theme. Social support and social network is utilised above all in cases of coming across challenging situations.

## 5 Research method

The research verified the relations between school failure coping, social support perceived, the extent of stress experienced and the selected characteristics of respondents.

217 respondents – social work students participated in the research, out of those 18 men and 194 women. 129 respondents were full time students, 83 part time students. Their age ranged from 18 to 53 years, the average 25,228 (St. dev. 5,928).

Methodology applied in the research:

- A questionnaire PSS (Cohen), a questionnaire of ten items, total score was used,
- The Multidimensional Scale of Perceived Social Support (Zimet), of twelve items which finds the extent of the social support perceived in three parts: family, other people, friends,
- Items finding the selected characteristics of respondents: faith, size of the town of origin, form of study, and alcohol abuse,
- A questionnaire The School Failure Coping Scale (Brdar, Rijavec 1997), finding seven strategies of coping with school failure: anger (Cronbach's alpha 0,746), taking responsibilities (Cronbach's alpha 0,739), forgetting (Cronbach's alpha 0,717), social support (Cronbach's alpha 0,751), inadequate reactions (Cronbach's alpha 0,829), parents (Cronbach's alpha 0,498), relaxation. This questionnaire, which is not officially translated in Slovak, verified the variability of the individual sub – scales (strategies) via Cronbach alpha. As the alpha value of the strategy regarding the parents (involves 4 items: I will not tell it to my parents, I will tell them when I get a better mark, I will complain to them, I look for assistance of the parents) reached the value 4,98, according to the contentual analysis of the items, there was a decision to divide this strategy into two strategies: reporting to parents and social support of parents. These strategies then reached alpha value 0,629 for the items marked: I will not tell it to my parents, or when I get a better mark, which was marked as the strategy of reporting it to the parents and the value of 0,710 for the items I will complain to parents, I look assistance from my parents, which were marked as the strategy of social support of the parents.

Research results were divided into three parts according to the set assumptions. The first part research searched relations

between stress and social support. The second part searched relations between stress and coping with school failure. The third part was represented by a series of calculations of t-tests, testing the differences in experiencing stress, perceived social support and coping with school failure according to the elected personal characteristics.

Table 1 presents the result of calculating correlation finding the relation between the stress experienced and perceived social support.

Table 1 Relation between stress experienced and social support perceived

	Social support	Family	Relatives	Friends
stress	Pearson corr.	-0,177	-0,113	-0,246
	Sig. (2-tailed)	0,012*	0,111	0,000**

Negative relation was confirmed between the stress perceived and social support perceived, provided by the family and friends. So, those respondents who perceive support perceived, indicate less stress perceived and vice versa, those who experience more stress, feel less social support provided from the family and friends.

Table 2 presents the result of correlation between the stress experienced and coping with school failure.

Table 2 Relation between the stress experienced and coping with school failure

Strategies of coping with school failure	The extent of stress experienced	
	Pearson corr.	Sig. (2-tailed)
Anger	0,368	0,000**
Responsibility	0,359	0,000**
Forgetting	0,140	0,051
Social support	0,190	0,008*
Inadequate reactions	0,418	0,000**
Remaining uninvolved	0,021	0,771
Reporting o parents	0,183	0,010*
Support from parents	0,114	0,112

According to the results we can state, that confirming positive relations between the measure of stress experienced and selection of strategies of coping with stress failure. The strongest relation was demonstrated between stress and inadequate reactions. That means the stronger stress, the more frequent selection of inappropriate reaction to the particular situation. The stronger stress is, the more the individual tries to search social support in his environment (not from parents), the more he postpones reporting the failure to parents (I will not tell them, I will tell when I get a better mark). However it was found that the more stress is experienced, the more the individuals resolve the situation responsibly, although they experience more anger with this stress.

Table 3 Differences from the aspect of the form of study

Coping strategies	ft study	pt study	p	t
Anger	2,318	2,063	2,428	0,016*
Responsibility	3,206	3,419	-2,154	0,032*
Social support	2,780	2,513	2,213	0,028*
Remaining uninvolved	3,396	3,071	2,617	0,010**
Reporting to parents	2,232	1,642	4,102	0,000***

The third part of the research was finding differences in stress experiencing, perception of social support and selection of strategies for coping with school failure according to the form of study, faith, size of the town of origin and frequency of alcohol - use. For the purpose of transparency only those results are stated, which found statistically significant differences.

It has been found out, that from the aspect of the form of study, where respondents were compared, there were full time and part time students, there were differences in utilising the strategy of

anger, applied more frequently by the full time students. The strategy of responsibility was more frequently utilised by the part time students, social support was searched more by full time students, they also remain uninvolved. Telling, resp. not telling the bad situation at school to the parents is more often presented by full time students, however, it is necessary to consider, that majority of part time students are of older age, they often live with their own family, where reporting study results to parents is irrelevant.

Table 4 Differences from the aspect of faith

Coping strategies	Believers	Non - believers	p	t
Anger	2,279	2,021	2,122	0,035*
Inadequate reactions	2,031	1,731	2,129	0,034*

It was found out, that in comparison of utilising strategies of the respondents from the aspect of faith, the believers more often utilise strategy of anger and inadequate reactions. Utilising these two strategies is not surprising in combination, because a relation between them was proven in correlation (Pearson corr. 0,538\*\*). Surprise is the preference of these emotions orientated strategies by the believing part of the respondents.

Table 5 Differences from the aspect of the size of place of residence (cut point 50.000 inhabitants)

Coping strategies	Up to 50 thou	Over 50 thou	p	t
Anger	2,310	2,066	2,231	0,027*
Inadequate reactions	2,053	1,764	2,458	0,015*

According to the differences found, we can state again the composed occurrence of two strategies: anger and inadequate reactions. Both reactions were more frequently used by the respondents from smaller towns of residence.

Table 6 Differences from the aspect of alcohol use

Coping strategies	Less alcohol	More alcohol	p	t
Remaining uninvolved	3,199	3,486	-2,034	0,043*
Forgetting	3,074	3,317	-2,023	0,044*

In case of respondents who report more frequents alcohol use (3-4 times a month and more), utilisation of strategies as forgetting and reaming uninvolved was confirmed. Their total occurrence again confirms the level of mutual correlation (Pearson corr. 0,468\*\*).

## 6 Conclusion and discussion

The principal idea or research objectives consisted in the fact, that social support as a part of self-care can function as a method of coping with stress and it can be related to coping with school failure. The analyzed sample of 217, of that female students (194) and male students (18) of social studies confirmed relations between experienced extent of stress and perceived social support. It was a positive relation between stress and perceived support from the part of the parents and from the part of friends.

In searching for relations between stress and coping with school failure it was found out that strategies of anger, inadequate reactions and responsibility correlate most with stress. Along with anger and inappropriate behavior (inadequate reactions), which are the strategies related to each other, so it is possible to assume that they will occur jointly, it is interesting that another strategy most frequently used in stress is taking responsibility.

In analyzing differences from the aspect of faith it was found out that the respondents believers more frequently uses as a strategy of coping with school failure anger and selecting inadequate reactions. The same is preferred by the respondents living in the cities of over 50 thousand inhabitants, in comparison to

respondents living in bigger cities. From the aspect of the form of study it was found out that full time students more frequently select anger, looking for social support and remaining uninvolved as the strategies in comparison with part time students. Those select taking responsibility more frequently that full time students. The respondents who drink alcohol more frequently select mostly strategies as remaining uninvolved and forgetting.

The study performed in 2012 in Ankara with the sample of 371 university students (Cam, Deniz, Kurnaz 2014) also confirmed relation between stress and social support by Pearson correlation coefficient with the value of 0,160, it is a similar result as in this research where the author found out positive correlation on the level of the coefficient value of 0,190.

Coffman a Gilligan (2003) found from the sample of 94 students of the first year of Southeastern University in the USA relation between stress, social support and life satisfaction. They have found out that the high level of stress is negatively connected to the level of life satisfaction, the extent of stress negatively correlated with the extent of social support. Their final finding was that a higher level of social support and lower stress level was not related to a higher level of life satisfaction.

Friedlander, Reid, Shupak and Cribbie (2007) were dealing with finding relations between stress, social support and success at school in the research sample of 128 freshmen – university students. They have found out that the higher level of social support and lower stress predicts higher level of school success.

So we can state that in the elementary features similar results were confirmed, as in other research studies. Differences found in the strategies applied give a chance of further research and a question arises, if performing aware self-care could bring a positive change in coping with school failure. As the students involved were social studies students, it is necessary for them to learn during their studies to cope with demanding situations by an appropriate method and during performing their profession to avoid inappropriate coping strategies and protected themselves that way and also to be able to lead their clients to appropriate selection of coping strategies. As under conditions of SR the concept of self-care in its complexness das not been accepted so far, new possibilities are being open for the experts in this area, regarding practical performance and research objectives as well.

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## REMARKS ON THE OBJECT OF SPECIFIC BEQUEST UNDER POLISH LAW

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**Abstract:** This article presents issues connected with the prescriptive regulation of the object of the specific bequest. One of the most essential questions related to the institution of specific bequest is the understanding of its object. The paper attempts to define the meaning of notions that were used by the legislator in Article 981<sup>1</sup> Section 2 Items 1,2,3 and 4 of the Polish Civil Code. The scope of use of the institution of specific bequest depends exactly on their interpretation. Without any verbal changes to Article 981<sup>1</sup> Section 2 of the Polish Civil Code, you may differently shape its scope by employing various definitions of designata of this provision. Against this background, the paper endeavours to present, analyse and assess opinions demonstrated by representatives of the doctrine with regard to such details. New suggestions as to solutions of the most controversial questions are also starting to appear.

**Keywords:** disposition mortis causa, object of specific bequest, specified as to its identity, transferable property rights, enterprise or agricultural farm, usufruct or servitude established in favour of the legatee, *legatum per vindicationem*, succession

## 1 Specific bequest – general remarks

The institution of specific bequest (also called a registered or specific legacy) has been known since the Roman times. The Roman bequest was a unilateral disposition mortis causa whose aim was to provide an indicated person with their inheritance<sup>1</sup>. Such person was not an heir, but a beneficiary of the bequest (also called a legatee). In the first century BC, in the times of Quintus Mucius Scaevola, there were four types of legacies. The person selecting the type of legacy was the testator who employed proper words to achieve the planned effect. The most similar to the specific legacy introduced into Polish law was the Roman legacy called *legatum per vindicationem* – i.e. a legacy established by words *do* and *lego* whereby the testator could directly transfer a thing or servitude being the quiritary property of the deceased<sup>2</sup>. Fungibles had to be the property of the testator at the time of his death; however, things specified as to their identity had to be his property both at the time of making his will and at the time of his death<sup>3</sup>. The said bequest was drafted only with designation of the beneficiary of the bequest and the object bequeathed. It affected real rights, directly reducing the estate<sup>4</sup>. Acquisition of such legacy provided the legatee with the right to file a claim to release the object of the legacy within the archaic procedure of *legis actio sacramento in rem*, later *rei vindicatio* (or *vindicatio servitutis*).

The specific legacy was later introduced mainly in Latin countries of Europe. Despite diversification of this regulation in individual countries, the core of this legal structure remains the same, namely the object bequeathed to the beneficiary of the bequest by the testator under his will upon the death of the testator passes to the indicated person. Such legacy affecting real rights was adopted, among others, by Italy (Article 649 Section 2 of the Italian Civil Code), Belgium (Article 1014 of the Belgian Civil Code), France (Article 1014 of the French Civil Code), Spain (Article 882 of the Spanish Civil Code), Luxembourg (Article 1014 of the Luxembourg Civil Code), Portugal (Article 2249 of the Portuguese Civil Code), Romania, Greece, Hungary, Japan, some countries of South America and Quebec<sup>5</sup>. The concept of specific legacy has not been introduced by Germanic countries. There exists only a legacy with obligation effect (legacy by damnation) similar in nature to the Roman *legatum per damnationem*. Within this form of legacy, the testator orders

the heir to deliver a specific proprietary performance in favour of the legatee. It was introduced in Germany (Section 2174 in conjunction with Section 1939 of BGB), Switzerland (Article 562 in conjunction with Article 484 of ZGB), Austria (Section 684 in conjunction with Section 535 of ABGB) and Holland<sup>6</sup>.

Before going into detail on the institution of specific bequest adopted by Polish law, we need to remark on motives for its adoption. In Poland, the year 1989 was connected with significant changes in social and economic life of the country. Free market economy was beginning to shape, and the society was gradually getting richer. It resulted in a search for new legal solutions that could allow for a more complete execution of the testator's will, and that could allow the testator for a direct transfer of specific assets of his property to separate persons<sup>7</sup>. When discussing the shape of Polish succession law, some also pointed out the necessity of determining a proper scope of dispositions administering the property in the event of death, taking into consideration that any and all legislative solutions should take into account not only real social needs but also comply with principal rules of succession law. The doctrine many times demonstrated the opinion that the principle of testamentary freedom had not been properly enforced, and that the principle of universal succession had not guaranteed a suitable degree of execution of the testator's will. The difficulty in showing the real intent of the testator resulted from the lack of proper legal instruments that would allow the testator to handover specific assets of the estate to specific persons. Within the course of polemics extending over many years not only in law magazines but also in legislative circles, two solutions had been crystalized, namely a donation *mortis causa* and a specific/registered bequest (legacy)<sup>8</sup>. Finally, on 23 October 2011, the institution of specific bequest was introduced under Act of 18 March 2011 amending the Polish Civil Code and certain other laws.

Enriching succession law with the institution of specific bequest has been considered by the doctrine to be a revolution reaching much deeper than the previous change in succession law made in 2008<sup>9</sup>. The specific bequest operating in Polish succession law offers the testator an option of administering his property in the event of death with an effect on real rights<sup>10</sup>. It is a testamentary disposition whereby the testator transfers a specific property item to a specific person<sup>11</sup>. The opening of the succession is crucial since it is the time when the ownership right passes *ex lege* to the beneficiary of the specific bequest. At the time of the testator's death, the object of the specific bequest does not become a part of the estate – it becomes the property of the beneficiary of the specific bequest. The institution of specific bequest has nature of singular succession, by which it constitutes a departure from the principle of universal succession.

## 2 Object of specific bequest. Introductory remarks

One of the key issues related to the institution of specific bequest is the understanding of its object.

<sup>6</sup> W. Zankl, *Erbrecht*, Wien 2008, p.75.

<sup>7</sup> T. Mróz, *O potrzebie i kierunkach zmian przepisów prawa spadkowego*, Przegląd Sądowy 2008, no. 1, p. 81 and next.

<sup>8</sup> Persons objecting to the introduction of specific bequest into the Polish legal system included: J. Gwiazdomorski, *Dziedziczenie czy następstwo szczególne? (przyczynki do dyskusji nad art. 103 prawa spadkowego)*, Przegląd Notarialny 1950, no. 3-4, p. 224-225; S. Wójcik, F. Zoll [in:] *System Prawa Prywatnego*, t.10, (ed.) B. Kordasiewicz, Warszawa 2009, p. 376, among others: J. Górecki, *Zapis windykacyjny – uwagi de lege ferenda* [in:] *Rozprawy z prawa prywatnego, prawa o notariacie i prawa europejskiego ofiarowane Panu Rejentowi Romualdowi Szykowi*, (ed.) E. Drozd, A. Oleszko, M. Pazdan, Kłuczbork 2007, p. 129 and next; W. Zukowski, *Projektowane wprowadzenie zapisu windykacyjnego do polskiego prawa spadkowego*, KPP 2010, no. 4, p. 1041.

<sup>9</sup> Introduced amendments concerned statutory succession.

<sup>10</sup> A. Makowiec, *Zapis windykacyjny w prawie polskim*, Dokonania Młodych Naukowców, no. 4, Kraków 2014, pp. 683 – 688.

<sup>11</sup> A. Makowiec, *Rozważania na temat zapisu windykacyjnego i wprowadzenia do polskiego systemu prawnego darowizny na wypadek śmierci*, Przegląd Prawno-Ekonomiczny, no. 26, p. 44 and next.

<sup>1</sup> A. Makowiec, *Korzenie zapisu windykacyjnego w prawie rzymskim*, Правове життя: сучасний стан та перспективи розвитку, Ukraina 2015, pp. 202-205.

<sup>2</sup> M. Zabłocka [in:] *Prawo rzymskie. Instytucje*, W. Wołodkiewicz, M. Zabłocka, Warszawa 1996, p. 203.

<sup>3</sup> *Ibidem*, p. 203; J. Lewicki, *System prawa rzymskiego*, Lwów 1937, p. 56; M. Kaser, *Das römische Privatrecht*, München 1971, p. 742-743.

<sup>4</sup> K. Kolańczyk, *Prawo rzymskie*, Warszawa 2001, p. 492.

<sup>5</sup> L. Salomon, *The Acquisition of Possession in Legacies per vindicationem in Classical Roman Law and its Influence in the Modern Civil Codes*, Roman Legal Tradition 3, 2006, p. 65 and next; Ph. Malaurie, *Les successions. Les libéralités*, Paris 2008, p. 282.

The admissible scope of the specific legacy in terms of its objects has been identified in Article 981<sup>1</sup> Section 2 of the Polish Civil Code<sup>12</sup>. The object may be:

- 1) specified as to its identity,
- 2) transferable property rights,
- 3) enterprise or agricultural farm,
- 4) usufruct or servitude established in favour of the legatee.

The above makes us believe that the legislator has provided for a closed catalogue of things (rights) that can be an object of the specific legacy. The enumerative nature of the definition describing objects of the specific legacy has caused many reservations among representatives of the doctrine. E. Skowrońska-Bocian claimed that “such regulation may raise doubts since statutory enumeration of objects that cannot be covered by the specific bequest seems to be more proper”<sup>13</sup>. In literature, we can also encounter different views which should be suitably divided. The regulation introduced should be regarded as positive because it closes the discussion on what else can be an object of the specific legacy. It also demarcates a clear border between what can be an object of the specific bequest and what can be an object of the regular bequest. It is worth adding that “this list, despite being of enumerative nature, is very broad and in principle allows us to bequeath all specific assets of the property by means of the specific bequest”<sup>14</sup>.

Another very important issue within the context of the subject touched upon in this paper is the attempt to define the meaning of notions used by the legislator in Article 981<sup>1</sup> Section 2 Items 1, 2, 3 and 4 of the Polish Civil Code. The scope of use of the institution of specific bequest of a thing specified as to its identity, transferable property right, enterprise or farm, usufruct or servitude established in favour of the legatee will depend exactly on the interpretation of the above-mentioned notions. Without any verbal changes to Article 981<sup>1</sup> Section 2 of the Polish Civil Code, you may differently shape its scope by employing various definitions of designata of these regulations.

## 2.1 Object of specific bequest – a thing specified as to its identity

Among representatives of the doctrine, considerable doubts were aroused by the listing of things specified as to their identity in Article 981<sup>1</sup> Section 2 Item 1 of the Polish Civil Code with simultaneous indication of transferable property rights in Article 981<sup>1</sup> Section 2 Item 2 of the Polish Civil Code<sup>15</sup>. P. Sobolewski in his legal opinion on the governmental bill amending the Civil Code and certain other laws (*Opinia prawna o rządowym projekcie ustawy o zmianie ustawy – Kodeks cywilny oraz niektórych innych ustaw*) pointed out that “ownership of a thing specified as to its identity is a transferable property right, which means that things mentioned in Article 981<sup>1</sup> Section 2 Item 1 simultaneously constitute an element of Article 981<sup>1</sup> Section 2 Item 2”, and he suggested that “Article 981<sup>1</sup> Section 2 Item 1 should be crossed out, and Item 2 supplemented with a clarification that the object of the legacy may be transferable property rights except the ownership right to fungibles”. All that have led to a search for motives that had induced the legislator to use such solution.

The phrasing used in Article 981<sup>1</sup> Section 2 Item 1 of the Polish Civil Code is a linguistic convention of the civil code commonly used by the legislator. The term of a thing specified as to its identity should be understood as a thing i.e. a material object (Article 45 of the Polish Civil Code). According to well-

established views of the doctrine, it is a part of nature in its original or processed form, separated from others (naturally or intentionally) in a manner that allows it to be treated individually within social and economic relationships expressed by property law, law of obligations or others<sup>16</sup>. Because of the adopted criterion, it further differs from fungibles in that it has individual features, exclusively typical of that thing, or that it is a thing clearly designated by parties to a legal relationship. To be more precise, writing about a thing specified as to its identity always means an ownership right to an individually designated object<sup>17</sup>.

Such form of Article 981<sup>1</sup> Section 2 Item 1 of the Polish Civil Code is a consequence of the principle that only an individualised thing can be the object of ownership. The legislator's direct reference to things specified as to its identity in the regulation may be seen as a prohibition of designating fungibles as objects of the specific bequest. Such non-acceptance can be also justified by difficulties in designating what exactly is the object of the specific legacy in this case<sup>18</sup>. In the justification of the bill, it was argued that “making fungibles (things /rights) belonging to the testator the object of the specific legacy would require their specification e.g. by a transfer of possession which has a dispositive effect, and leads to the acquisition of things (rights) by the legatee”. This limitation is completely well-grounded because of the fact that the object of the specific legacy passes to the legatee on the opening of the succession. To transfer the ownership of fungibles, it is required that such fungibles are isolated and their possession transferred to the acquirer (Article 155 Section 2 of the Polish Civil Code). In the light of the existing prescriptive regulations, it is difficult to indicate a person who would perform such specification.

Moreover, the necessity of specification of the object of the specific legacy in order to acquire its ownership after the testator's death would stand in contradiction to the transfer of ownership on the opening of the succession, and consequently in contradiction to the essence of the specific legacy. For similar reasons, such obligation cannot be imposed on the executor of the will as referred to in Article 990<sup>1</sup> of the Polish Civil Code.

It means that the object of the specific legacy on the opening of the succession should be adequately individualised so not to arouse any doubts. Adoption of such solution, however, does not exclude difficulties in differentiating between fungibles and things specified as to their identity, in particular because of the fact that this division is conventional. On numerous occasions, the classification of an object under things specified as to their identity is based solely on the will of parties. A lot depends on the accuracy with which parties individualise a given thing, since the thing itself may be regarded sometimes as belonging to fungibles and sometimes to things specified as to their identity. In literature, it is commonly established that the requirement of individualisation is met when things are designated in a manner allowing for their assignment to beneficiaries of specific bequests on the opening of the succession<sup>19</sup>.

Moreover, in literature it is often underlined that the criterion for “things specified as to their identity” does not coincide with the notion of “non-fungibles” (things that are not interchangeable). It means that interchangeable things can be the object of the specific legacy, if they are sufficiently individualised, and the legatee can become their owner on the opening of the succession<sup>20</sup>. There is another argument in favour of this stand, namely the obligation saying that a thing being the object of the specific bequest should demonstrate individual traits can be understood in two ways. Individual traits may be possessed not only by one of a kind unique things i.e. not interchangeable objects such as sculptures or pictures of a specific artist. There

<sup>12</sup> E. Skowrońska-Bocian, *Komentarz do kodeksu cywilnego. Księga czwarta. Spadki*, Warszawa 2011, p. 185; K. Osajda, [in:] *Kodeks cywilny. Komentarz. Tom III, Spadki*, (ed.) K. Osajda, Warszawa 2013, p. 571 and next; P. Księżak, *Podstawowe problemy zapisu windykatyjnego*, *Kwartalnik Prawa Prywatnego* 2011, no. 4, p. 1065 and next; J. Turukowski, *Zapis windykatyjny. Komentarz*, Warszawa 2011, p. 29 and next.

<sup>13</sup> E. Skowrońska-Bocian, *Komentarz do Kodeksu cywilnego. Księga czwarta. Spadki*, Warszawa 2011, pp. 185 - 186.

<sup>14</sup> P. Księżak, *Zapis windykatyjny*, Warszawa 2012, pp. 95 - 96.

<sup>15</sup> P. Sobolewski, *Opinia prawna o rządowym projekcie ustawy o zmianie ustawy – Kodeks cywilny oraz niektórych innych ustaw*, *Zeszyty Prawnicze Biura Analiz Sejmowych Kancelarii Sejmu* 2010, no. 4, pp. 104 - 105.

<sup>16</sup> W. J. Katner [in:] *System Prawa Prywatnego, Tom I, Prawo cywilne – część ogólna* (ed.) M. Safjan, Warszawa 2012, p. 1299.

<sup>17</sup> J. Turukowski, *Instytucja zapisu windykatyjnego w prawie polskim*, Warszawa 2014, p. 166.

<sup>18</sup> The justification of the bill, p. 9.

<sup>19</sup> S. Wójcik, F. Zoll, [in:] *System Prawa Prywatnego, tom 10, Prawo spadkowe* (ed.) B. Kordasiewicz, Warszawa 2013, p. 425.

<sup>20</sup> *Ibidem*.

are things with regard to which we can perform individualisation (exactly define the thing in question in a manner arousing no doubts), but individualising treats do not demonstrate so evident unrepeatable features as things in the above-mentioned examples. It leads to further consequences, namely to acceptance, contrary to other suggestions<sup>21</sup>, of a specific bequest in the form of money under the stipulation that it is sufficiently individualised. For example, the money bequeathed should be located in a concrete safe, envelope or chest. In the case of the specific bequest of a certain amount of money kept in a bank account, it is a bequest of a transferable property right not a thing since it is a claim against the bank<sup>22</sup>.

Taking into consideration the regulation contained in Article 47 Section 1 of the Polish Civil Code, a component part of a thing cannot be the object of the specific bequest. For example, it will be impossible to bequeath by means of the specific legacy a part of the real property divided by a land surveyor. Arguments of practical nature speak in favour of accepting dispositions regarding allotments separated by land surveyors despite the fact that they still remain component parts of the real property. Moreover, it will be possible to make a specific bequest of a fractional part of a thing specified as to its identity or a share in the joint ownership of a thing<sup>23</sup>. Although such share is not a thing, it is classified as a transferable property right. Two options are acceptable, namely that such share exists on the opening of the succession or that the testator only in his will sections off such share in his property and dispose of it by means of the specific bequest.

Doubts were voiced in the context of the option of disposing of future things<sup>24</sup> by means of the specific bequest. It is impossible not to agree with E. Gniewek who claims that "future things form a separate category; under no circumstances we can reasonably classify them under things specified as to their identity, and in transactions they are subject to principles relevant for fungibles. Keeping that in mind, we have to exclude future things from the institution of specific bequest"<sup>25</sup>. The argument opposing the stand adopted by the author is the fact that the key issue for establishing whether a given thing belongs to the testator or not is the time of opening the succession and not the time of making the will. At the stage of making the will, an accurate and precise designation of the object of the specific bequest is essential, in this case – designation of the future thing. It results in a situation where the notary public can draw up a notarial testament whereby the testator bequeaths to the legatee a future thing, being sure that in the nearest future he will become its owner.

Therefore, we should be in favour of the stand accepting the option of bequeathing future things by means of the specific bequest. However, we need to add an important stipulation: such object does not have to exist at the moment of making the disposition, neither does it need to be individualised, but it must or should be possible to designate the object by the description contained in the content of the specific bequest on the opening of

the succession. Effectiveness of the bequest of future things depends on the possibility of their identification among things belonging to the property of the testator. It is difficult to find arguments in favour of a different stand. Linguistic interpretation of the regulations cited does not give grounds for excluding future things from the group of objects covered by the specific bequest. Furthermore, arguments of axiological nature also seem to favour this perspective: a deep conviction of the testator that he will acquire a specific thing and will intend to leave it after his death to a person indicated by him. The time of making the will should not thwart such intentions by the lack of the option of bequeathing a future thing by means of the specific bequest.

Among supporters accepting specific bequests of future things are M. Kowalewska and M. Panek who allow for bequeathing future things on the basis of the content of Article 981<sup>3</sup> Section 1 of the Polish Civil Code. They claim that "making a future thing the object of the specific bequest fulfils the hypothesis of Article 981<sup>3</sup> Section 1, and it is tantamount to the stipulation of a precedent condition – establishment of the future thing. According to the mentioned article, the stipulation of a condition or time limit made when establishing the specific legacy is deemed non-existent. This provision, however, does not apply if fulfilment of the condition occurred before the opening of the succession"<sup>26</sup>. This stand is erroneous. The term "condition" used in Article 981<sup>3</sup> should be rather understood in line with Article 89 of the Polish Civil Code as a future and uncertain event. In the case of the bequest of a future thing, the testator does not make anything contingent upon any stipulation, hence it cannot be construed as formulation of a condition in the above-cited meaning; the testator just describes the object of the specific legacy. Because of that, we cannot assume that we are dealing here with the stipulation of a precedent condition.

Summarizing, it should be noted that the thing being the object of the specific bequest does not have to belong to the testator at the time of making the will. The notary public should not require any proof entitling the testator to the object of the bequest. Nevertheless, a detailed description of the bequeathed object plays a very important role at the stage of verification of rights to the specific bequest. At this stage, it is also verified whether the thing designated as the object of the specific bequest belongs to the property of the testator.

It would be convenient to mention now a set of things. Since a set of things (e.g. library or stamp collection) does not constitute a separate category of things within the meaning of Article 45 of the Civil Code, it cannot be the object of the specific bequest. In addition, it is further justified by the fact that a set of things understood as a whole, usually comprised of matching and organizationally combined things with the total value and usefulness exceeding values of its separate components, cannot constitute an individual object of transactions. Therefore, a set of things will not be the object of the specific bequest, but separate things that are its components. That is why the testator needs to make as many specific bequests as there are components in the given set of things. Effectiveness of each component will be evaluated independently. Adoption of such solution may, however, turn out to be problematic in practice. The notary public drawing up the will should enumerate all the components of a given set. The question is what we should do if between the time of making the will and the testator's death his stamp collection is enriched by two new elements. In this scenario, the bequest of future things appears to be helpful. The notary public should define the existing stamp collection (list its elements as on the date of making the will) and add that the object of the specific bequest includes also elements of the set – new stamps – acquired in the future. Such clarification means that the object of the specific bequest is the stamp collection consisting of all the elements that belong to the set on the opening of the succession. Defining the object of the specific bequest in such manner allows us to sufficiently isolate things from the property of the testator and individualise the stamp collection comprising

<sup>21</sup> The justification of the bill, p. 9; W. Żukowski, *Projektowane wprowadzenie legatu windykatyjnego do polskiego prawa spadkowego*, Kwartalnik Prawa Prywatnego 2010, no. 4, p. 1033; E. Skowrońska-Bocian, *Komentarz do kodeksu cywilnego. Księga czwarta. Spadki*, Warszawa 2011, p. 185; J. Górecki, *Zapis windykatyjny – uwagi de lege ferenda* [in:] *Rozprawy z prawa prywatnego, prawa o notariacie i prawa europejskiego*, (ed.) E. Drozd, A. Oleszko, M. Pazdan, Kluczbork 2007, p. 136.

<sup>22</sup> J. Turlukowski, *Zapis windykatyjny. Komentarz*, Warszawa 2011, p. 30; P. Księżak, *Zapis windykatyjny*, Warszawa 2012, p. 99; K. Osajda, *Przedmiot Zapisu windykatyjnego i odpowiedzialność zapisobierców windykatyjnych za długi spadkowe*, Monitor Prawniczy 2012, no. 3, p. 127; M. Kowalewska, M. Panek, *Przedmiot zapisu windykatyjnego w praktyce notarialnej – wybrane zagadnienia*, Rejent 2012, no. 10, pp. 109-112.

<sup>23</sup> S. Wójcik, F. Zoll, [in:] *System Prawa Prywatnego, tom 10, Prawo spadkowe* (ed.) B. Kordasiewicz, Warszawa 2013, p. 426.

<sup>24</sup> E. Skowrońska-Bocian, *Komentarz do kodeksu cywilnego. Księga czwarta. Spadki*, Warszawa 2011, p. 185; J. Górecki, *Zapis windykatyjny w praktyce notarialnej*, Rejent 2012, no. 4, p. 30; P. Księżak, *Zapis windykatyjny*, Warszawa 2012, p. 100 and next; P. Zakrzewski, *Zapis windykatyjny*, Przegląd Sądowy 2012, no. 2, p. 13; S. Wójcik, F. Zoll, *System Prawa Prywatnego, Tom 10, Prawo spadkowe*, (ed.) B. Kordasiewicz, Warszawa 2013, pp. 426 - 427. Compare: E. Gniewek, *O niedopuszczalności zapisu windykatyjnego majątku wspólnego małżonków*, Rejent 2012, no. 1, p. 18.

<sup>25</sup> E. Gniewek, *O niedopuszczalności zapisu windykatyjnego majątku wspólnego małżonków*, Rejent 2012, no. 1, p. 18.

<sup>26</sup> M. Kowalewska, M. Panek, *Przedmiot zapisu windykatyjnego w praktyce notarialnej – wybrane zagadnienia*, Rejent 2012, no. 10, pp. 101 - 102.

stamps as on the date of making the will as well as stamps acquired later until the opening of the succession. Without a doubt, such solution will express the will of the testator – collector whose intention was to hand over the whole collection of stamps systematically enriched with new elements. Any other solution would lead to a conclusion that the testator needs to update his will systematically each time he purchases stamps. It would be, however, too time-consuming and too expensive.

If the testator – collector when defining the object of the specific bequest designates only the set of stamps possessed at the moment of making the will by listing only them in the testament without adding the stipulation that the object of the specific bequests extends to stamps purchased in the future, items bought thereafter are considered to be a part of the estate. If the testator wants to hand over the stamps systematically acquired after drafting the will, he should make further specific bequests covering newly purchased stamps and indicate their legatee.

Often source literature also points out the fact that an individualised subset separated from fungibles can be the object of the specific bequest<sup>27</sup>. Such opinion is correct. Such bequest will be effective if the testator in a sufficiently precise manner isolates the subset bequeathed from the set. The object of the legacy passing to the legatee on the opening of the succession cannot raise any doubts.

## 2.2 Object of specific bequest - transferrable property rights

Another object of the specific bequest listed in Article 981<sup>1</sup> Section 2 of the Polish Civil Code may be also transferrable property rights. It is a quite wide category covering, among others: ownership rights, perpetual usufruct, rights to intangibles of proprietary nature, stocks, bonds and other securities, cooperative member's ownership right to residential premises, receivables. Transferability of a right should be assessed as on the opening of the succession. Similarly as in the case of things specified as to their identity, here as well it does not matter whether the bequeathed right exists, whether it is transferable and whether it is a part of the property of the testator at the moment of making the will. The opening of the succession is the time taken into consideration. Such right cannot, however, be excluded from transactions.

Such shape of the regulation lead us to the conclusion that the object of the specific bequest cannot be a non-transferable right such as usufruct, personal servitude, right of first refusal or buy-back right, rights whose non-transferability results from legal validity of legal transactions, even if they are shaped as hereditary. It leads to significant practical consequences. For example, the testator – the stamp collector – during times of crisis becomes short of means. In order to obtain financial resources, he decides to sell a part of his collection of stamps, reserving the buy-back right hoping for a better economic situation in the future. In the meantime, he makes his daughter the specific legatee of his stamp collection. Under applicable prescriptive regulations, the testator could not bequeath to his daughter the buy-back right since it is non-transferable, although hereditary. The buy-back right, because it is non-transferable, cannot be the object of the ordinary bequest, and consequently heirs will not be able to deliver such bequest. In the event of death of the testator, such right will become a part of the estate and heirs will be able to execute it. From this perspective, the adopted solution can be criticized. More suitable would be accepting hereditary rights rather than transferable property rights as objects of specific bequests. It is difficult to find justification for the view that a hereditary right which is non-transferable cannot be the object of the specific bequest. In literature, many suggest that Article 981<sup>1</sup> Section 2 of the Polish Civil Code should be wider interpreted by referring to teleological interpretation, which would allow for bequeathing non-

transferable rights that are hereditary<sup>28</sup>. Such concept seems to be too far-reaching and for now can be only a *de lege ferenda* proposal.

We need to assume that within the present legal system, it is not permitted to bequeath by means of the specific bequest rights which are non-transferable, although hereditary, despite the lack of structural obstacles which occur in the case of the ordinary bequest, for instance. In consideration of the above, a proper amendment of the regulation should be suggested.

## 2.3 Object of specific bequest - an enterprise or agricultural farm

The object of the specific bequest can be also an enterprise or agricultural farm. Combining these types of estate in one item is not random. Enterprises and agricultural farms are sets of material and non-material components functionally connected with each other in order to conduct a specific business activity. What is more, in the majority of cases both enterprises and agricultural farms change over time. Expanding the scope of the conducted business activity or production activity changes their composition. Over time, some component parts are replaced by others, some are purchased or established, others vanish irretrievably. For that reason, crucial issues are common for enterprises and agricultural farms. Considering the subject of the article and space limitations, I will just mention occurring problems. They, however, deserve a separate dissertation since the topic is vast.

Even before the enactment of the amending act introducing the institution of specific bequest into Polish law, recognising such types of estate like an enterprise and agricultural farm as objects of the bequest caused many reservations. In literature, some pointed out practical problems related to insufficient separation of elements of an enterprise or agricultural farm from the property of the testator, which in turn may entail evidential difficulties in indicating what assets make up the property<sup>29</sup>. After introducing the bequest with an effect on real rights whose object can be a agricultural farm established under Polish law, similar doubts were voiced by A. Stempniak. The author claimed that “there can be some doubts when defining certain property rights and classifying them under an enterprise or agricultural farm subject to the specific bequest”<sup>30</sup>. On the other hand, Z. Truszkiewicz believes that „while the specific bequest of separate rights may be considered uncomplicated, the specific bequest of an enterprise or agricultural farm is a very complex legal transaction”<sup>31</sup>. We need to agree with the above-mentioned views. Undoubtedly, making a specific bequest of a agricultural farm in the notarial testament as well as later execution of the testator's will may turn out to be very complicated in practice. There is a significant difference between a specific bequest of one or several things and a bequest of an estate with complex and changeable composition.

Under Polish law, there is no universal notion of an enterprise or agricultural farm. Even from the perspective of the Civil Code, this concept has not had a uniform nature. Similarly, the introduced regulations concerning the specific bequest do not establish any particular principles on the basis of which we could specify its object in the form of a agricultural farm. This issue refers us back to definitions of the enterprise and agricultural

<sup>28</sup> S. Wójcik, F. Zoll [in:] *System Prawa Prywatnego, tom 10, Prawo spadkowe* (ed.) B. Kordasiewicz, Warszawa 2013, p. 427.

<sup>29</sup> P. Sobolewski, *Opinia prawna o rządowym projekcie ustawy o zmianie ustawy – Kodeks cywilny oraz niektórych innych ustaw*, Zeszyty Prawnicze Biura Analiz Sejmowych Kancelarii Sejmu 2010, no. 4, pp. 106 - 107.

<sup>30</sup> A. Stempniak, *Nowelizacja Kodeksu cywilnego w zakresie prawa spadkowego*, Monitor Prawniczy 2011, no. 12, p. 631; E. Gniewek, *O niedopuszczalności zapisu windykacyjnego przedmiotów majątku wspólnego małżonków*, Rejent 2012, no. 1, p. 22.

<sup>31</sup> Z. Truszkiewicz, *O niektórych skutkach zapisu windykacyjnego przedsiębiorstwa lub gospodarstwa rolnego. Rozprawy z prawa prywatnego oraz notarialnego* [in:] *Księga pamiątkowa dedykowana profesorowi Maksymilianowi Pazdanowi*, Warszawa 2014, p. 399; P. Księżak, *Zapis windykacyjny gospodarstwa rolnego* [in:] *Z zagadnień prawa rolnego, cywilnego i samorządu terytorialnego. Księga jubileuszowa Profesora Stanisława Prutisa*, (ed.) J. Bieluk, A. Doliwa, A. Malarewicz-Jakubów, T. Mróz, Białystok 2012, p. 510.

<sup>27</sup> M. Kowalewska, M. Panek, *Przedmiot zapisu windykacyjnego w praktyce notarialnej – wybrane zagadnienia*, Rejent 2012, no. 10, pp. 102 - 104.

farm. It is fundamental to solve issues expressed in the following questions. First of all, we need to determine whether in the case of the specific bequest of a agricultural farm or enterprise we are dealing with a bequest of its specific component parts i.e. things composing given agricultural farm or enterprise and rights related to its operation, or it is a bequest of a agricultural farm, enterprise/ farm as a set of organized elements, or perhaps we should adopt a different construction of the bequest: "a bequest of the right to a agricultural farm" and "a bequest of the right to an enterprise" assuming that such right can be isolated under the present legal system. Answers to questions posed in this manner have a considerable significance for determining legal and actual effects of the specific bequest of a agricultural farm, enterprise on individual elements composing them.

#### 2.4 Object of specific bequest – a usufruct or servitude established in favour of the legatee

Under cited Article 981<sup>1</sup> Section 2 of the Polish Civil Code, it is possible to make a specific bequest of two limited property rights – usufruct and servitude<sup>32</sup>. This regulation has caused doubts of terminological nature that were voiced already at the stage of assessment of the governmental bill introducing the institution of specific bequest. Reservations were presented by P. Sobolewski who claims that "the phrasing that »the object of the specific bequest can be a usufruct or servitude established in favour of the legatee« is at variance with the meaning assigned to the notion of »an object« (legal transaction/legal relationship) in civil law. The object of a legal transaction/legal relationship is a specific class of items (e.g. things) or rights (e.g. transferable property rights), and such meaning of the object is employed in Article 981<sup>1</sup> Section 2 Item 1,2 and 3 of the Polish Civil Code"<sup>33</sup>. At the same time, the author suggests that Item 4 of Article 981<sup>1</sup> should be replaced by Section 3 added to Article 981<sup>1</sup> which would say that the specific bequest may incorporate also establishment of limited real rights – usufruct and servitude.

Nevertheless, it seems that despite all the doubts expressed, this issue does not require any correction. We need to take into account that Article 981<sup>1</sup> of the Civil Code does not indicate any object of a transaction or legal relationship in the true sense of the word, but it indicates only the object of the testamentary disposition<sup>34</sup>. Moreover, the doctrine presents views that there is "an agreement establishing usufruct". For instance, A. Sylwestrzak writes that "under the doctrine, establishment of usufruct is often tantamount to establishment of usufruct on the basis of an agreement"<sup>35</sup>. It brings us to the conclusion that the object of the agreement establishing usufruct is the actual usufruct.

The option of making usufruct and servitude objects of the specific bequest should be evaluated as positive. Taking into consideration the fact that usufruct extinguishes at the moment of death of the testator, it would be impossible to bequeath existing usufruct by means of the specific bequest. In addition, the fact that usufruct is non-transferable, its establishment is impossible on the grounds of Article 981<sup>1</sup> Section 2 Item 2 of the Polish Civil Code referring to the category of transferable property rights. Under Article 299 of the Polish Civil Code, personal servitude extinguishes at the latest upon the death of the entitled person. Predial servitude cannot be a separate object of transactions since it is connected with the ownership right to the dominant tenement. If the dominant tenement is the object of the specific bequest, predial servitude will also pass to the beneficiary of the bequest. In the event where the object of the specific bequest is a real property encumbered with servitude, such servitude will encumber the beneficiary of the bequest. On

the opening of the succession, the legatee will become the subject of the real right encumbering the thing which belonged to the testator. Similar implications occur in the case of personal servitude.

In this place, it is worth it to refer to the regulation of Article 981<sup>2</sup> of the Polish Civil Code which corresponds to Article 981<sup>1</sup> Section 2 Item 4 of the Polish Civil Code. The cited norm clarifies that if the object of the legacy is usufruct or servitude established in the legatee's favour, the legacy is ineffective if at the time the succession is opened the property item which was to have been encumbered with the usufruct or servitude did not belong to the estate or the testator had been obliged to dispose of it. While the option of establishing usufruct and servitude by the testator within the freedom of administering his property is not questioned, making effectiveness of their establishment contingent upon the thing being part of the estate is particularly debatable. The literal meaning of the regulation and the phrase "did not belong to the estate" used in it lead to important consequences. In such case, it is impossible to bequeath a thing by means of the specific legacy and encumber it with usufruct at the same time since such thing does not enter the estate. Such interpretation meets with many objections, because it is difficult to find a reasonable answer to the question why a specific asset of the testator's property can be encumbered with usufruct when entered into the estate and cannot – when subject to the specific legacy. The drawn conclusion is that the used form should be rather construed as a legislative defect rather than a well-thought-out legislative provision with a substantive justification. In literature, some believe that "in this regulation »the estate« should be understood as the testator's property"<sup>36</sup>, to be more precise "the property that on the opening of the succession was owned by the testator, and not the mass of the succession that will pass to the testator's heirs (after taking into account singular succession of things covered by specific bequests)"<sup>37</sup>. In summary, the estate in Article 981<sup>2</sup> of the Polish Civil Code should be understood as everything that belongs to the testator and is subject to both universal and singular succession. Such interpretation demonstrates that it is not significant who acquires the right to the thing – whether an heir or a beneficiary of the specific bequest – but that the thing on the opening of the succession belongs to the testator, by which structural coherence is maintained.

It is worth it to underline the constitutive nature of such regulation. The usufruct and servitude established in the testament will become effective only on the opening of the succession, and from this time onwards the beneficiary of the specific bequest may exercise his entitlements. Additionally, we need to emphasize that you cannot encumber the legatee with a payment for establishing the usufruct or servitude, since the specific bequest cannot constitute a source of liability for the legatee.

What is more, source literature points out that this provision is ineffective if on the opening of the succession the testator was only a co-owner of the thing encumbered with servitude/ usufruct<sup>38</sup>. It seems, however, that such stand is groundless. This opinion was rightly criticised by S. Wójcik and F. Zoll, who stated that "in this case it would be better to allow for conversion of such regulation into usufruct encumbering only the share". The situation where the testator is not the owner of the thing on the opening of the succession is not identical to the event where he is its co-owner. Nevertheless, it is difficult to talk about conversion, perhaps we can talk rather about establishment of usufruct/servitude on the share in the thing belonging to the testator<sup>39</sup>. Simultaneously, we need to allow for a partial ineffectiveness of the specific bequest with regard to the share not belonging to the testator since servitude/usufruct cannot be established on such share.

<sup>32</sup> Usufruct can be imposed on immovables, movables and rights, servitude can be imposed only on immovables. Encumbrance of things specified as to their identity and fungibles is also possible.

<sup>33</sup> P. Sobolewski, *Opinia prawna o rządowym projekcie ustawy o zmianie ustawy – Kodeks cywilny oraz niektórych innych ustaw*, Zeszyty Prawnicze Biura Analiz Sejmowych Kancelarii Sejmu 2010, no. 4, p. 105.

<sup>34</sup> J. Turłukowski, *Instytucja zapisu windykacyjnego w prawie polskim*, Warszawa 2014, p. 201.

<sup>35</sup> A. Sylwestrzak, *Użytkowanie. Konstrukcja prawna*, Warszawa 2013, p. 122.

<sup>36</sup> J. Turłukowski, *Instytucja zapisu windykacyjnego w prawie polskim*, Warszawa 2014, p. 203.

<sup>37</sup> P. Księżak, *Zapis windykacyjny*, Warszawa 2012, p. 123.

<sup>38</sup> *Ibidem*, p. 124.

<sup>39</sup> J. Turłukowski, *Instytucja zapisu windykacyjnego w prawie polskim*, Warszawa 2014, p. 207.

Both the thing and the right can be encumbered with the right to use. It seems that irregular usufruct cannot be the object of the specific bequest<sup>40</sup>. It consists of use of money or other fungibles. Apart from an agreement, to establish irregular usufruct it is also necessary to release the thing to the usufructuary. Making a specific legacy of irregular usufruct would lead to a situation where it is necessary to release e.g. money to the usufructuary in order to make the usufruct effective. It is contrary to the structure of the specific legacy which assumes that usufruct becomes effective on the opening of the succession. The specific legacy cannot be executed by third persons in favour of the legatee.

Predial servitudes, personal servitudes as well as transmission easement can be the object of the specific legacy. On the opening of the succession, the testator cannot be obliged to dispose of the immovable that is to be encumbered with a predial or personal servitude. In the case of the predial servitude, the testator should define the servitude and the servient tenement in the notarial testament. As far as the dominant tenement is concerned, the testator has two options because he can define such immovable and name the owner of the immovable or indicate only the dominant tenement. By choosing the first option i.e. naming the owner of the immovable (first and last name), there is a threat that on the opening of the succession the indicated person will not be the owner any more. For example within the time frame from the moment of drafting the will to the testator's death, the owner of the immovable can sell it. Would the specific legacy be effective in such case? J. Turlukowski aptly remarks that "the provision concerning a certain person cannot be interpreted as if devoid of significance for the testator and only as a further specification of the content of the specific legacy"<sup>41</sup>. However, we need to acknowledge that the actual intent of the testator will be of decisive importance. It can turn out that for the testator it did not actually matter who was the owner of the dominant tenement. If such event, we should recognise the specific bequest as effective. If, however, we can explicitly determine that indication of the owner of the immovable by first and last name was of key significance to the testator, such specific legacy will be deemed ineffective.

### 3 Conclusion

Summarizing, we should observe that the idea of supplementing Polish succession law with new solutions allowing for a better execution of the testator's will and allowing testators to directly transfer assets of their property to specific person deserves our approval. The introduction of the specific bequest, an institution known in central Poland for almost 140 years, should be welcomed enthusiastically<sup>42</sup>. It is a solution that makes a great step towards meeting social expectations within succession law. Nevertheless, some of the detailed legislative ideas selected by the legislator are controversial and difficult to interpret. The analysis of views presented by representatives of the doctrine regarding the object of the specific bequest shows that contentious issues and interpretation doubts are numerous. It negatively impacts the practical use of the institution. Developing a uniform stand on the interpretation of the introduced regulations by the doctrine would help the legislator to properly fulfil its functions established by the legislator - functions which were also the motives for implementing this institution in Polish law.

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### Primary Paper Section: A

### Secondary Paper Section: AG

# FAMILY CARE AS THE MOST SIGNIFICANT SYSTEM BARRIER TO WOMEN'S POLITICAL ACTIVITIES IN SLOVAKIA ON THE EXAMPLE OF MUNICIPAL FEMALE-MAYORS

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**Abstract:** The paper deals with the low representation of women in politics, focusing on the barriers that impede their performance of the public function. On the basis of realized research among the municipal female-mayors, as the most significant system barrier to employment of women in politics proved to be the family care. The author defines this barrier and identifies how it shapes the political career of women.

**Keywords:** woman, politics, barrier, family, municipal female-mayor

## Introduction

Differentiation of world in the public and private sphere belongs in terms of the structure to constitutive elements of modern society. As a public area has developed the sphere of politics, education, culture, science and the economy, and as a private sphere has constituted above all care for the family and household. While the public sphere is identified by the action of men, private sphere has developed as an area of activity for women. Dualism of public and private life is closely linked with the idea that men and women live in such a divided world in a different way. These divided worlds will never act as the equivalent to each other - their relationship is highly hierarchical. Private sphere represented by a woman is always in a subordinate position to the public sphere represented a man<sup>1</sup>. Historically, women were excluded from the public sphere for long time, and they were not given the opportunity to participate in the power which occurred in this area.<sup>2</sup> Today, a woman does not belong only to the private sphere long ago, but she is a normal part of the public sphere. However, to think that the time when woman was assigned exclusively to the home area is gone does not correspond to reality.<sup>3</sup> Despite the fact that the boundaries between these two worlds are not as clear as in the past, both spheres remain gender-differentiated. This is currently manifested mainly in the relationship between career and family life. While women are moving as if on the border between the two spheres of life, men continue to dominate the public sphere. New targets for women in the form of involvement in activities related to public life are not eliminating their traditional domestic duties. As problematic proved to be difficulties arising from women's parallel activities in both spheres, which is usually referred to in sociology as the concept of the double burden<sup>4</sup>. In relationships where both partners are employed, mostly women spend more time caring for children and the household. Women at the same time act as paid workers operating in the public sphere, while the society expects them to do the unpaid housework.

Despite the fact that women are currently present at all levels of social space, they are still not represented in all its areas. The dominant masculine area where the presence of women is still significantly limited includes area of politics. Exclusion of women from this sphere of power has been for long time natural in the society, and although today is the participation of women in legislative and executive positions already considered as important<sup>5</sup>, their presence is not sufficient. The problem is that

women (also within the politics) are often concentrated more on lower (subordinate) positions in the hierarchy and rarely occupy high decision-making positions<sup>6</sup>. In Slovakia is a perfect example the function mayors of municipalities, which is within all kinds of politics mostly of represented by women. Even here, however, can be seen a number of obstacles which unable women to perform the public function free of problems.

## 1 Participation of woman in political life in Slovakia before and after 1989

The low participation of women in political life is still normal and accepted phenomenon in the Slovak society. A great role in this plays gender stereotypes that are usually defined as an idealized and simplified images and ideas of "typically" male and female characteristics, activities or behaviours that result in preventing or limiting the full personal development.<sup>7</sup> Politics is regarded accordingly as strictly masculine domain in which women should not interfere. This opinion, according to some authors, results from Slovak traditionalism and patriarchal way of thinking, which is the heritage of rural social structure and have a significant impact on opinions about the role of women and men in the family and society.<sup>8</sup>

The situation regarding women's representation in political structures in the recent past was marked by the formally declared equality between men and women and the actual emancipation of women was proclaimed to be an important victory of the Communist Party politics. *"In fact, the socialist women became victims of emancipation trapped in two full-time employment - at home and at work."*<sup>9</sup> Emancipation during socialism, however, was not the result of the women's movement fighting for equal rights and opportunities. Women gained more rights without any political struggle. The only official women's organizations operating in the country was Slovak Women Union, which was part of the Czechoslovak Women Union and had its branches at all levels. Like all other political or interest organizations during the socialist period, the Union was a member of the National Front, which was under the control and monopoly of the Communist Party.<sup>10</sup>

Women's participation in the legislative power was secured through quotas. *"The proposed share of women on candidate lists in the Czechoslovak Socialist Republic was 30%, while majority of the women represented the working class and the agricultural sector and only a small symbolic number of women represented so-called 'working intelligence'. All male and female candidates were selected by the communist party and the election only confirmed their candidacy. Despite the relatively high number of women in the legislature their participation in politics was formal, as the Parliament or the government adopted 100% of a drafts prepared by the Communist Party. The election results, however, were always celebrated as a victory*

democracy. Masculine monoculture and significant gender asymmetry of power indicates the risk of a insufficient or complete absence of a certain kind of representation of interests and experience in law and public policy. See HOLUBOVÁ, B.: *Súhrnná správa o stave rodovej rovnosti na Slovensku za rok 2010*. [online]. 2011 [cit. 2015-11-11] Available at [http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava\\_RR\\_2010.pdf](http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava_RR_2010.pdf)

<sup>6</sup> See e.g. situation in Slovakia CVIKOVÁ, J. (eds.): *Áká práca, taká pláca? Aspekty rodovej nerovnosti v odmeňovaní*. Bratislava: ASPEKT, 2007. 134 p.

<sup>7</sup> PORUBÁNOVÁ, S.: *Slovenská republika a rovnosť príležitostí mužov a žien: stav, problémy, výzvy*. Bratislava: Nadácia za toleranciu a proti diskriminácii, 2006. p. 6.

<sup>8</sup> E.g. BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 105.

<sup>9</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 40.

<sup>10</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 40.

<sup>1</sup> KICZKOVÁ, Z. 2011. Vzťah verejnej a súkromnej sféry z rodového hľadiska. In KICZKOVÁ, Z. (eds.), SZAPUOVÁ, M. (eds.): *Rodové štúdiá. Súčasné diskusie, problémy a perspektívy*. Bratislava: Univerzita Komenského, 2011. p. 183.

<sup>2</sup> The legal and social position of women and gender relations in past in the area of contemporary is analysed in DUDEKOVÁ, G.: *Na ceste k modernej žene. Kapitoly z dejín rodových vzťahov na Slovensku*. Bratislava: VEDA, 2011. 774 p.

<sup>3</sup> See e.g. LIPOVETSKÝ, G.: *Tretí žena: nemennosť a proměny ženství*. Praha: Prostor, 2007. p. 267.

<sup>4</sup> FILADELFOVÁ, J., KOBOVÁ, E.: *Glosár rodovej terminológie*. [online]. 2014 [cit. 2015-11-11] Available at <http://glosar.aspekt.sk/default.aspx?smi=1&ami=1&vid=20>

<sup>5</sup> Arguments for equal representation of women in politics are based on the principles of participatory and representative democracy as an indicator of quality and degree of



'socialist democracy' and compared with the low representation of women in politics in the 'capitalist countries'.<sup>11</sup>

After the fall of communism, women have had to face new social pressure which pushed them to return to the traditional role of women - family and children. "Some public officials welcomed the democratization and liberalization as the great opportunity for women to be able to stop working, 'go back home' and devote their lives to children and families (...)"<sup>12</sup> This approach, however, mainly for economic reasons, have not found many followers.

A high percentage of the female workforce in Slovakia was not reflected adequately on women's participation in political and citizen life. Since 1989, the number of women in political life drastically decreased and although in recent years, it is slowly growing in almost all areas of political and civic life, the current representation of women in political bodies of the Slovak Republic shows continuing de facto political marginalization of women in politics.

## 2 Representation of woman in the local government bodies

From all areas of politics communal politics should be the one that is closest to the citizens. It should enable the easiest participation of people. Despite this, however, the representation of women at this political level is rather low, which is regularly evidenced in the elections to municipal bodies.<sup>13</sup> However, it is still one of the few levels of women's political representation without significant digressive fluctuations.<sup>14</sup>

In municipal elections in 2014 ran for mayor total of 8 760 people, 2 145 of which were women and 6 615 men. Number of men who were elected for mayors was decreased by 37 persons comparing to municipal elections in 2010. Number of women slightly increased; in 2010 municipal elections was elected 653 women, while in 2014 the number of women increased by 20. In the municipal elections in 2014, the citizens voted 1 211 mayors who were supported by specific political parties, and as independent was elected 1100 candidates. Compared with 2010, when 979 candidates were elected, this number increased.<sup>15</sup>

Table: Gender composition of elected mayors 1994 – 2014.

Source: Statistical office of the Slovak Republic

Year of municipal elections	Total number of elected persons	Of which women	Share of women in percent (%)
1994	2750	418	15.2
1998	2766	484	17.5
2002	2913	541	18.6
2006	2905	601	20.7
2010	2909	653	22.5
2014	2909	673	23.1

It is typical for the municipal politics that the mayors of small municipalities are women, and their number is decreasing with growing size of the town (so-called "funnel effect").<sup>16</sup> Research has shown that women are approximately equally represented both in the traditional municipalities as well as a modern municipalities, and regional division, religion or ethnicity have no effect on the percentage of women. The only significant factor among the characteristics of the municipality resulting in

differentiating was the size of the municipality.<sup>17</sup> The usual interpretation of this state is that the mayor position in such municipalities, mainly regarding the power and the money, is not attractive enough. Elected representatives of small municipalities have available limited financial and human resources, but often exactly the same amount of responsibilities than in larger municipalities. Men prefer rather larger local governments since the property and personal substrate available here is larger. Women in small municipalities run for the office less for their personal gain and are more motivated by their desire to help the community. Reason for the higher representation of women in small municipalities may be also that the work of the mayor does not require a change of residence and is easily compatible with caring for a family. Since daily contact with the family is maintained, a conflict of private and public activity is weaker when working at the local level than in national positions.<sup>18</sup>

Statistical data show that the development of representation of women in Slovak politics has been low over long period, and indicate that the patriarchal structures persist at all levels of political representation. Although the number of women is slowly and continuously growing especially in the local government bodies, even here the representation of women does not exceed 25%.

## 3 Barriers to Participation of women in politics

There is a number of theories based on research that seek to explain the low representation of women in politics. Reasons preventing women to be active in the public sphere is generally referred to as barriers. Some of the theories resort to seeking psychological barriers consisting mainly in the lack of interest of women in politics, their incompetence and lack of assertiveness. Other theories have a more systemic character, because they see the causes in the very nature of culture and society. Others see reasons in of the missing, incorrect or inadequate anchoring of legal measures aimed at increasing the participation of women in public affairs. Barriers to entry of women into political office can be seen in several factors related to the socio-cultural setting of the society. Some barriers are evident, and others more hidden and sophisticated related to the mechanisms and practices established by the ongoing public domination of men in this area.

Barriers to participation and representation of women can be generally divided in several categories:

- a) individual
- b) system
- c) institutional.<sup>19</sup>

The individual barriers include especially low self-esteem of women, lack of assertiveness, cooperation instead of rivalry, but also the lack of female solidarity. In some countries as a barrier to women's representation is considered education or lack of competence and skills. This fact, however, is apparently of little importance important in Slovakia as the level of education of men and women is very similar and in some indicators women reach even higher levels of education than men.<sup>20</sup> Within the system barriers to entry of women into politics is most commonly listed family that plays the most important role in decision-making of women. Another factor is traditionalism as traditional values combined with patriarchal patterns of behaviour and thinking constitute strong support for maintaining prejudices and stereotypes, especially in rural areas and small towns. Preservation of old customs, spiritual and cultural

<sup>11</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 40-41.

<sup>12</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 41.

<sup>13</sup> HOLUBOVÁ, B.: *Účasť žien v politike – postoj, stav a perspektíva*. [online]. 2010 [cit. 2015-11-11] Available at [http://www.instituttr.sk/download/b\\_holubova\\_5.pdf](http://www.instituttr.sk/download/b_holubova_5.pdf)

<sup>14</sup> HOLUBOVÁ, B.: *Súhrnná správa o stave rodovej rovnosti na Slovensku za rok 2010*. [online]. 2011 [cit. 2015-11-11] Available at [http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava\\_RR\\_2010.pdf](http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava_RR_2010.pdf)

<sup>15</sup> Source: Statistical Office of the Slovak Republic (Štatistický úrad Slovenskej republiky)

<sup>16</sup> See e.g. FILADELFIÓVÁ, J. – RADIČOVÁ, I. – PULIŠ, P.: *Ženy v politike-dôsledok tranzície verejnej politiky?* Bratislava: MPSVR SR, S.P.A.C.E., 2000. 134 p.

<sup>17</sup> FILADELFIÓVÁ, J. – RADIČOVÁ, I. – PULIŠ, P.: *Ženy v politike-dôsledok tranzície verejnej politiky?* Bratislava: MPSVR SR, S.P.A.C.E., 2000. p. 54-56.

<sup>18</sup> HOLUBOVÁ, B.: *Súhrnná správa o stave rodovej rovnosti na Slovensku za rok 2010*. [online]. 2011 [cit. 2015-11-11] Available at [http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava\\_RR\\_2010.pdf](http://moznostvolby.sk/wp-content/uploads/2014/08/Sprava_RR_2010.pdf)

<sup>19</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 106.

<sup>20</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 106-108.

traditions is promoted through the very low level of social and geographical mobility and high social control within communities. A significant role plays the religion for which the role of women is mainly in the family. As a further barrier is often mentioned an opinion that politics is a male domain, or opinion that women are not interested in politics. But until women show sufficient interest in participating in politics, no quotas can help and the desired progress may not be even achieved.<sup>21</sup>

One of the institutional barriers to entry into politics is primarily the electoral system. It is based on proportional representation on the candidate list, which means that women have good chance of being selected. But the reality is that even with an increase in the number and proportion of female candidates on the candidate lists their representation is still not high. For low number of women at any level of politics in Slovakia bear the responsibility the political parties themselves, which have competence to compile a gender-balanced candidate lists. Parties declaring the democratic approach should pay attention that the candidate lists reflect the composition of the population they want to reach.<sup>22</sup>

#### 4 Research

The topic of women's participation in politics is not sufficiently explored in Slovakia, and therefore detecting of experiences of Slovak female - politicians and their attitudes to political representation still it has meaning. Even more so in relation to municipal politics, that is still insufficiently addressed in our territory. The research results can be thus beneficial as a statement on the gender culture of our society. The purpose of the research was to identify the obstacles that impede or in any way diminish involvement of women in politics, and also determine how these barriers are lived and interpreted by female politicians themselves. Our research was based on personal experiences and views of women participating in municipal politics. The research was performed in a standard manner ensuring anonymity for respondents.

For the purposes of this research, qualitative research strategy was chosen, as it's clear advantage over the quantitative research strategy is precisely that it allows a deeper understanding of observed reality, and thus enables better reflection of the understanding, experiencing and creating of the social reality from people. Within it, it's in fact possible to acquire data in all its depth, without having to reduce them.

The basic criterion of selection was a woman - municipal politician. Randomly we addressed ten mayoresses of municipalities of different sizes located in the district of Banská Bystrica, Zvolen, Detva and Krupina, i.e. approximately in the middle of Slovakia. Other criteria were not taken into account in the selection.

For investigating of the obstacles to women's political activity, structured questionnaire with predetermined nine questions was selected, which served as a technique to collect data for this research. The questions concerned both general matters relating to the participation in municipal politics but also specific facts aimed at answering the main purpose of research – detecting of obstacles to women's political participation. The questions were composed as follows:

1. What are the motives, circumstances and facts that led you to run for mayor of the village? Have you run because of your own conviction, or based on some external stimulus (being addressed by a particular person, a community of people, political parties, etc.)?
2. How long is the time – period that you hold the post of mayoress for?

3. Have you consulted the candidacy for the post of mayoress with someone in your community? If yes- whom with and to what extent did you follow the opinion of this person / these persons?
4. What were the reactions of your community to your candidacy for the post of mayoress?
5. Do you see any obstacles in the exercise of your function?
6. Have you ever encountered, from the side of people with whom you come into contact with, emotionally tinged (positive / negative) reactions to what post you hold as a woman?
7. Has your life changed after taking the office of mayoress? If so-in what terms?
8. Do you have the ambition to engage also at a higher political level (regional politics, national politics)? If yes / no-why?
9. What is your marital status (single, married, divorced, mother)? If you are a mother, what is the age of child/children?

Answered questionnaire questions were thus our output data, which we subsequently analyzed and interpreted. The return of sent questionnaires was at 80%. Of these, it was found that three women had already previous experience in municipal politics, and, as it turned out in case of five of them, they are new to politics. Also, from the information available it could be concluded that all female - politicians interviewed are mothers of a child or children, while four of them have minor children and four of them are mothers of children over 18 years.

Family emerges as the most important element influencing the political career of addressed women also in our research. In this respect, we decided to give it a dominant attention and analyze it in the context of the political representation of women. Although some of the other obstacles to women's participation in politics were also documented, due to their insignificant occurrence in the responses of addressed women as well as the thematic focus and the required extent of the report, these will be discussed only marginally. Some representative quotes of the addressed mayors were used in verbatim transcription.

Questionnaires show that women's decision to enter politics is primarily based on the effort to improve several areas life of the community in which they live. Up to five addressed women decided to run because of their own conviction, two respondents did so on the initiative of citizens, and one respondent upon nomination by a particular political party. When considering the actual entry into politics, the support of husband and family was the key issue for all women. That was exactly what decided whether the woman shall or shall not run for the post. Should they not have the support, some respondents were willing to give up their political career. This fact is significantly shown by particular statement of one of the respondents that says in the questionnaire: *"I ran because of my own conviction, but without the support of people around me, especially my husband, as well as number of citizens of the village, I would not go for it."* Totally common were so called "meetings", i.e. women consulted the decision on the entry into politics with family. All mayoresses addressed consistently confirmed that they consulted their entry into politics with the closest persons. However, this approach is obviously not gender-specific and serious consultation of such a decision can be expected even in case a man enters politics. Since interviewed were the mayoresses, who had already previous experience in municipal politics, it is possible to determine or at least deduced that these family meetings are held in case any other candidacy to municipal authorities and it's not just a one-off. One of the respondents in this regard, said: *"(...) before each election I consult with my family members whether I run or not. Their opinion is very important to me because it allows me to get feedback on coping my work commitments and the lack of time for them."*

From the questionnaires it was found that the reactions of the immediate community to the nomination of addressed women for the post of mayor of the village were mostly positive. Only in one case addressed woman spontaneously stated that some of her

<sup>21</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 109-114.

<sup>22</sup> BITUŠÍKOVÁ, A.: *Ženy v občianskom a politickom živote na Slovensku*. Banská Bystrica: Ústav vedy a výskumu Univerzity Mateja Bela v Banskej Bystrici, 2005. p. 115-121.

close ones tended to express certain worries or even concerns in connection with her possible future participation in politics. These result from the nature of the politics, which they considered *"inappropriate for women"*. Their response is therefore clearly based on stereotypes according to which women are too fragile to participate in politics. Their doubts did not let the female – politician give in. The testimonies of respondents, however, indicated that all but one have never met with some negative reactions of community to what post they hold as women. This might also be caused by the fact that they all operate in the region, where the representation of women in municipal politics is relatively large. This is mainly in the district of Krupina<sup>23</sup>, which is known by persistently high share of women in the post of Mayor. This state probably doesn't come strange or unusual to any of their male - colleagues, and they accept it.

Three of the respondents with regard to the specifics of their profession directly mentioned the tolerance of their closest ones in the questionnaires, as it significantly facilitates and fosters the execution of their function. The most notable seemed to be husbands' forbearance as for them wives' public activity often means a considerable interference with their private life. One of the respondents described it as follows: *"(...) without the assistance of my husband, I would probably not handle the function of mayor. He is tolerant, understanding and willing to help. Can I rely on him in every aspect."*

In questionnaires was also detected as a source of stress the relationship between political function and the raising of minor children itself. What attitude female – politicians have towards the possibility to adapt the exercise of political function with the care of children, is largely related to their own experiences. Up to seven of addressed municipal female-politicians either explicitly or implicitly stated that the decisive factor that affects coping of political work and family responsibilities is exactly the age of the child. One of the respondents assessed this state in the context of the stated like this: *"My life has changed dramatically after taking the office (...). I am divorced, my son is independent, so my time is not limited by family. In mayoresses' families with small children, this work requires a great tolerance of partners. Family life is completely marked by our work."* Those women who had at the time of their duty minor children, described the alignment of political activity with childcare as challenging and based on concessions on both spheres - private and public. Two of the addressed women said expressly that they entered politics only after their children become adults, and they no longer had the duty to care for them. It is quite a logical step, moreover, accepted by the society as female - politicians whose behavior is beyond the socially accepted standards leading to evasion of traditional gender roles, is many times criticized by individuals privately and publicly.

Statements of the majority of addressed women (six addressed women) also indicated that for their time busyness, in some cases husbands themselves had to take over part of family duties. One of the addressed women even spontaneously stated that her husband had to do some housework, which, until then, he did so only occasionally. It is reasonable to assume that with such a change in the division of housework each partner might not agree, which may result in a larger and more open conflict between the political activities of woman and her family life. However, such case was not recorded in present research. Despite the help of individual family members in coping with family life from the part of mayors, however, responsibility for the private sphere largely remains their responsibility, although perhaps to a lesser extent than before starting a political career. One mayor commented as follows: *"(...) After taking office, I certainly dedicate less time to my family and housework. I compensate it at least during the weekend, when I try to spend free time with family or doing housework."*

Described facts indicate that in many Slovak families a woman is still largely responsible for the private sphere, and that she accepts this role. Part of female - politicians is therefore undergoing a double burden. They participate in activities in the public sphere and at the same time it is still expected from them to fully perform unpaid work at home as a partner, wife or mother. Heavy burden in the private sphere can be a significant limitation for women, whether in individual spending of free time or in completing various representation duties stemming from the exercise of their functions. This way, they are disadvantaged compared with their male colleagues who are confronted with such social expectations for the redistribution of their time.

The questionnaires show that addressed mayoresses do clearly recognize more difficult situation of women in politics. Interesting, however, was that although municipal female - politicians tended to draw attention to the described injustice in unequal conditions between women and men, they considered quite obvious that the burden of caring for family and household remains on themselves. Questionnaires also did not disclose any idea about the equal responsibility of male partners for raising children and caring for the home. Respondents obviously got familiar with known gender stereotypes prevalent in our society with unwanted efforts to interpret them further. Strong social acceptance of such stereotypes can discourage women from achieving political career, because such work is seen as conflicting with their "priority" role.

The questionnaire information have also demonstrated that female – politicians don't consider municipal politics as their normal employment, but rather as a public service aimed at helping people in their village. Respondents also did not give much importance to almost any career prospects associated with the exercise of public functions, by which they completely excluded themselves from the eventual promotion to higher politics. To the possibility to apply for higher political function was answered either by resignation or by total dismissal. Certainly important part here was the possibility to be near the family and at least partially reconcile work and family life, which could only be done limitedly on higher position. Although women in the village are close to their family, to think that they would thus be able to devote to both private and public life, would be wrong.

## Conclusion

From the research we carried out, as the biggest obstacle to women's participation in politics emerged the care for the family and household, exactly in accordance to traditional gender stereotypes. These stereotypes sighting the role of women especially in the private sphere certainly complicate the exercise of political function. Women who want to get involved publicly, in vast majority have to still handle all family matters. Thus, they are career - disadvantaged compared to their male colleagues, whose responsibilities associated with family are not as strong and therefore they have more opportunities to build a political background. Women thus do not even consider higher political functions, because apparently only the position of mayor in the municipality where they live, ensures them a sustainable contact with the family.

Seeking a remedy leading to a higher representation of women in politics at all levels shall not be easy. Namely it's a profound cultural change and its enforcement shall require targeted efforts of many public officials, as well as educational system, the media and also the public itself. However, never should be forgotten that important is not only how women are accepted, but also how do they accept themselves. And that may be another problem.

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**Primary Paper Section: A**

**Secondary Paper Section: AD, AE**

## ANALYSIS OF A LESSON IN THE CONTEXT OF THE ACTIVATION AND MOTIVATION OF STUDENTS

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**Abstract:** Effective management of students' education activities during a lesson is determined by many factors. The motivation and active work of pupils during education belong to those factors that substantially affect its final effectiveness. In this regard, the contribution, by its theoretical part, offers a teacher's view on quality of a modern lesson, through several findings acquired by the method of micro-educational analysis. At the same time, the contribution, by its empirical part, interprets findings acquired on a sample of teachers of higher secondary education about their subjective conception of motivational influence during education.

**Keywords:** motivation and activation, micro-educational analysis, auto diagnosis of a motivational influence of a teacher during the lesson.

### 1 Motivation and activation of students during a lesson

The many views and definitions regarding what motivation means is provided by the literature of educational and psychological orientation. Its ambition is to provide the same principles, fundamentals and theories related to learning, teaching, upbringing and education. It does not aim to provide teachers with finished guidelines and procedures of how to achieve certain cognitive and non-cognitive objectives, or how to specifically motivate students to study (we all know that the teaching situations are too complicated for this), but it rather seeks to cultivate the teacher's thinking about teaching, given the study of these principles, fundamentals and theories that it conceives. If, however, many teachers think of it in respect of either or, despite the long-term interest in the issue of motivation and its elaboration – some students are and others are not motivated, then such simplification further prevents them from using different types of motivation, especially in situations when they fail with a certain type of motivation. According to E. Petlák (2014, p. 61) *"the area of motivation is sufficiently developed in our literature. Unfortunately, in practice, it is not paid the attention it deserves. Years of our own practice in schools and knowledge of the real educational process (observation, qualification and later attestation and testing of teachers) lead us to the finding that mostly just ordinary motivational methods apply in practice, for example, talk, updating of the curriculum, problem as a motivation, but other motivation possibilities are also used but less."*

At this point we do not want to deal with what motivation is. We do not want to draw attention to its essence expressed by the character of the question *Why? Why does a person behave how they do, why does a person do what they do, why do they strive for this and not for something else?*, which is otherwise the most distinctive for it. We do not want to stress either that motivation is a complex of mental processes that produce, direct, and maintain human behavior in a certain direction, that for the school environment it is a "change and movement" situation, which encourages students' learning process..., i.e. what is well known about it through definitions. In regard to the results of empirical studies obtained to date, we rather strive to highlight motivation in the context of the requirements for its appreciation during education. As a matter of fact, the study of the literature convinces us that the very notion of motivation is not only known and widely used, but is also well developed.

The 80s already meant a significant incentive to start drawing attention to the context of its comprehensive mission within teaching. For example, J. Skalková notes at the time that many researches conducted in connection with the issue of failing or poor-achieving students clearly prove that the true and primary cause of failure is often not the intellectual inability of students to master the curriculum, but the deficiencies and faults in the motivational sphere. (In Langr., L., 1984). Motivation, which is currently understood as a way of encouraging and supporting

students to study, to turn learning into a hobby, a factor of personal growth and self-realization, is construed as a clear role for the teacher. In order for the advantages of motivation to be fully demonstrated in the classroom, the teacher is required to be able to involve the students in a variety of active learning activities, or even various ancillary or preparatory activities throughout the lesson. This requirement, clearly intended for the teacher, arises from the following statements: *"The most valuable is the knowledge that the student gains through hard work and effort."* *"The best way to learn is to do something, the worst way to teach others is to speak it."* *"Tell me and I'll forget; show me, and I will remember; let me do it and I will understand."* (In Turek, I., 2014, p. 23). The previously mentioned shows us that teachers, as far as possible, should be fully aware that almost all of their activities carried out in the classroom influence the motivation of students to learning, either in a positive or negative direction. Pedagogical and didactic literature for teachers of all types and levels of education often supplements the significance of motivation and activation of students during lessons by several subjective ideas of the authors or formulations of general principles, what to do and how to achieve a desirable motivating-activating effect.

For example, M. Boekaerts (In Dvořák, D., 2005) formulates a synthesis of motivation principles that the teacher should have in mind for effective learning. These are:

- Motivational beliefs that may significantly contribute to the creation of favorable pedagogical situations for study by students (unfavorable motivational beliefs hinder learning, i.e. when students expect failure, they are not motivated to learn, while positive motivational beliefs promote and facilitate learning, i.e. students who understand the importance and value of learning activity are less dependent on the teacher's external impulses, incentives and rewards);
- A student's confidence about the objectives they should be focused on (students who are focused on coping with curriculum learn more than students who are focused on themselves – ego orientation);
- The perception of efforts by students affects their approach to learning (students expect that efforts will lead to results);
- Defining objectives and evaluating them (so that the students can develop their own motivational strategies, they need to be guided to it and informed about how they are doing - feedback);
- Deployment to achieve goals and willpower (students need to be guided to the development of willpower and also need the surroundings to provide feedback on how they are doing);
- The need to reconcile diverse objectives (students learn with more commitment at a time when learning objectives in harmony with their personal goals).

The author B. Blackburn (2005, pp. 88-93, In Nikodemová, V., 2014) argues that a lesson will be optimally efficient, motivating-activating only when teachers are freed from myths about motivation. On examples of school practice she attempts to explain the most common forms of misconceptions about the motivation that the teacher may acquire through experience and years of teaching. These are:

- Myth 1: The student is just not motivated;
- Myth 2: You can motivate someone;
- Myth 3: You cannot motivate someone;
- Myth 4: You cannot deprive someone of motivation.

Other authors who define and explain some recent views on laws affecting student motivation for learning during lessons, also include K. Kruszewski (1991, p. 263-267). According to him, the following principles apply to improve motivation:

- The effort to complete the task is stronger in the student the more strongly convinced they are that the content of the tasks, the conditions for its implementation and the decision on its meaning depends on them.
- Motivating a student toward activities increases a positive relationship and a positive attitude to the task, which is easily applicable in any element of the situation.
- Motivation and student efforts raise tasks that stimulate curiosity, interest and real possibilities to satisfy them.
- An important factor in motivating student learning may be the need for subordination, adaptation to teachers, parents or classmates, rather than the need of acceptance, which is considered the main source of motivation at all.
- Motivation to action is increased if the student considers the fulfillment and performance of the task to be a success. However, the following may also apply: If the student perceives the non-fulfillment of the task to be a "failure", the motivation to complete the task increases.
- Motivation to fulfill schoolwork depends on the duration and intensity that the task creates, or the accompanying circumstances.
- Not only in light of the level of the task's fulfillment, but also due to the general, broad learning objectives, it is necessary to try to transform student motivation from the outside to the inside.

Since multiple approaches and proposals to improve the presence of motivation in teaching have been appearing in literature for quite a long time, let us assume that the area of motivation is certainly no novelty for teachers. That presumption moves us to search for answers to the question: *Is the student motivation toward learning activities a weakness of the educational process?* Partial answer is found by examining the quality of the lesson's management by the teacher, shown in the next part of the text.

### 1.1 Research of motivation – motivation initiated by teacher

When explaining the concept of motivation we focused less on the concept of activation (just implicitly) inherently connected to the lesson. Motivation along with activation during a lesson represents a conscious and energetic attitude that targets the teacher's active physical and mental activity towards the students. If the teacher does not know the ways to properly motivate and activate students, which incidentally M. Zelina mentions to be the key problems of our education, then the teacher's action at the lesson "... is necessary reduced to prescriptive commanding, ordering, which ultimately can lead to the fact that although students know the topic to some extent, the quality of learning the topic and its long-term memorization are very problematic, and particularly questionable is the relationship of students to what they learn." (Zelina, M., 2002, p. 6). E. Petlák agrees with the opinions that say "*good motivation is half of the teachers and students' work*". It is just a shame that more teachers are not able to appreciate this experience obtained by teachers (2014, p. 68). From the study of a number of considerations of functionality and justification regarding the induction and enhancing of students' motivation during lessons, it appears to us that it is still necessary to stress the essential part of the educational process, and indeed there is a tendency that it should appear more in the classroom. We have therefore decided to seek an answer to the question *Is students' motivation to learning activities a weakness of the educational process?*, as well as to express a view on the lesson management quality. We formulate a partial response by some of the research results:

- observation of lessons on different subjects subjected to microanalysis confirmed the presence of motivation during lessons;
- teachers consider the methods for motivating to include, in particular, a conversation, praise, didactic games, narration, demonstration, brainstorming, problem and cooperation method, the most frequently used in practice are input motivational methods in the following order: motivational speaking, motivational interviewing, motivational demonstration;

- teachers applied the ongoing motivation methods in this order: praise – encouragement – rewards, updating the curriculum, motivational appeals, evaluation courts of a critical nature (verbal reactions to student rejections, punishment),
- for teachers, the main approaches to the formation of student motivation were dominated by the approach to boost motivation through evaluation (praise, encouragement, rewards compared to verbal reactions of rejection, criticism and punishments)
- The problem is not that motivation would be lacking, but rather that it is not fully appreciated and implemented so as to effectively contribute to the effectiveness of the educational process. (Petlák, E., et al., 2008).

The numerous research that indicates the presence, knowledge and development of motivation in teaching, includes those that view quality when applying the micro-educational analysis method of the teaching unit via the motivation index (Im). It is the index through which we can express when we are observing a lesson via the analytical category system AS9 scheme (we note that in addition to Im, we can use it to express the development of cognitive functions and the education management style index on a scale of directivity and non-directivity). (Zelina, M., 2006). Specifically, it is the index used to monitor the motivation elicited by the teacher in students in the classroom through their verbal reactions. Based on Im the teacher can be fairly well assessed whether they are the one who positively motivates students, or rather the one who applies criticism, punishment, or exhortation in the process of student activation and motivation.

L. Alberty (2002), who measured the presence of motivation initiated by the teacher through the micro-education analysis method, notes that the measured Im values in elementary school teachers suggest that we cannot talk about a thought-through motivational activity. Category of praise, rewards, positive evaluation practices, did not appear even once for some. Also the category of introducing the learning subject in an interesting way, which completes the code of positive motivation, was not measured in half of the surveyed teachers (N = 25). Another research, which was targeted on the proposition of to what extent teachers use a creative and humanistic style of interaction with students, and which areas of the style structure are developed more and which less, was answered by M. Zelinová (2004). Micro-educational analysis results and the quality of the educational process testified the following:

1. higher index of acceptance, positive motivation in all areas – particularly trust in students, encouragement, interesting introduction of the curriculum, as well as more incentives on the development of cognitive functions; when comparing the values it was found that they were in favor of alternative education.
2. during the standard lesson, teachers speak much more than teachers in alternative lessons. This means that students have fewer opportunities for personal verbal expression.
3. from the monitored structure of the verbal interactions, teachers in standard lessons used a lot more instructions for work, giving orders, explaining the subject, unreasonably talking, lecturing, moralizing or repeating the answers of students. From this finding it can be further assumed that the teacher verbally "floods" the lesson and thus limits the space for expression of students for their independent work and limits the self-organization of student work
4. the results also suggest that students obtained a higher mean score in the areas of criticism and negative student evaluation from experience than teachers from experience.

Similarly, L. Fenyvesiová (2006) focused in her research on identifying the interaction style of teachers in terms of the degree of directivity and the degree of motivation. The measured high directivity index values also indicate a finding that teachers apply such teaching practice and methods, in which their

communication activities dominate (activities of students accounted for only one third of all recorded categories).

In relation to motivation, D. Gogolová (2010) confirmed the several times emerging research fact that teachers (N = 6) with the traditional way of teaching achieved lower values of the motivation index than teachers working in an alternative way.

Regarding these several stated researches using the micro-educational analysis method, we would like to make a conclusion using the words of M. Zelina (2007, p. 13), who says that these, as well as other research, has shown very succinctly that "... our teachers and educators do not know the theory of cognitive function development, and do not use incentives for the comprehensive development of cognitive functions and positive motivation in practice. The directive style of learning process management still prevails, with a few exceptions." It is therefore legitimate to say that "... the implementation of a comprehensive cognitive development theory, the non-directive guidance of students and the introduction of positive motivation can become truly a "silent revolution" in education".

Based on previously mentioned, we decided to carry out research regarding the subjective understanding of creating motivation by teachers to achieve universal student needs on a sample of higher secondary education teachers. The results are interpreted in the following passage.

## 2 Self-diagnostics of motivational influence of the teacher in the classroom

As it is generally known about motivation that it is a challenging category, requiring a higher level of researcher's knowledge for its deduction (recording motivation in teaching requires an estimate of a further context decryption) and it is known that with its presence it is a desirable category at every stage of the lesson. If the teacher wants to motivate their students in the classroom, it is correct. But it is not correct to assume that it is enough to make the students interested just at the beginning of the lesson and then it will work by itself. Also, relying only on the application of activating methods of teaching is not the best way to achieve motivation during the lesson, because not every method must address and attract all students. It is therefore appropriate and correct if the teacher focuses initially on the application of the universal needs of students, i.e. creating curiosity, cognitive uncertainty, the need to think freely, etc. From this perspective, it will be motivational for the student, if they: "may proceed freely and independently in learning; may be successful; is valued and honored for progress in learning; can collaborate in learning; can express disagreement, resist, argue and evaluate." (Rötling, G., 2002, p. 9).

Our research aimed to use on a sample of secondary school teachers with a pedagogical focus (PaSA teachers teaching pedagogy and psychology) to identify the extent of their motivation initiatives in the application of the universal needs of students. The given type of schools was chosen deliberately, as these schools prepare their graduates in particular for the activity of the teacher and educator in an educational environment, and is therefore a type of school in which alternative teaching approaches are much more clearly promoted and established, and for which the graduates of these schools should be prepared by their teachers, as well as other conditions brought to the attention of teachers to achieve educational professionalism. We expect from the teachers of this type of schools to have good self-knowledge arising from self-reflection during the lesson and adequate self-critical approach in an effort to improve their motivational effect during the lesson. Teachers (N = 61) were given the Teacher Motivation Self-diagnosis (AMU) questionnaire, whose authors are Rötling – B. Sihelsky – J. Valocký. The questionnaire consists of 20 items (motivational incentives) oriented on the application of the universal needs of students, and also create incentives for the self-regulated learning of students. The results of the questionnaire are interpreted through the following areas: the area of questions **S** relates to motivation through the provision of freedom to the

student in their thinking and acting when learning in the classroom; the area of questions **U** focuses on the motivation conditioned by the student's experience of success in learning in the classroom; area of questions **O** relates to the need for student appreciation and recognition for their results in learning activities; the area of questions **K** relates to the satisfaction of social needs (cooperation, communication) in learning; the area of questions **M** is aimed at creating a space for the development of higher and critical thinking in students. If the teacher reaches the score of 10 and 12 points in any part, it means that they create very good motivation incentives in the relevant area. Upon reaching 8-9 points, they create a good measure of motivational incentives. With the number of points at 6-7 they create poor motivational incentives, and if they reach 4-5 points, the result shows that in the given area the teacher does not create motivational incentives.

We processed the statistical analysis of the research results in the statistical program SPSS 20.0 (Statistical Package for Social Sciences). For a description of the sample we used descriptive statistics, the results illustrated in Table 1.

For the statistical processing of data, we further used the analysis of variance - ANOVA, which allows us to verify whether the value of a certain feature that we can observe in an individual, and allows us to detect a difference in the sense of creating motivational action by teachers in different areas of the teaching practice, has a statistically significant effect on the value of the random variable in respect to the given individual in the empirical context. We state the research results in relation to the used research method.

Table 1: Interpretation of descriptive statistics

Factor		N	M	SD	SEM	Min	Max
Area S	up to 10 years	25	9.72	1.838	.368	6	12
	<10, 20]	13	9.69	1.843	.511	6	12
	<20, 30]	12	10.08	1.311	.379	9	12
	<30 and more	11	10.09	1.136	.343	8	12
	Total	61	9.85	1.611	.206	6	12
Area U	up to 10 years	25	10.44	1.557	.311	7	12
	<10, 20]	13	10.23	1.691	.469	6	12
	<20, 30]	12	11.50	.798	.230	10	12
	<30 and more	11	10.73	1.555	.469	7	12
	Total	61	10.66	1.504	.193	6	12
Area O	up to 10 years	25	11.00	1.080	.216	8	12
	<10, 20]	13	11.15	1.068	.296	9	12
	<20, 30]	12	11.25	.754	.218	10	12
	<30 and more	11	10.91	1.300	.392	8	12
	Total	61	11.07	1.047	.134	8	12
Area K	up to 10 years	25	11.28	1.061	.212	8	12
	<10, 20]	13	11.46	.776	.215	10	12
	<20, 30]	12	11.42	.996	.288	9	12
	<30 and more	11	11.09	1.221	.368	8	12
	Total	61	11.31	1.009	.129	8	12
Area M	up to 10 years	25	11.32	1.069	.214	8	12
	<10, 20]	13	11.54	.776	.215	10	12
	<20, 30]	12	11.75	.452	.131	11	12
	<30 and more	11	11.64	.505	.152	11	12
	Total	61	11.51	.829	.106	8	12

The results of descriptive analysis tell us about the good to very good creation of motivational incentives for teaching in any area. Specifically, the achieved points score between 10-12 points, which means that teachers create very good motivational incentives in the area (note that it is still a subjective assessment of motivational action by teachers), corresponds in area S to 39 teachers, in the area U to 52 teachers, in the area O to 57 teachers, in the area K to 58 teachers, and in the area M 60 teachers in the research sample. Upon reaching the score of 8-9 points, i.e. the teacher creates a good rate of motivational incentives during the lesson, the results as follows: the area S is represented by 18 teachers, area U by 6 teachers, area O by 4 teachers, area K by 3 teachers, and area M by 1 teacher. In this case, we have already recorded a slight difference in the



representation of teachers within the perception of motivational action in individual areas. Another category of points is 6-7, which show that teachers create a weak motivational incentive, was represented by teachers in only two areas as follows: in area S by 4 teachers and in the area U by 3 teachers from the research sample. We emphasize that the result of 4-5 points achieved in any area, which indicates the absence of motivational incentives, did not correspond to any research respondent. The results pushed us to the application of the analysis of variance as a statistical method (it is a method for comparing averages), through which we wanted to find out whether and how teachers perceive themselves in different ways based on the length of teaching experience in terms of creating motivational incentives, and which area this difference applies to. The findings are interpreted in Table 2.

Table 2: Comparison of the research group respondents in individual factors

ANOVA	Df	F	P
Area S	3	.252	.860
Area U	3	1.863	.146
Area O	3	.260	.854
Area K	3	.312	.817
Area M	3	.857	.469

df – degrees of freedom; F – ANOVA;  
p – statistical significance level

Table 3: Comparison of the research group respondents in the factor of area U (LSD)

Area U	1	2	.209	.679
		3	1.060*	.045
		4	.287	.592
	2	1	-.209	.679
		3	1.269*	.036
		4	-.497	.414
	3	1	1.060*	.045
		2	1.269*	.036
		4	.773	.214
	4	1	.287	.592
		2	.497	.414
		3	.773	.214

\*. The difference is significant at the level of 0.05.

1 – up to 10 years of experience; 2 - <10, 20]; 3 - <20, 30]; 4 - <30 and more years of teaching experience

According to the above findings, area U is the one whose value  $p = .146$  is closest to the significance level  $\alpha = 0.05$  and we can therefore consider the presence of differences. In view of this, we have also analyzed the data by the Student's t-test statistical method, which is used to compare quantitative variable levels where the level is identified by the mean. The result is that teachers perceive themselves differently in creating motivational action only in area U (the area is aimed at motivating conditioned by the student's experience of success in learning and during the lesson), since the group of teachers with teaching experience of up to 10 years in relation to the group of teachers with pedagogical practice of <20, 30] years reached  $p = .045$ , and the <10, 20] group of teachers in relation to the group of teachers with pedagogical practice of <20, 30] years reached a value of  $p = .036$ , both of which are smaller than the chosen significance level  $\alpha = 0.05$ . By comparing the averages of these teacher groups, we gain a statistically significant result for teachers with a length of teaching experience being <20, 30]. This is a group of teachers, who although have the highest achieved mean value among the monitored groups in area U, i.e. mean = 11.50, it reaches the value of  $p = .036$  at the significance level of  $\alpha = 0.05$ , which is the evidence of differences in the subjective concept of creating incentive action in the classroom. The final result is that the subjective evaluation of teachers in creating motivational incentives when applying universal needs of students in any area (S, U, O, K, M) is very good.

### 3 Conclusion

According to S. Babiaková et al. (2014, p. 231): "At present, the process of improving the quality of teaching based on improving the quality of the teacher and their work is preferred. We are leaving (in theory, although in practice it is not yet so clear) the control, inspection and external intervention instruments and emphasize the internal evaluation and promotion of teachers' self-evaluation."

Based on the findings of good sides of motivational impact on the self-diagnostics of teachers, we are to consider the issue that arises from the results: *To what extent is this subjective assessment of the motivational impact by teachers actually reflected in the classroom? Is this a subjective assessment of the motivational impact creation by teachers in compatibility with the assessment by their students? Thus, to what extent of compliance would students express their knowledge and opinions regarding the teacher's impact in ensuring that the teaching is of interest to them?* We are convinced that these questions can be answered if the teacher endeavors to obtain and evaluate feedback on the motivational impact during the class from the students, for example, through a questionnaire. Of course, the teacher also has another option, i.e. to use the micro-educational analysis method. Micro-educational analyses are a tool to identify and improve the quality of school, teaching, and according to M. Zelina (2007, p. 13), these challenging but also most advanced and highest quality methods of learning, quality evaluation of educational work should be used by "... school directors, representatives of class inspections, methodologists in lesson analyses, inspectors evaluating and checking quality, and teachers themselves for self-improvement" in their work and in the analysis of the educational process. Although S. Babiaková et al. is theoretically leaving this method, we believe that it needs to be popularized for use particularly by teachers who can carry out self-reflection of their own work through a deeper penetration into the knowledge of the lesson. The micro-educational analysis method is identified as a tool that can be used to explore and improve the essential phenomena of school quality, and in particular, to make the teacher's self-evaluation not only a confirmation of self-delusion, this method becoming a self-recognition and self-improvement tool for teachers. The interpreted results at this point open up the importance for further research endeavors, i.e. to identify the level of the professional fitness of teachers and see if there is any relationship between the perceived professional competence of teachers and motivation of students, and what is the impact of the perceived professional competence of teachers on student outcomes.

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**Primary Paper Section: A**

**Secondary Paper Section: AM**

# HARMONISATION OF BANK LIQUIDITY RISK REGULATIONS. A STATE OF PLAY

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**Abstract:** This article deals with an issue of bank liquidity risk regulations. The legal framework for banks concerning the liquidity risk management has been evolving since 2008, when the global financial crisis hit and revealed plenty of unintended consequences, including system-wide ones. Since then, there have been global as well as European initiatives undertaken to address the liquidity risk management deficiencies. The European regulatory framework for liquidity risk management by banks is still evolving – many of these regulations have not been introduced yet, whereas the existing provisions are mainly transitional. The article describes and analyses the regulatory initiatives concerning the liquidity risk management both at the global and European level, and it draws conclusions with reference to the issue of the liquidity risk harmonisation within the European Union.

**Keywords:** liquidity risk regulations, liquidity risk management, harmonisation of regulations.

## 1 Introduction

Harmonization of liquidity risk regulations is a new concept, which has evolved on the grounds of the recent financial crisis. European regulations concerning the liquidity risk management draw from the relevant Basel standards, which constitute a globally recognized framework for internationally active banks. The liquidity regulations were introduced in the European Union (EU) throughout the single rulebook, which means that all banks must comply with them.

The single rulebook was established in the EU with the aim to provide a set of harmonised prudential regulations for credit institutions and investment firms in order to ensure a uniform application of the Basel rules in all member states and finalise the creation of the single financial market within the EU. It was also expected that the single rulebook would be helpful in minimising the divergences in national rules and regulations, leading to a more resilient, transparent and efficient banking sector.

The purpose of this paper is to assess the current level of harmonisation of the liquidity risk regulations and draw conclusions from its introduction for banks and supervisory authorities. The article briefly describes the Basel standards regarding the liquidity risk management by banks. Secondly, it explains the way the liquidity risk regulations were transposed to the EU legal framework and gives an overview of the remaining work. Main conclusions are presented in the summary.

## 2 Harmonisation of liquidity risk regulations at the global level

In 2008, as a global financial crisis emerged, it turned out that the liquidity risk management practices of banks were largely deficient. Prior to the crisis, liquidity was readily accessible and relatively cheap. However, under stressed conditions it occurred that banks lacked sufficiently high quality liquid assets, they did not use adequate stress tests, neither had robust liquidity contingency plans in place. What is more, a considerable loss of trust between banks made it even more difficult to raise funding. Hence, in many cases, central bank liquidity assistance or even public support were needed. In response, the BCBS published a framework for liquidity risk management in 2008<sup>1</sup> in order to address the lapses identified in basic principles of liquidity risk

management<sup>2</sup>. The framework highlighted the importance of maintaining a buffer of unencumbered, highly liquid assets, which would enable banks to withstand a range of stress events<sup>3</sup>. It referred also to liquidity risk governance, including defining clear responsibilities of senior management, setting an adequate liquidity risk tolerance, and incorporating liquidity cost in the internal transfer pricing systems (LTP – *liquidity transfer pricing*)<sup>4</sup>. The BCBS standard shed light on liquidity risk identification, measurement, monitoring and control systems. Banks should actively monitor and control liquidity risk positions, available collateral and funding needs within and across legal entities, business lines and currencies. Banks should also diversify tenor and sources of funding and maintain presence in the markets where they can regularly sell assets and obtain funds. Intraday liquidity management is equally important for a sound liquidity risk management<sup>5</sup>, whereas public disclosure strengthens banks' resilience to stress.

In order to complement the liquidity risk management framework, the BCBS introduced two quantitative liquidity standards, namely a liquidity coverage ratio (LCR)<sup>6</sup>, which was revised soon after its publication<sup>7</sup>, and a net stable funding ratio (NSFR)<sup>8</sup>. In addition, the BCBS assisted supervisors in determining of how to assign liquid assets to a proper category of high quality liquid assets, based on certain assets characteristics, market structure characteristics and market liquidity indicators<sup>9</sup>.

The LCR requires banks to maintain a buffer of high quality liquid assets in order to ensure that banks withstand a liquidity crisis lasting for 30 calendar days. A size of liquidity buffer should be adequate, taking into account a banks' net liquidity position (i.e. liquidity inflows over a 30-day horizon less liquidity outflows over a 30-day horizon, both under the assumption of idiosyncratic, systemic-wide, and combined stress scenarios)<sup>10</sup>. On the other hand, the NSFR aims at improving a structural, long term liquidity position of banks by requiring them to extend stable sources of funding. Available stable funding (ASF) should be commensurate with the amount of assets requiring stable funding (RSF)<sup>11</sup>.

The BCBS also requires banks to disclose quantitative and qualitative information about the ratios – LCR<sup>12</sup> and NSFR<sup>13</sup>. The disclosure requirements are expected to improve banks' transparency, enhance market discipline and reduce uncertainty in the markets from the date of first reporting period relevant for each regulatory ratio.

<sup>2</sup> The Basel principles of 2008 were not entirely new. In 1992 Basel Committee on Banking Supervision (BCBS) issued a first set of sound liquidity risk management practices for banks, which constituted a model approach in the early 90's (see: BCBS, *A Framework for Measuring and Managing Liquidity*, Basel, September 1992). In 2000 the BCBS published a new standard regarding liquidity risk management for banks: BCBS, *Sound Practices for Managing Liquidity in Banking Organisations*, Basel, February 2000.

<sup>3</sup> More information on liquidity stress testing can be found: BCBS, *Liquidity stress testing: a survey of theory, empirics and current industry and supervisory practices*, Working Paper No 24, Bank for International Settlements, October 2013; BCBS, *Literature review of factors relating to liquidity stress – extended version*, Bank for International Settlements, Working Paper No 25, Bank for International Settlements, October 2013.

<sup>4</sup> The principles were discussed more thoroughly in: J. Grant, *Liquidity transfer pricing: a guide to better practice*, Occasional Paper, no. 10, Financial Stability Institute, Bank for International Settlements, December 2011.

<sup>5</sup> See more: BCBS, *Monitoring tools for intraday liquidity management*, Bank for International Settlements, April 2013.

<sup>6</sup> BCBS, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, Bank for International Settlements, January 2013.

<sup>7</sup> BCBS, *Revisions to Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, Annex, Bank for International Settlements, January 2013.

<sup>8</sup> BCBS, *Basel III: the net stable funding ratio*, Bank for International Settlements, October 2014.

<sup>9</sup> BCBS, *Guidance for Supervisors on Market-Based Indicators of Liquidity*, Bank for International Settlements, January 2014.

<sup>10</sup> The LCR came into force in January 2015, while the minimum requirement was set at 60% with a view to be further increased by 10 p.p. per year to reach 100% in 2019.

<sup>11</sup> The NSFR shall become a minimum standard by 1 January 2018.

<sup>12</sup> BCBS, *Liquidity coverage ratio disclosure standards*, Bank for International Settlements, January 2014 (rev. March 2014).

<sup>13</sup> BCBS, *Net Stable Funding Ratio disclosure standards*, Bank for International Settlements, June 2015.

<sup>1</sup> BCBS, *Principles for sound liquidity risk management and supervision*, Bank for International Settlements, September 2008.

### 3 Harmonisation of liquidity risk regulations at the European level

The liquidity risk had not been in the centre of attention until the global financial crisis materialized in 2008. Some studies<sup>14</sup> suggested different reasons for the late harmonization of liquidity regulations, such as the lack of supervisory momentum, or the view that capital addresses liquidity risks. The reason might be as well that the liquidity risk management does not usually pose problems under normal circumstances, when liquidity is abundant and relatively cheap. The recent financial crisis gave supervisory momentum and made the liquidity regulations for banks more pronounced and uniform.

A transposition of the Basel principles into the European Union (EU) legal framework takes place in the form of directives, resolutions and technical standards or guidelines. While implementing these principles, the European legislators take into account the EU and national specificities. There are currently in force two main legislative acts, which refer to liquidity risk management by banks (investment firms as well, although the scope of this paper is limited to banks only).

The directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (CRD IV)<sup>15</sup> requires banks to develop robust policies, strategies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over a set of different time horizons, including intraday. These policies, strategies, processes and systems should be proportionate to complexity, risk profile, scope of operations, risk tolerance and a bank's importance in each Member State, in which it conducts business. They should also take into account core business lines, currencies, branches and legal entities. It is equally important that banks develop methodologies for the identification, measurement, management and monitoring of funding positions, which should include the current and projected material cash-flows arising from assets, liabilities, off-balance-sheet items and the possible impact of reputational risk. In addition, the management body of each bank is assigned with the responsibility to set appropriate liquidity risk tolerance, which should be communicated to all relevant business lines in order to increase the awareness of the liquidity risk incurred in operations, which they carry out. What is more, banks should be able to actively manage available collateral, i.e. to distinguish between pledged and unencumbered assets, as well as to monitor a physical location of the assets and assess the potential to use them in emergency situations. Article 86 of the directive 2013/36/EU also requires banks to include allocation mechanism of liquidity costs, benefits and risks. Moreover, banks are obliged to maintain a buffer of liquid assets, which should enable them to withstand a wide range of stress events. Other risk mitigation tools should include a system of limits, well diversified funding structure and access to funding sources, all of which need to be reviewed regularly. Alternative scenario analyses are critical for decisions underlying the composition of liquidity risk mitigants and funding positions of banks. They need to be conducted at least on an annual basis and address, in particular, off-balance sheet items and other contingent liabilities, including those of Securitisation Special Purpose Entities or other special purpose entities, in relation to which the bank is expected to deliver material liquidity support either because it acts as a sponsor or people believe it is otherwise related. The analyses should be comprehensive enough to capture the institution-specific, market-wide and combined scenarios of different lengths and severity. The outcomes of the alternative scenario analyses should form a basis for contingency planning. Last but not least, banks shall assess how developments such as product design and volumes, risk management, funding policies and funding concentrations affect their liquidity risk profiles.

The Regulation (EU) No 575/2013 (the CRR)<sup>16</sup> applies to banks directly in the EU Member States. It imposes two quantitative liquidity requirements, namely the LCR and the NSFR, as in the Basel accord.

The short term liquidity requirement has already become binding since 1 October 2015<sup>17</sup> and its minimum required level is 60% (the minimum requirement will be 70% in 2016, 80% in 2017, and 100% in 2018). The European Commission (the EC) may alter the phase-in periods and decide to postpone a full introduction of the LCR until 2019<sup>18</sup>. It is important to note also that competent authorities have been given a mandate to set the minimum liquidity coverage requirement at a higher level of up to 100% before 2018<sup>19</sup>. What is more, Member States are allowed to maintain or introduce new binding short term liquidity standards until the liquidity coverage requirement is fully introduced in the Union<sup>20</sup>.

By the end of 2015, the European Banking Authority (the EBA) is expected to submit a report to the European Commission (the EC) on whether and how it would appropriate to introduce the stable funding requirement. While making this assessment, the EBA should take into account possible consequences for the economy, business and risk profiles of institutions established in the EU, financial markets and bank lending, with a particular focus on lending to certain business sectors<sup>21</sup>. Within the same timeframe, the EBA should also, after consulting the European Systemic Risk Board (the ESRB), report on methodologies for determining the weights applicable to assets, liabilities and off-balance sheet items in order to assess the amounts of required and available stable funding<sup>22</sup>. Similarly to the LCR, Member States are allowed to maintain or introduce new stable funding requirements until the NSFR is specified and introduced in the Union<sup>23</sup>.

It should be noted that the provisions referring to the liquidity requirements as set out in the CRR serve solely for the purpose of specifying reporting obligations until detailed delegated acts become introduced<sup>24</sup>. With regard to the LCR, the delegated act specifying the requirement came into force on 10 October 2014 and became binding from 1 October 2015. The detailed delegated act concerning the NSFR is still pending. The EC shall adopt this act, if it considers it appropriate, by 31 December 2016<sup>25</sup>.

In order to complement the delegated act concerning the liquidity coverage requirement and ensure a level playing field, the EC should adopt several detailed technical standards. So far, the EC has adopted the ITS on currencies with an extremely narrow definition of central bank eligibility<sup>26</sup>, according to which the condition for liquid assets to be eligible collateral for standard liquidity operations of a central bank in a Member State or the central bank of a third country should be waived for liquid assets held to meet liquidity outflows denominated in Bulgarian lev (in Bulgaria, the central bank does not extend liquidity to

<sup>14</sup> C. Bonner, P. Hilbers, *Global liquidity regulation - Why did it take so long?*, DNB Working Paper, Working Paper No. 455, January 2015, p. 8.

<sup>15</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, OJ L 176/338, 26.7.2013.

<sup>16</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013.

<sup>17</sup> Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, OJ L 11, 17.1.2015.

<sup>18</sup> Article 461(2) of the CRR. While assessing the necessity of deferral the Commission shall take into account the report and assessment, which is to be prepared by the European Banking Authority by 30 June 2016.

<sup>19</sup> Article 416(5) of the CRR.

<sup>20</sup> Ibidem.

<sup>21</sup> Article 510(1) of the CRR.

<sup>22</sup> Article 510(2) of the CRR.

<sup>23</sup> See Article 413(3) of the CRR.

<sup>24</sup> See Articles 412(4) and 413(2) of the CRR. A more detailed assessment and comparison between the requirement specified under the delegated act and the Basel standard can be found in: K. Patara, *Liquidity Coverage Requirement under the Delegated Regulation of the European Commission and Basel III Rules - a Comparative Study*, „Bezpieczny Bank/Safe Bank” Nr 2(59) 2015, p. 25-46.

<sup>25</sup> Article 510(3) of the CRR.

<sup>26</sup> Commission Implementing Regulation (EU) 2015/233 of 13 February 2015 laying down implementing technical standards with regard to currencies in which there is an extremely narrow definition of central bank eligibility pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council, OJ L 39, 14.2.2015.

institutions except in extreme circumstances)<sup>27</sup>. The Commission has also adopted the ITS on supervisory reporting<sup>28</sup>, which aims at implementing uniform reporting requirements in order to ensure comparability between institutions and enable the supervisory assessment of fulfilling the requirements. It has to be noted that this ITS requires a substantial revision, since current templates and instructions are based on the CRR provisions, whereas the delegated act on liquidity coverage ratio is far more detailed and it differs from the initial reporting requirements specified under the CRR. The EBA has already proposed a draft ITS amending the Commission's implementing regulation<sup>29</sup>, however the EC is delaying its adoption<sup>30</sup>. The Commission's negligence brings serious consequences for a sound and uniform application of the LCR within the EU Member States, as it cannot even be properly calculated, even though the requirement is already in force. There are several more technical standards, which await adoption by the EC, of which there are draft ITS on currencies with liquid assets shortage<sup>31</sup> and draft Regulatory Technical Standard (RTS) on derogations for currencies with constraints<sup>32</sup>. The draft ITS on currencies with liquid assets shortage is aimed at listing the currencies, for which the availability of liquid assets is constrained. In cases where the demand for liquid assets resulting from the liquidity coverage requirement exceeds the availability of such assets, banks may, on condition that all necessary measures have been taken to reduce the shortage of liquid assets in a domestic currency, opt for one or more derogations specified under the RTS on derogations for currencies with constraints, that is:

- banks may use liquid assets denominated in a foreign currency (derogation A), provided that they apply a general additional 8% haircut to foreign currency liquid assets held to meet domestic currency net outflows to adjust for currency risk,
- banks may use credit lines committed by the relevant central bank as liquid assets (derogation B), provided that they apply a minimum 15% haircut to collateral posted at a central bank and that the associated fees to be paid by banks offset the higher yield earned on the assets pledged to secure the credit lines.

In May 2015 the EC expressed its intention to amend these draft technical standards mentioned above. In Commission's opinion the derogation should apply to the Norwegian Krone only (the draft ITS submitted by EBA also included the Danish Krone). The EC proposed to remove the requirement to apply the minimum 15% haircut to assets pledged as collateral under derogation B. Certain other changes were proposed as regards the notification process and a number of smaller drafting changes were provided. The EBA, in its opinions<sup>33</sup>, accepted the proposal to remove the Danish Krone from the scope of the ITS

on currencies with liquid assets shortage. However, it disagreed with the proposed removal of the minimum 15% haircut to the assets securing the credit lines, as this condition was envisaged to create disincentives for banks to excessively rely on the derogation.

In order to ensure that the LCR is fully operational, the EC should also adopt a final draft RTS on additional liquidity outflows corresponding to collateral needs connected with derivative transactions under adverse market scenario<sup>34</sup>. According to this draft RTS all banks will be required to use the Historical Look Back Approach (HLBA) to determine additional collateral outflows. In addition, banks (especially those with large derivative portfolios, provided that they already have Internal Model Method for counterparty credit risk approved) may choose to use an internal model-based method, i.e. the Advanced Method for Additional Outflows (AMAO), which is to be applied on top of the HLBA.

For the purpose of supplementing the quantitative liquidity standards and enabling a comprehensive view of a bank's liquidity risk profile, certain additional monitoring metrics are expected to be reported by banks in the near future. The EBA submitted to the Commission a final draft ITS on additional liquidity monitoring metrics (AMM)<sup>35</sup>, which is principally based on the BCBS' document<sup>36</sup>. The metrics proposed to be covered by the ITS are as follows:

- maturity ladder consisting of time buckets of up to 10 years, based on contractual maturities of assets, liabilities and off-balance positions,
- concentration of funding obtained from the 10 largest counterparties, which exceed a threshold of 1% of total bank liabilities, along with information on the counterparties names, types and location, product type, amounts received, weighted average and residual maturities,
- concentration by product type (wholesale or retail funding), where the value of a particular product category exceeds 1% of total bank liabilities,
- concentration of counterbalancing capacity by the 10 largest holdings of assets or liquidity lines granted to the bank for this purpose,
- average transaction volumes and prices related to these transactions with maturities ranging from overnight to 10 years,
- rollover of funding on a daily basis over a monthly time horizon.

The EC proposed to delay the application date of the ITS on AMM to 1 January 2016. Some minor drafting changes were suggested as well. The EBA agreed to implement the proposed amendments, however it opposed to remove the maturity ladder from the ITS<sup>37</sup>. The rationale for maintaining the maturity ladder within the scope of the additional monitoring metrics is connected with its importance for the supervisors in making justified judgments of the banks' liquidity risk profiles and funding needs over various time horizons. Since the date of the EBA's opinion of September 2015, the EC has not adopted the ITS on AMM.

In addition to the abovementioned draft technical standards, the EBA is entitled to develop guidelines in order to elaborate further on certain issues, which require explanation. In the area

<sup>27</sup> EBA FINAL draft implementing technical standards on currencies with an extremely narrow definition of central bank eligibility under Article 416(5) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR), EBA/ITS/2014/02, 28 March 2014. This ITS is no longer needed under the provisions of the delegated act no. 2015/61 EC.

<sup>28</sup> Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council, OJ L 191, 28.6.2014.

<sup>29</sup> EBA FINAL draft Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) with regard to the Liquidity Coverage Ratio (LCR) following the EC's Delegated Act specifying the LCR, EBA/ITS/2015/04, 23 June 2015.

<sup>30</sup> It is important to note that it will take 6 months to introduce the provisions of the ITS from the date of its publication in the Official Journal, which makes it even longer to wait for a proper and uniform application of the LCR.

<sup>31</sup> EBA FINAL draft implementing technical standards on currencies for which the justified demand for liquid assets exceeds the availability of those assets under Article 419(4) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR), EBA/ITS/2014/01, 28 March 2014.

<sup>32</sup> EBA FINAL draft regulatory technical standards on derogations for currencies with constraints on the availability of liquid assets under Article 419(5) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR), EBA/RTS/2014/04, 28 March 2014.

<sup>33</sup> EBA, *Opinion of the European Banking Authority on the Commission intention to amend draft Implementing Technical Standards with regard to currencies with constraints on the availability of liquid assets*, EBA/Op/2015/12; EBA, *Opinion of the European Banking Authority on the Commission intention to amend draft Regulatory Technical Standards specifying the derogations concerning currencies with constraints on the availability of liquid assets according to Article 419(5) CRR*, EBA/Op/2015/13.

<sup>34</sup> EBA FINAL draft Regulatory Technical Standards on additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on the institution's derivatives transactions, financing transactions and other contracts for liquidity reporting under Article 423(3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation CRR), EBA/RTS/2014/05, 28 March 2014.

<sup>35</sup> EBA FINAL draft implementing technical standards on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013, EBA/ITS/2013/11/rev1, 24/07/2014.

<sup>36</sup> BCBS, *Basel III: The Liquidity Coverage Ratio* (...), op. cit.

<sup>37</sup> EBA, *Opinion of the European Banking Authority on the Commission intention to amend draft Implementing Technical Standards on additional liquidity monitoring metrics under Article 415(3)(b) of Regulation (EU) No 575/2013*, EBA/Op/2015/16, 23 September 2015.

of liquidity risk, the EBA issued guidelines relating to the allocation of liquidity costs<sup>38</sup>, definitions of liquidity buffers and counterbalancing capacity<sup>39</sup>, harmonized definitions and templates for funding plans<sup>40</sup>, and –more directly connected with the LCR – retail deposits subject to different outflows<sup>41</sup>. The latter, however, serve solely for the purpose of identification of such deposits under the delegated act on liquidity coverage requirement, as these different outflow rates have already been determined by the legislator<sup>42</sup>. It is worth to mention that according to the CRR, the EBA in cooperation with the ESRB should develop guidance on the principles for use of liquid assets in stress situations<sup>43</sup>.

#### 4 Conclusions

The harmonization of liquidity risk regulations in the European Union was broadly aimed at providing greater transparency and improved efficiency of banks as a result of introduction of a set of uniform practices and regulations in the area of liquidity risk. The idea, however right, does not work so well in practice. First of all, there are significant delays in the legislative process, which bring inconsistencies in the way of application of the regulations throughout the Union, or even restrain banks from meeting the requirements. What is more, an introduction of every single amendment to the regulations (even those concerning reporting obligations) is a very complex process, which requires plenty of time, and as such creates impediments to a smooth application of the requirements. Moreover, there are many doubts as regards the correct interpretation of the legal acts' provisions, which cannot be clarified at the national level, as it is the EBA, which is allowed to provide interpretations, although it takes around 6 months to prepare and publish an answer.

From the analysis provided herein, it can be concluded that the establishment of the single rulebook has made the process of application of the regulatory provisions very prolonged and complicated, which creates uncertainty among banks. The harmonization of liquidity risk regulations is progressing gradually at the European level, although it requires years to transform into a truly uniform and comprehensive regulatory framework. Hopefully, however, this new regulatory framework will prevent any possible future crises stemming from the significant deficiencies in the liquidity risk management strategies of banks.

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<sup>38</sup> CEBS, *Guidelines on Liquidity Cost Benefit Allocation*, 27 October 2010.

<sup>39</sup> CEBS, *Guidelines on Liquidity Buffers & Survival Periods*, 9 December 2009.

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<sup>41</sup> EBA, *Guidelines on retail deposits subject to different outflows for purposes of liquidity reporting under Regulation (EU) No 575/2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation – CRR)*, EBA/GL/2013/01, 6 December 2013.

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**Primary Paper Section: A**

**Secondary Paper Section: AH**

# INTEGRITY PROMOTION ISSUES AT LATVIAN CUSTOMS: LESSONS LEARNED AND POSSIBLE SOLUTIONS

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**Abstract:** The objective of this paper is to identify problems of integrity management for Latvian customs authority and to provide measures that should be implemented in customs administration. First of all, the paper describes the typology of integrity violation and corruption in customs administration and identifies the current risk management system implementation. Next, the background of customs risk management is been discussed. Selected research findings show examples of integration of integrity management system with other management systems. Overall, paper is of value for audiences that include researchers and managers of custom administration and it can serve as guidelines and sources for references which can stimulate further research.

**Keywords:** integrity, customs, public administration, corruption.

## 1 Introduction

An honest and clean civil service is vital to maintaining public support for public sector and trust in the government and is an important cornerstone of effective governance. Corruption is the modern society problem that connected to the malicious imposition of delegated by society power for personal or close person's interest. Corruption manifests itself in political process (e.g. trading of votes), in the judicial system (bribing of judges) and also as an economic policy sphere. Corruption is a part of undesirable behaviour in public administration that threatens both - social and economic development of the country, as well as stability of the legal system, civil liberties and citizens' loyalty to the country. Corruption is decreasing public administration weakening its capacity and delaying decision making. Modern democratic societies need a modern, democratic public administration, which will satisfy the public's requirements in the best possible manner. Public administration must be effective and efficient; at the same time it must satisfy the democratic requirements, fairness and justice and defend the achievements of civilization. Tax and customs authorities are no exception from public administration and are frequently cited as among the most corrupted of all government agencies. Given the vitally important role customs plays in revenue collection, trade facilitation, national security, and the protection of society, the presence of corruption in customs can severely limit a nation's economic and social prospects and national development ambitions. In the field of tax and customs administrations main issues that caused by staff corruption are revenue fraud in the form of smuggling, undervaluation and underdeclaration of income and taxable goods, misclassification of goods.

Policy distortions and weak state institutions provide an environment that is conducting to corruption. Pervasive regulations that are applied capriciously invite companies and individuals to find ways, including bribing public officials, to secure favourable interpretations. Trade and tariff restrictions also tend to breed informal, often corrupt channels for transactions. One of the approaches is creation of appropriate administrative model for customs administration. In last decade, many countries created semi-autonomous authorities (Petersone, Ketners, 2013). The revenue authority model is designed partly to limit direct political interference in day-to-day operations by the Minister of Finance and partly to free the tax and customs administration from the constraints of the civil service system. A revenue authority is quite independent of the financing and human resources management rules that govern the public sector in general. A semi-autonomous revenue authority can recruit, retain and promote qualified staff by paying salaries above civil service pay scales, and also more easily dismiss staff. Such steps are providing incentives for greater job motivation and less corruption. Moreover, a single purpose agency is to integrate tax and customs operations and focus its efforts on collecting revenues more effectively than it is usually possible under

general civil service rules. As Latvian State Revenue Service is an example of joint tax and customs authority it is necessary to use additional measures. Such administrative remedies for integrity promotion are creation of integrity risk management model for customs administration as for specific public administration body.

The main purpose of this paper is to outline an approach for reduction of corruption in Latvian customs administration and to provide framework for establishing the legal and administrative procedures that are necessary to detect and reduce corruption. The research object is integrity risk management, but research subject are appropriate risk assessment, evaluation and reduction methods, as well as corruption risk management tools. Research is based on comparative analysis of literature and practical experience of customs authorities. Many countries have in place measures for dealing with corruption and unethical behaviour on the part of public officials. Rarely are these measures considered as a part of the whole system. At the same time, there is little research evidence for the effectiveness of individual measures or the system as a whole (Kolthoff, *et al.*, 2013).

## 2 Corruption factors and integrity violation at customs administration

In case when corruption causes are combatted, it is important to address not only general corruption factors, but also integrity violation practices in specifically customs administration. Generally factors of corruption in public sectors are included but not restricted to extensive government intervention in the economy, excessive discretionary power and interpretation possibilities in hands of official, behavioral and cultural norms of the officials, lack of the supervision and guidance, lack of accountability and internal control system. In addition to these general factors in customs and tax authorities exist far more practices that are corruption related. Economic agents (companies and individuals) do not like to pay taxes, so they take every opportunity and make significant efforts to reduce their tax burden. In case of customs authorities importer also is interested in obtaining goods as quickly as possible, this places customs officers in the position to collect bribes in order to facilitate faster release of goods.

The most important factors conducive to a lack of integrity in the customs administration are described at 1.Fig. The most important factors connected to a lack of integrity in customs are:

- Policy-related factors, such as complex tax system, complex and restrictive foreign trade regulation, high tax and tariff rates, exemptions that can be granted by executive powers, complex and bureaucratic procedures, multiple forms, steps of the proceedings;
- Staff-related factors, such as discretionary power execution in combination with lack of information and complicated voluntary compliance, weak control systems, lack of effective disciplinary measures, lack of professionalism.

Customs administrations are vulnerable to corruption because the nature of its work puts its officials, even at junior levels, in situations in which they have sole authority and responsibility; in which they are authorized to make important decisions on the level of duty or taxes or admissibility of imports and exports; and in which careful supervision and accountability is difficult. In addition, they work face-to-face with members of the trading community who have a strong incentive to influence the decisions made by customs officials. High tariffs and complex regulations offer significant incentives for traders to try to reduce import charges and speed up transactions. Fact that many officials are low paid is often a strong incentive to accept or solicit bribes in the execution of their duties.



<b>Processing of import, export and transit declarations</b>	Acceleration the processing of documents, ignorance of fact that some cargo listed on the manifest was not declared, certification of fictitious export or providing wrong classification
<b>Assessment of origin, value and classification of goods</b>	Under-invoicing of goods, not challenging the declaration of goods under a different classification code that attracts a lower tariff rate, acceptance of false country of origin declaration, thus permitting the importer to benefit from a preferential tariff regime
<b>Physical inspection, examination and release of cargo</b>	Accepting staff who would ensure that inspecting officer who will take an accommodating approach to the inspection, influence the finding of the inspection or speed up the inspection
<b>Administration of concessions, suspense and exemption schemes and drawback schemes</b>	Permission for traders to release, for domestic consumption and without paying the required import duties, goods that entered under suspense regimes or goods made with inputs that entered under such regime, obtaining of guarantees for temporary admission of import without adequate documentations, permission for traders to claim tax repayment for fictitious export
<b>Post-clearance audit</b>	Influence on the outcome of the audit finding
<b>Issuing of import licenses, warehouse approvals and authorized trader status approvals</b>	Approval of obtaining these licenses and certificates without proper justification
<b>Processing of urgent consignments</b>	Possibility to obtain preferential treatment or speedy clearance

Figure 1. Selected Customs Functions Examples of Integrity Violations Administration [compiled by the author]

Organization for Economic Co-operation and Development (OECD) Development Centre (Hors, 2001), has identified three types of corruption that typically occur in the customs working environment and suggests that the strategies necessary to deal with the three types of corruption vary significantly: (1) routine corruption, in which private operators pay bribes to obtain the speedy completion of routine customs procedures; (2) fraudulent corruption, in which the trader or agent asks customs officials to turn a blind eye to certain illegal practices to reduce taxation liability or fiscal obligations; (3) criminal corruption, in which criminal operators pay bribes to conduct a totally illegal but lucrative operation, such as drug trafficking or the abuse of export promotion schemes. Transparency International (Pope, 2000) takes a different approach and divides corruption into two broad types: petty corruption and grand corruption. Petty corruption is described as “survival” corruption—a form of corruption that is most often pursued by relatively junior civil servants who may be grossly underpaid and who depend on small but illegal rents to feed and house their families and pay for their children’s education. This corresponds closely with Hors’ concept of routine corruption. Grand corruption usually involves more senior officials and significant amounts of money. Like Hors, TI recognizes that different strategies are required to deal with the two types of corruption. Corruption in the customs working environment could be classified as bribery, nepotism and misappropriation (Nye, 2007). Bribery in the customs context includes the payment of money to secure or facilitate customs procedures, payment to alter or reduce duty or tax amounts, payment to ensure that officials grants exemption from normal administrative formalities or do not take appropriate control measures. Customs officials often have discretion over such disbursements. Nepotism in the customs context can include such behaviour as the selection, transfer or promotion of individuals or groups on the basis of an existing relationship rather than on merit; the awarding of lucrative customs appointments; and the allocation of scarce government resources to individuals on a nonmerit basis. Misappropriation includes a wide range of behaviour such as theft, embezzlement, falsification of records, and fraud. It can be seen at the individual, group or organizational level. According to Bryane (Bryane, *et.al.*, 2010) customs-related corruption costs World Customs Organization (WCO) members at least \$2 billion in customs revenue each year. According to (Wadsworth, *et.al.*, 2010) The Baltic States have made more progress toward democracy and a market economy than many of the other former communist countries. Customs and trade regulations are midway between no obstacle and a minor obstacle in Estonia and Lithuania. Latvian businesses find customs and trade regulations to be a minor obstacle to running and growing their businesses. As described in information from Corruption Prevention and Combating Bureau (KNAB) (Recommendation for prevention of corruption in law enforcement, institutions), there is insignificant number of notifications on possible integrity violation incidents on the SRS Customs Administration. As is in 2009 there were only 45 notifications received from natural and legal persons and 60 notifications transferred from other law enforcement

institutions. Small amount - 105 notifications per year can be explained by the fact that customs matters are only a small part of the everyday life of society, mainly active in the transport of goods across the border or foreigners, and these people may have concerns about possible future cooperation with the customs (Recommendation for prevention of corruption in law enforcement, institutions). Another explanation is connected to behavioral changes and change in customs operation during last decade.

### 3 Building a system to promote integrity

Systems for integrity promotion need to have background definitions for the creation purposes. System deals with risks and corruption risks. The risk is possible occurrence of undesirable effects; the probability that an event or action will adversely affect the obstacles for achievement of the target. Corruption risk is probability that a member of staff with the intentional or unintentional act for the interest and benefits for third parties and harm public (general) interests and damaging good public management. And system of the integrity promotion is a part of general risk management system which includes definition of risks, definition of risk factors, control and supervision measures with aim to protect persons and institutions from possible damage and ensure achievement of institution targets.

As defined in the second part of the paper corruption in customs field includes political and staff factors. So in order to deal with corruption firstly must be political commitment to address the problem. Building a system to promote integrity in customs administration includes not only measures to combat existing corruption but also risk identification and risk management system that ensure operational continuity and control of corrupt behaviour. Political factors could be addressed through clear and well-understood tax and customs policy framework. Simplification of the system and reduction of tax and tariff rates and restriction (or at least limitation) of exemptions is not only recommendable economic policy but also possibility to reduce opportunities for corruption. Simple and clear legislation creates a framework for compliance. However, even in low tax countries drug smuggling criminals have the ability to bribe the customs officials for permission to proceed without shipment inspection. Latvian system could be evaluated as low tax system and have fully unified customs system as European Union Member state. Political factors also can be covered by simplification of procedures and creation of easy-to-understand systems. Such procedures and systems reduce compliance costs for international trade stakeholders and administration costs. Such simplification includes one-step processes, minimal documentation requirement and digitalization for customs declaration processing. To support the adoption of Single Window systems, diverse policies, recommendations and guidelines have been developed by global organizations. The UN/CEFACT Recommendation Number 33 recommends Governments and traders the establishment of a Single Window, in order 1) to facilitate payment of duties, taxes and fees and 2)

to facilitate the submission of trade-related information and/or documents at a single entry point (UNECE Recommendations and guidelines on establishing a Single Window to enhance the efficient exchange of information between trade and government). In scientific literature it is also recommended to develop initiatives such as electronic information sharing, e-Customs and automated risk management (Urciuoli, *et.al.*, 2013), that have a core function to achieve the objective of facilitating trade. However main dilemma in Customs management is balancing the needs for trade facilitation as a process of simplification, standardization and unification of documents and procedures in international supply chain, on the one hand, and the level of controls and interventions, on the other hand. For more than a decade the WCO has played an active and key role in addressing the complex problem of corruption in public service and more specifically in Customs. Integrity in Customs was initially placed on the WCO Agenda in the late 1980s and culminated in the adoption, in 1993, of the WCO Arusha Declaration on Integrity in Customs. This Declaration shows the willingness of the WCO to encourage its Members to comply with rules governing integrity and to carry out their activities effectively. It contains specific elements that are designed to improve the efficiency of Member administrations and reduce or eliminate opportunities for corruption. It is the focal point for the WCO's anti-corruption and Integrity development effort. An institutional mechanism such as an Integrity Working Group, currently Integrity Sub-Committee was established and supporting instruments such as WCO Integrity Self-Assessment Guide and Model Code of Ethics and Conduct as well as the WCO Integrity Action Plan were developed. To assist Members in implementing the Revised Arusha Declaration, the WCO has developed the Integrity Development Guide as a comprehensive integrity tool set. The WCO produced the first version of the WCO Compendium of Integrity Best Practices in collaboration with its Member administrations. A database of the integrity best practices (Integrity Best Practice Resource Centre) is also developed (Integrity). Traditionally risk management in customs is connected only to main processes (collection, control, enforcement) as a part of achievement of targets and is not interconnected with other functions and general management processes (Petersone, 2013). However for risk management to be effective, it needs to be embedded as an organizational culture and be part of the system Customs runs its business (WCO Customs Risk Management Compendium). Latvian State Revenue Service (SRS) as a legal enforcement entity operating within the framework of the Ministry of Finance is involved in all international modernization processes related to trade facilitation and efforts to ensure duty collection and security. In the last ten-year period, SRS has implemented contemporary improvements and developments in standardization and harmonization of customs procedures and management systems and fully compatible with EU customs system. As well as SRS has built up framework of national legal provisions for establishment and development of risk management system. As risk-based management concept is applicable in almost every business and governmental area, there is a lot of experience that could be shared with Customs issue. For public administration risk management most often such as risk management standards as – ISO 31000:2009, – AIRMIC, ALARM IRM: 2002 and –COSO:200 are used. Customs administration risk management for general processes is based on ISO standards.

From Customs point of view, risks include the potentials for non-compliance with Customs law such as licensing requirements, valuation provisions, rules of origin, duty exemption regimes, trade restrictions, and security regulations, as well as the potential failure to facilitate international trade (De Wulf, Sokol, 2005). The risk management process such, as the systematic identification and implementation of all measures necessary to limit exposure to risk, consists of several procedures that Customs administrations should put through: risks identification; risk assessment that consists of risk analyses and risk evaluation; risk treatment; monitoring and reviewing, and communication and consultation within national Customs administrations, C2C (Customs to Customs) and C2B (Customs

to Business) (WCO, 2003). SRS along with the imposition of risk management approach in the national Customs legislation, has adopted appropriate strategic documents, as well as has developed and amended several operational and tactical documents. SRS risk management system is applicable for basic processes and some support processes covering SRS departments' tasks and activities. In the field of corruption – a register of the corruption risks has been created. The main purpose of register is to be a document that identifies processes where integrity violation is possible. In the Corruption risk register there are defined basic processes, possible corruption event, probability of this event, impact, initial risks, internal control measures, remaining risk and allowable risk. At the same time corruption risk register does not have any information of factual risk incidents and lack of this information denies calculation of appropriate probability. In the customs field main two areas are addressed by SRS strategic documents. Customs frauds, as evading payment of tariffs and other duties, are treated through: declaring and accepting improper customs value; declaring and accepting misclassification; declaring and accepting improper origin of goods; discharge of import for processing; discharge of outward processing; illicit removal of goods from customs supervision; and undeclared import goods for customs clearance, as one of the most important and highly recognized risks in Customs management strategies worldwide. And also threats on safety and security of the society in terms of public health, environment and consumers, including proper implementation of measures related to import and export of goods to and from Latvia, as a risk area is regarded to smuggling of weapons; smuggling of drugs and precursors; money laundering and terrorist financing; smuggling endangered animal and plant species; smuggling of nuclear and radioactive material; smuggling of high technology and weapons; illicit trade in dual-use goods etc.

According to Guidelines recommended by the Latvian Corruption Prevention and Combating Bureau (KNAB) for the anti-corruption plan development, the nature of the risks is arising in connection with the performance of the direct functions. Because of the corruption risks deep analysis of the risk areas – authority functions, procedures and job positions that have a higher risk of corruption and unfair performance (Guidelines for the development of a plan for the establishment of anti-corruption measures). Latvian Corruption Prevention and Combating Bureau in 2009 conducted a survey on the State administrative institution internal control systems and a similar survey in 2010 on the municipal internal control systems. Results of these surveys can be attributed also on the SRS Customs administration. Main conclusions that many institutions' anti-corruption plans are not treated as internal control, risk management and the monitoring system, the plans are not linked to the identification of corruption risks. Planned measures are often very formal and do not foresee any specific actions on the corruption risks to The concept of decreasing corruption in State administration institutions and local governments). According to the internal Latvian State Revenues Service procedures risk management system is organized dividing risks into two groups: compliance risks – external risks which arise from the taxpayers' behaviour and the intentional or unintentional activities violating duties specified in regulatory tax and customs legislation and shall be identified, analyzed and evaluated within the core processes of tax and customs administration; organizational risks- internal and external risks arising from external events, internal processes, persons and systems and cause inadequate or incomplete actions, and which should be identified, analyzed and evaluated in the core and support processes.

SRS risk management is conducted at three levels – strategic, tactical and operational levels according to management and decision making level. Decision making level depends on obstacles and risks, since action planning and risk identification, analysis, prevention and detection of priorities, as well as should carry out an evaluation of the planned actions which can be carried for different processes and functions. Strategic level of risk management is involved in strategic risk management

decisions, takes general action planning, implementing measures in achieving the strategic objectives and in the evaluation of performance indicators. Tactical risk management should take decisions on tactical level of unit (process) risk management framework. At the operational level of risk management decisions are made within the scope of a specific person or group planning measures (performance risks, such as audit object selection, assessment of the reliability of the data object, customs physical controls selection, etc., organizational risk – employees training, selection of new employees, information systems etc.). A description of the risk management process is covered by the strategic and tactical level of risk management, but is not applied on the operational level, as well as not applied to the security of information systems, the SRS corruption risk

management, work environment risk management (On the risk management policies of the State Revenue Service). However despite of creation of risk management for basic processes this risk management process is not connected to integrity risk management system, because of lack of methodological link between two independent systems. Also there are no specific methods to determine activities connected to the integrity risks and probability evaluation is made by managers and supervisors based on subjective estimations. The author recommends to develop corruption and integrity violation risk estimation in connection with the basic process risks group of organizational and compliance risk and operational level (see. Fig.2)

Risk management levels	Groups of risks						
	Compliance risks			Organizational risks			
	Strategic			Strategic			
	Tactical			Tactical			
	Operational			Operational			
				Integrity risks			

Figure 2. Risks at SRS [compiled by the author]

SRS has divided its activities into three levels – level of objectives, processes and process operations so each task has subordinate processes but each process has defined process operations. SRS has each employee's job description in which the responsibilities of an officer, existing process operations have been reflected, which is a very precise definition of job responsibilities for the corresponding job, therefore the content of such document defines entitlement of an officer and what the job description of an officer does not contain, thus it is possible to follow goals and objectives that have to be gained in the corresponding job in the institutional (Peterson, *et.al.*, 2014). That means that SRS corruption risk register and risk management system should not be divided from the risk management system but included in the operational level of organizational and compliance risks subject to unified methodology. Additionally Corruption identification will be supplemented by register of corruption incidents organized in compliance with Latvian Corruption Prevention and Combating Bureau (KNAB) Guidelines

As for above mentioned staff factors of the corruption possible solutions are creation of the effective and efficient risk management system and creation of the professional customs administration. Another way to ensure fairness and neutral customs authority is to develop a professional administration with clearly defined responsibilities and accountability for performance. Development of a professional customs authority is important not only to improve the effectiveness of the administration, but also to address integrity issues. Professional customs administration includes professional management (skilled, knowledgeable managers), appropriate compensation and working conditions (sufficient compensation to reduce the incentive to engage in integrity violation practices), staff rotation, recruitment and training. This leads to integrated human resource management system and risk management systems inter alia corruption risk management that can be used for better performance of tax and customs authorities. (see. Fig.3)

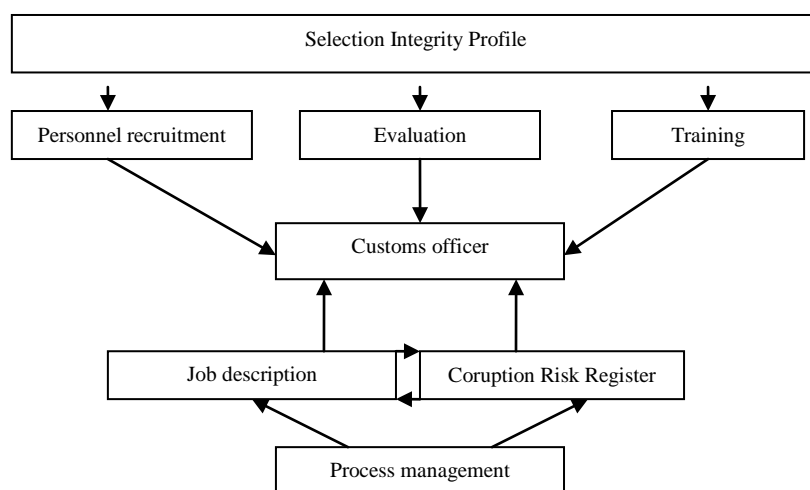


Figure 3. Proposed interaction of risk management and HRM systems at SRS [compiled by the author]

Human resource (staff) management policy of customs administration is closely associated with the mission and action strategy (process management). The purpose of the staff management policy is to ensure and support achievement of the mission, strategy results (including objectives and tasks). The main task of human resource management in the context of integrity assurance is the need to ensure that the honest man is in the right position. This can be achieved by analyzing the content

and scope of the work, the necessary staff and planning skills, mobility of workers, rising of qualifications and career development opportunities. One of the integrated system measures could be creation of SRS staff integrity profile. Before joining SRS, new employees must obtain a "declaration of good behaviour". This declaration indicates the individual has no criminal record or a record of any violation of the law. Upon employment, the employee is given the agency's integrity

profile, which reinforces the basic values of credibility, responsibility. With this integrity profile, employees can obtain the declaration of good behaviour. The integrity profile also describes the attitude of the ideal employee in terms of being confidential, honest, and a servant of the public. Another approach proposed by Corruption Prevention and Combating Bureau (KNAB) is to perform integrity tests during employee's selection process, although there is no consensus on the nature and composition of such tests and integrity declaration or questionnaire related to the risk incident registry for position is more appropriate.

#### 4 Conclusions

The vast majority of literature available on institutional or administrative corruption in developing countries can be described as problem reporting. Since most literature is connected to introduction of effective and efficient customs procedures, there is little material available that provides analysis and solutions to the problems associated with predicting, controlling and eliminating corruption in customs administration. By the analysis of Latvian SRS practice the author recommends to create integrated risk management system, in the human resource management field recommendation are related to improvement of the selection process. Selecting customs officials taken incorruptibility as well as job-specific skills and educational qualifications are into account. These measures are in line with The Revised Arusha Declaration on Integrity in Customs and will increase the likelihood that corruption will be detected and punished.

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**Primary Paper Section: A**

**Secondary Paper Section: AE**

## THE MANAGEMENT OF SUCCESSION STRATEGY - INTERGENERATIONAL CHALLENGE

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**Abstract:** The successful management of a succession strategy is a big challenge for family businesses. According to a global PwC survey, only 16% of family businesses have a written succession plan. Others do not plan it at all, or they consider it as an act of personal transfer of the company from the founder to the successor. In the real practice, however, it is a process which requires the same discipline and objectivity as any other aspect of business decision-making. Succession is always an emotional matter, which is all the more reason why it should be approached professionally rather than individually. The paper aims to demonstrate that the management of succession strategy is a long-term process through the collection of the theoretical foundations of the issue and through provided case studies.

**Keywords:** family business, succession, knowledge, strategy.

### 1 Introduction

A family business is well-established, traditional form of business in developed economies. It is perceived as stable, credible and important for society. In addition to the economic security of the families, it strengthens family ties and the cohesion of individual family members. Among other things, it encourages family members to better and more efficient use of their abilities, knowledge, skills, know-how - therefore of all their talents for the promotion of family business activities. An important aspect of the family business is trust. People are more confident in families. They rely on themselves, take on joint responsibility and risks. They are more loyal to the company. They transmit their experience, knowledge, and tradition from generation to generation. An important aspect of the family business is an emphasis on business ethics and morality. In case of family businesses, it is not only about the effort to build the reputation of the company, but also about the efforts to build and to promote the good name of the family. In the case of family businesses, long-term relationships with suppliers, employees and mainly customers are essential prerequisites for maintaining a positive image of the family company in the eyes of a broad public, and also for the maintaining prosperity and long-term sustainability of the enterprise.

Very well prepared legislation in the field of family business is, for example, in Austria, Germany, and Italy. Unlike the Czech Republic, Slovakia, and other post-communist economies, the tradition of family business and business in general has not been interrupted there. It is therefore not surprising that, in these countries, we can find family businesses that have existed for more than a century and they have already successfully passed for several generations. The general feature of these companies is that their family members have the majority share in the property, as well as a majority stake in their management. Table 1 lists the top 2 family businesses from Germany, Austria, and Italy according to the Global Family Business Index. There has not been any Czech family company included in the Index. While the five hundredth largest family company in the world (Cheung Kong (Holdings) Ltd. reported sales of \$ 2.2 billion (CZK 56.08 billion), the first and, according to Forbes magazine, the largest Czech family company Metalimex reported annual sales of 26.2 billion CZK (Mašek et al., 2015). According to Karel Havlíček, AMSP Chairman "Three fifths of the global business are in the hands of family businesses. In the Czech Republic, however, family businesses contribute to the gross domestic product with only 15 percent. They still occupy only about one fifth of the total number of companies. (ProByznysInfo.cz, 2014) This is due to the relatively short history of entrepreneurial activity in the Czech Republic, where many of these companies wait for just the first generational change in turn. Whether and how they will handle will affect the ability and willingness of the founding father/mother to impart knowledge to emerging generation and vice versa - the ability and the will of the rising generation to select the knowledge

without which one cannot do, and the knowledge which must be used to move the company forward.

*Table 1: Global Family Business Index – TOP 2 companies (Germany - G, Austria - A, and Italy - I)*

Ranking in the Index, Country	Company	Year founded	Sales in billions (\$)	Family
2, G	Volkswagen AG	1937	261,6	Porsche
8, G	Bayerische Motoren Werke AG (BMW)	1916	101	Quandt
144, A	Benteler International AG	1876	9,9	Benteler
306, A	ALPLA Werke Alwin Lehner GmbH & Co KG	1955	4,3	Lehner
4, I	EXOR SpA	1927	151,1	Agnelli
92, I	Saras SpA (aka Saras Group)	1962	14,8	Moratti

Source: according to Zellweger T.: *Global Family Business Index. Center for Family Business at the University of St.Gallen, Switzerland. May 19, 2015. Available at: <http://familybusinessindex.com/#table>*

### 2. Theoretical solutions - the definition of family business

The family business is not characterized by a clear and universally accepted definition. The opinions of the authors differ in the area of the ownership of companies. Some prefer the definitions focused on the strategic role of family members in the business. Complex definitions include, to the ownership and corporate governance, also the criterion of generational replacement.

The definition of German research institute contains a precise determination of the share of ownership - at least two individuals are directly involved in the management of this company and these individuals or their families together own at least 50% share of the said business. (Koráb, 2008) Bowman-Upton defines the family business similarly - A family business is any company in which the majority of property rights or control is kept within the family, and where two or more family members are directly involved in the running of the company. (Bowman-Upton, 2001) Austrian universities and research institutions use the work of Vogler. According to him, the family business must meet three criteria:

- Persons who are proprietarily interested in a given company must be members of one family.
- Individual members of the family or the whole family must be in a position to control the undertaking. According to Vogler, it is associated with the majority of the voting rights.
- Management of the family business is recruited from family members who must have a strong will to lead the company in a way to serve the family to earn a living. (Koráb, 2008)

This definition highlights the ownership of a company by the same family with the majority of the voting rights. The following definition mentions the possibility of business ownership by more families, with an emphasis on business governance. For a family company we consider the company in which members of one or more families own a decisive share and they also manage this company. (Lukáš, Nový, 2005)

Ernesto Poza came to the working definition of the family business as the unique synthesis of the following statements:

- Proprietary control (15 percent or greater) of two or more family members or joint venture composed of several families.

- The strategic influence of family members on the business management, whether they are active in management or not, by continuing the formation of culture and by serving as advisors or board members, or by being an active shareholders.
- Interest in family relationships.
- Wish (or opportunity) for continuity across generations. (Poza, 2010)

The definition mentions corporate culture to which is currently paid much more attention than before. Astrachan and Shanke (2006) report that the definition of family business by experts is based on different criteria. These are their percentage share of the family property, the involvement of multiple generations in the strategic decisions about the company, the intention to transfer the company to future generations.

Family businesses differ from non-family ones in many ways, but the biggest difference is that the family business is built on the personality of the founding father/mother, on family values and its know-how, on the intensity of the involvement of owners in business processes, on the commitment thanks to which the family members give much better performance as employees - work is said to be "on their own" because they generally invest their own money to start the business. The basis of the family is the emotional and affective perspective, solidarity and communication inwards. The company stands on specific results, rational facts, evidence-based information, it is open to its business partners and customers. The communication is oriented rather outward. The task of the family is the mutual encouragement, support, tolerance and education. On the contrary, ferocity, rivalry, achieving profits are more valued in the company. There is more emphasis on developing professional skills than on upbringing. These at first glance disparate variables must be in complete harmony to ensure the functioning of the family business. (Hnátek, 2012)

### 2.1 The importance of knowledge management in the management of the succession strategy in family businesses

The strategic management of the company, to which the knowledge management can be also included, is a dynamic process of the creation and the implementation of development plans. It includes activities aimed at the maintaining of long-term harmony between mission, long-term objectives and available resources. (Jakubíková, 2013) As the available resources can be considered, in addition to financial resources, physical assets and know-how, also human resources - in the case of family businesses founding father/mother and the potential successor of the family ranks. Becker emphasized that the unit of company employees with their exceptional knowledge, skills and abilities, motivations and emotions represents a unique, exceptional and inimitable resource of development that differentiates one company from another. (Boučková, Viduna, 2014) Why, for example, do some family businesses, some entrepreneurs find suitable opportunities and others do not? One reason is that these opportunities are associated with the so-called tacit knowledge that is further developed by experience, study, and is given in different contexts. This will enable to identify market opportunities, to introduce their products or services to market faster, at lower cost, and with marketing support based on the family name and tradition.

The dynamics within the family and the various stages of the life cycle of the family affects not only business results, but also business growth and changes and transitions throughout the life cycle of the family firm. Owners of family businesses are at a disadvantage because they do not have the opportunity to consult their decisions with anyone and the majority of them do not have enough managerial knowledge and skills. Training and education are more often considered the waste of time and financial burden rather than the investment in the future development of their businesses. In family businesses, we can very often encounter the dependency of all strategic decisions relating to competitiveness, information technology, human resources, marketing and finance only on one person. Therefore the

strategic decisions, like the succession management strategy, are implemented rather intuitively than analytically and they often depend on the complex family and property ties. (Antlová, 2009)

Knowledge resources can be found both inside and outside the family business. Knowledge generated within the family business is especially valuable because it is unique and specific. Some common sources of external knowledge generally include publications, educational programs, universities, government agencies, consultants, the labour of professional associations, availability, and qualification of external advisors (legal, tax, marketing agencies), etc. The ability to absorb external knowledge and integrate it into the inner environment can be a competitive advantage of family businesses. The knowledge transfer is essential for the future success or failure of the next generation of the family business. Therefore it is very important to involve the future successor into the operation of the family business as soon as possible in order to gain as much tacit (non-transferrable, obtained by one's own experience and stored in the sub-consciousness of the company founder) knowledge in the field as possible. The acquisition of professional explicit (portable, easily articulated) and implicit (conscious, but hardly transferable) knowledge must be also present. And here we face a major problem. For example in the USA the family businesses and their importance are taken very seriously and there are more than 100 active family centres at the universities that help family businesses solve their problems. (McCann, 2000)

There is not sufficient attention given to the research of the family business, succession planning including the necessary succession strategy of the knowledge transfer by the external environment not even by academia in the Czech Republic. According to the results of the 32nd survey of the Association of SMEs, nearly 70% of the Czech family businesses have no succession plan which is directly related to the transfer of knowledge to the successor generation. The family companies temporize with handing over the management of the company. The consequence of this is that approximately every third company out of ten does not survive the succession. The third generation, then, keeps the family business only in one case out of ten. The owners underestimate the whole process of transmission, although they realize that it will be challenging. They are overwhelmed by the common tasks resulting from the running of the company and then the handing over is managed more intuitively and under time pressure. That can be very dangerous. (Svobodová, 2015) This could lead to their gradual extinction, to the loss of family traditions, of their know-how, and to an increased unemployment.

In the whole process of succession, the key is to identify individuals within the family who are interested and able to continue the tradition and to gradually take over the crucial powers. Exploring approaches to family business and offering possible solutions to the issue of the management of the succession strategies through knowledge management is becoming a popular topic. If we generally understand management skills as the systematic approach to creating, acquiring, storing, disseminating, sharing and active using of knowledge in order to enhance the performance of the organization, then we can interpret the meaning of managing the succession strategy in family firms as **the process of knowledge transfer in the synergistic relationship between the predecessor and the successor**. There is no need to explain the fact that the relationship between the parent and his descendant is vastly different from the way the "standard" relations between superiors and subordinates work.

### 3. The succession strategy in the practice of family companies - case studies

For the purposes of this article there has been used the type of case studies which clearly describe the surveyed unit and the surveyed issue - how does the transmission of knowledge in connection with the succession strategy happen in the specific companies.

### 3.1 LIKO-S International - Even if you plan it hard, to hand over your company to the children is alchemy

The company is a family firm with more than 22 years of experience. It has the exact structure and the proper functioning of the all organs of the joint-stock company. It manufactures and assembles interior walls, mobile walls, acoustic ceilings and in-buildings to halls. It welds, cuts, and assembles metal structures and technological systems. It employs more than 150 employees and it has branches in Prague, in Central Europe, and in far India. Family Business of the Year - winner, 2014.

According to Libor Musil - founder and CEO - it is up to parents to hand over the company to children in the structure that will meet the requirements of the new occupancy. They must transform it to meet the requirements of the children, not the founders. He implements the transition to a holding structure in order to prevent the possible consequences of the mistakes of his successors, to ensure the safety of sources, and to demonstrate the responsibility towards both employees and suppliers.

Son Jan Musil began to work in the company after returning from the secondary school in England. He is proud of what his parents managed to build and also feels responsible towards employees. He began working as an assistant in the sales department, then as an independent sales representative for northwest Bohemia. He "popped in" to the production as a manager for half a year. This was followed by the practice on the Austrian market. He has been working as the head of export in the division of interiors last year and he is also responsible for marketing and product development. He operates with a relatively large budget.

Daughter Hanka is five years older than Jan. She returned after several years working in the US with her husband who is from Jamaica and who ran the hotel in Florida with about 2500 employees. The daughter goes through various divisions, gets familiar with the operation, and now she shades her mother, who is responsible for human resources management in the company. Hanka learns to conduct the job interviews, to assess people's personal characteristics, to interact with managers, and to solve problems within the team. Her husband is the logical answer for the American market - currently, he mainly focuses on learning Czech.

**At what stage the imaginary generational passing of the sceptre is?** "Children" take smaller functions of middle management to learn. They use the time when they are not yet fully burdened decision makers to educate themselves as much as possible. However, we gradually move the full responsibility to them. They should go through the "trial and error" stage as soon as possible because no textbook can simulate the position of the company owner. Father-founder acknowledges that the arrival of the children in the company lifted its quality. It was not only the matter of a different view, but it was also important to learn to communicate better, to adjust the solution to every problem because even the smallest inconsistency jumps into the family life. The whole family plans, mutually develops, and learns together, so the undertaking is fulfilling and enjoyable. (Musil, 2015)

### 3.2 Renocar

The Renocar Company is one of the leading dealers of BMW and MINI as well as service providers for BMW, MINI, Opel and Chevrolet. Renocar was founded on September 22, 1990 as one of the first private companies in the former Czechoslovakia. It was founded by Mr. Miloš Vránek, Sr. The roots of the company, however, can be traced back to the sixties. While Pavel has been doing business with his father from the beginning, his brother Miloš did not push himself into the family business. He studied medicine, specializing in neurology. He was interested in acupuncture and alternative medicine. And he was successful. He had his own private practice for roughly a decade. About fifteen years ago, Miloš Vránek Sr. and his son Pavel stood before the decision whether to expand the company

or not. At that moment, Miloš took off his medical coat and jumped into the well started family business. At that time, according to the father-founder of the company, it got to the point where he could not manage it intuitively and base his decisions just on his life experiences. "The different way of managing and leading had to come and the guys today lead the company in a totally different way than how I did it myself," says the father, adding that the key to success is the conferral of trust.

He formally gave it to his sons in 2013. All three of them speak about the transfer of the company as about a perfectly natural thing which happened gradually. The enterprise has undergone an unassisted change. Miloš Vránek gave his confidence not only to his sons, but also to managers. "Sons understand that to spend ten or twelve hours in the company every day does not make any sense," he explains the reasons why the company employs hired managers on major management positions. Renocar company currently employs about 160 people in full-time job and it accepts students for internships. "We cannot manage everything just me and my brother and so we started to build a layer of middle management," says Pavel. It took the company eight years to grow into its present form. Even though only siblings lead it today, they go to their father for advice sometimes. "We solve the moderately important things alone with Miloš, but for those crucial ones it is good to have three heads," says Miloš Jr. and he adds that the family respects all the decisions even if one of the members does not agree with the outcome. "Emotions do not bother us and suddenly it paid off to follow the feeling in the stomach," says Pavel.

When Miloš Vránek started his business, he was more than forty years old. Today, his two sons are in the same age, while their children are in puberty. "It's good for our young to have a part time job in our company, but both me and my brother think that it is good to get some experience in another company, to find self-awareness and then came back with humility," said Miloš Vránek Jr. and he adds that the company will be led by the fittest. "Perhaps it might not even be any of our children," says definitely Miloš Vránek Jr. (Adamcová, 2015)

## 4. Discussion

According to Silke Horáková, co-owner of Albatros Media, it is clear that the focus of the family businesses on the long-term goals is one of the rudiments of their success. Above all, it is the result of the stable ownership and the commitment to the future owners of the company. As well as the other businesses, family businesses are exposed to the challenges of talent development and of the management of human resources **through management and knowledge transfer**. However, in their case it is closely connected with the question of the succession in the leadership of the company. It depends on the specific circumstances whether the best talents are developed inside the family, or they are (also) found outside. In modern families the "forced" succession have been mostly eliminated and talent and motivation are crucial for family members. We continuously educate our children as responsible people and maybe they will once become responsible owners too.

As it comes from the traditions of the First Republic, the common affair for the children from entrepreneurial families was to leave to a free employment abroad not only to extend knowledge in the relevant profession, but also to acquire some more general overview of the business (Skácel, 2014) - **Nowadays, each of the potential ascendants should receive appropriate education and a foreign internship**. It is necessary to clarify which skills should successor meet, **to set a personal development plan for the representatives of the rising generation** - i.e. the list of skills and experiences that are necessary for the son or the daughter in order to acquire the company. The plan should also contain the outline of the specific steps which would lead to the acquisition.

As the great gift we can consider the situation when the children join the family business and when they want to continue in what

their parents have started - which is not given by local culture in Bohemia. In this case, it is advisable to communicate the idea about the course of succession, to prepare a written plan in order to enable all participants to identify themselves with what lies ahead. Parents become coaches and mentors who gradually forward their knowledge and responsibility for decisions. The rising generation must go through the prescribed positions, learn from their mistakes and create their own strategy for the future direction of the company. When the competences are distributed it cannot be dictated who will do what and ignore the fact that each person is an individual. Everyone has different skills and interests that should be developed for the benefit of the company's future. It is very important to involve the future successor into the operation of the family business as soon as possible, so that he could earn as much tacit knowledge in the field as possible under the supervision of his parents, and he could continually gain explicit expert knowledge.

Table 2: The attractiveness / unattractiveness of the family business for the successor

What is attractive about the family business
Stable job which is "made to measure". The effort and the interest in continuing the family tradition, in building it further. The responsibility to secure the future of their children. Belonging to the family. Relation to the field of business - the successor studies a similar field of study purposefully. Motivation to work and to magnify "something personal", respectively the possibility of widespread self-realization "of successor's ideas and ideals". Certainty of the family business - financial resources, experience of the founder, contacts, and the family know-how. Informal relationships at work, flexible working hours, freedom of decision. The necessity and the only way out for the graduates who have no other job offer.
What is unattractive about the family business
The reluctance to work under the guidance of father/mother. Poor relationships and family conflicts (between parents, siblings), fear of their transfer to the workplace. Several generations of one family collaborate in the family business. It is difficult to distinguish and separate the relationships that exist among family members. They are often professional at work and informal and emotional outside the workplace. Limited potential for professional growth. Small business - the descendant's idea of the growth is different. Ambitious young people seek and prefer to work in global companies or they want to expand abroad. Bad geographic location of the family business - young people want to stay and live in the city where they have studied. Young people are attracted to travel and gain experience abroad after their graduation / It could happen that they will live and work abroad. The fear of risk, the inability to independently control or manage the company according to the ideas of the older generation. The fear of the failure to be respected by other employees due to the lack of experience of the descendant or due to the age of employees. Nepotism.

Source: Adapted by the author according to Krošláková Monika. *Atraktivita rodinného podnikania pre mladých ľudí*. [online] 2014. Presented at the seminar *Prečo sú rodinné podniky na Slovensku neviditeľné?* Available from [http://www.epp.sk/docs/seminar-rp\\_kroslovakom.pdf](http://www.epp.sk/docs/seminar-rp_kroslovakom.pdf)

It is the attractiveness or unattractiveness of work in the family business in the view of successor which decides about the future life of the family business. The second generation is the most important in building a multi-generational family businesses. The transfer of management, know-how, and ownership from the

first generation to another takes place for the first time in the history of the family. The success of this transfer will show whether the family business is able to survive, grow, and prosper within the future generations.

The uniqueness of the family business is the conflict between the rational business and irrational feelings and emotions. It is impossible to divide the work and the family. The significant factor is the ability to communicate clearly and openly, to solve every arising problem, and to accept compromises. It is necessary to say what the individual family members expect from the business, to clarify which values are shared within generations and which strategies regarding the family and especially the business will be applied. They can be embedded in the so-called family constitution which says how the family wants to present externally, which values its members will profess, and what do they expect from the joint business. Communication must serve as the mean of convergence, of helping each other, and of the common search for mutually advantageous variants of solving situations. It is necessary to learn to listen to each other, to let the other side to finish their speech, to give enough space to the arguments in favour of proposed solutions, not to criticize, not to accuse, and not to blame the possible failure on each other.

It seems logical that the universities should also pay attention to **educational programs and courses aimed specifically at people who want to lead the family business in the future.**

## 5. Conclusion

From the above text, as well as from the case studies of successful companies that deal with or have already resolved the question of succession, it is apparent that this is a long-term process and not just one time event. For each undertaking, this process begins at the moment of the start of its operation.

This paper aimed to highlight the need for knowledge transfer for the successful management of the succession strategy in family businesses. Through the collection of the theoretical foundations of the issue and provided case studies, it have demonstrated that succession planning is not a simple process. The planning of the transfer of knowledge is a combination of many steps. It is the crucial element of success that cannot be underestimated. Every family business is different. During the time of its existence it obtains different skills affected by the field of business, by the chosen strategy, by the roles of family members, and by the future plans and values. Therefore, there is no universal solution. For the successful operation of the succession it is also important to prepare the exit strategy of the owner from the high positions and to pre-define and plan how and to whom to forward his knowledge. Examples of activities that lead to the acquisition of knowledge and experience, to the strengthening of the management skills, and which can prepare a successor for his future role are as follows:

- obtaining proper education and experience ideally in foreign companies,
- gradual acquisition of knowledge, strengthening and building experience through the performance of strategic and challenging tasks, profitable management of the entrusted resources,
- development of communication skills,
- long-time shading of the owner at work, mentoring, coaching,
- continuous education - e.g. new approaches to education (MBA program, online education etc.)
- interconnection of the requirements for performance and development with adequate motivation, evaluation and remuneration,
- preparing individual plans for the development of future successors.

The family business can build a strong and flexible supply of the future leadership of the company by the rigorous monitoring of the functioning of the transmission of knowledge and its



adaptation to the requirements of the changing market and to the strategy of the company. Universities have a unique chance to participate in this process. This conclusion also corresponds to the idea of Radim Valenčík from VŠFS. The more honestly the science is committed to its responsibility for understanding the current reality, the more it uses its methods, its instruments and its historical experience, the more it reveals what is happening, what is the context and what the solution is. The more the useful results of scientific knowledge are extended to ordinary people's consciousness (to family businesses), the smaller the "transaction costs" (the hardship of the people, the sacrifices that will be necessary to bring economic, moral and physical losses) to overcome the difficulties of our society will be, and the greater will be the chance that this pitfall will be passed (by the family businesses). (Valenčík, 2014)

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#### Primary Paper Section: A

#### Secondary Paper Section: E,H

## KNOWLEDGE AND THEIR IMPACT ON STRATEGY

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**Abstract:** In present, companies should watch market events to maintain their part or eventually become market leaders. Their main goal is to find a gap in the market, new opportunities, new ideas to archive part of the market in new field at its full. Therefore they shouldn't „oversleep on laurels“, but must constantly think about their development and future direction. Currently the strategic direction of companies should be based on knowledge of their employees. Equally important is the readiness of the neighborhood to event (knowledge environs, especially customers). The article discusses the use of various types of knowledge workers and their combination with the knowledge of customers, so the company could correctly identify their direction and choose the appropriate strategy.

**Keywords:** nuclear, advanced, innovation knowledge, strategy

### Introduction

Strategic decision making in managers, which went through minor to major changes in last decades is no more like in interwar period or during socialism or capitalism at its beginning. Global impacts and different crises also caused that strategic decision making (company's strategy alone) gains different point of view and seriousness. In strategic decision making, it is possible to perceive increased demand of information, which are basic of strategic decision-making. But as managers are constantly chasing for competitive advantage to be able to compete with another competitor, information itself are not enough. Knowledge as connecting information, experience, skill, personal attitude and individual willingness becomes significant competitive advantage, which helps in strategic decision making. Obtaining competitive advantage in form of knowledge as input into strategic decision making is not enough. Company needs to decide (strategically) but also fast (strategically). To get this approach, connection people (with their knowledge) and different methods, which facilitate and accelerate strategic decision making could help.

### 1. Innovation

Innovation is commonly described as 'creating value by doing things differently' or 'creating value through doing something in a novel way'. A simple version is 'good ideas put to work' (Culter and company, 2008)

As the first definition of innovation, innovation must be used in practice, otherwise they remain only invention.

While inventions may occur anywhere, for example, on universities or research institutes, innovation takes place mainly in companies (although they are possible in other types of organizations). To transform invention to innovation, enterprise must combine different types of knowledge, skills, abilities, and resources, for example production capacities, knowledge of markets, well-functioning distribution system, sufficient financial resources, etc.

However, many other definitions of innovation consider expertise as their essence. We consider innovation as fundamental change, which in economy is connected with implementation of knowledge, which causes an increase the value of the company-wide. The result of innovation is positive change, leading to efficient use of resources. The innovative potential of enterprises is the basis of wealth creation is dependent on the formation of their knowledge strategy.

Innovation also means obtaining of knowledge from within the existing organization, combining of information, data or previous experience and generation of new uses for the resources (Nonaka, Takeuchi, 1995)

Košturiak and Chal' claim that innovation is learning, obtaining of knowledge and experience, creativity and persistence, enjoying work and enthusiasm for change – all depending on people, their trust and cooperation. (Košturiak, Chal', 2007)

Overleaf, the results of the innovation management of the firm create new explicit knowledge on products and technologies and also lead to the accumulation of tacit knowledge. As a consequence, a firm's innovation efforts lead to an increased knowledge base. (Gómez, Manzanares)



**Figure 1** Relationship between knowledge and innovations

### 2. Knowledge

Cutting knowledges utilized in enterprises introduced Gottschalk and Zack. Knowledge divide to nuclear, and enhanced innovative.

According to Gottschalk nuclear knowledge is basic knowledge necessary for the firm to remain in business. This is the type of knowledge that can create effective barriers to new entry, also prevent competition accelerate core business processes. (Gottschalk, 2007)

Furthermore, according to Zack nuclear knowledge they are minimal scale and mainly serve to make the company managed to "play their game". Only have this knowledge, ensures long-term competitive viability. On average, jointly owned by members of the industry. Companies can do the same business may use the same technology, but knowledge individualities are different, and therefore the company can do more to compete than that which produces the same (Zack, 1999)

Employees can improve the internal process. Tiwana argues that nuclear knowledge is the basic level of knowledge required to "play the game".

Furthermore, according to Gottschalk improved knowledge makes companies a competitive visible and active. Such knowledge enables the enterprise to distinguish its products and services from the competition through the application of better knowledge in certain areas. Such knowledge enables the company to compete with competitors in the same market as the same group of customers (Gottschalk 2007). According to Zack improved knowledge will be competitively viable enterprise. An enterprise may generally have the same degree, extent or quality of knowledge as competitors but there is a specific knowledge of enterprise content that is differentiated between competitors.

According to Zack innovative skills are those that enable the company to lead the industry and competition and very different company from the competition. Innovative knowledge often allows the company to change the "rules of the game" by introducing new business practices (Zack, 1999). According to Gottschalk such knowledge enables companies to expand market share by obtaining new customers and increasing the level of services for existing customers (Gottschalk 2007).

Customer knowledge refers to understanding your customers, their needs, wants and aims. It is essential if a business aligns its processes, products and services to build real customer relationships. It includes intimate and tacit knowledge such as that of key account managers, and distant or analytic knowledge including database information about sales, web-behavior or other analytical piece of data. (Dobney 2000)

### 3. Strategy

According to Johnson, strategy it expresses the direction of the organization providing a competitive advantage by organizing resources in the turbulent environment in order to meet market needs and stakeholders (Johnson 1999). Author Zack inclined to the definition if it adds that it is a balancing act between the external environment and internal capabilities of the company. The traditional model of strategic management defines the strategy in terms of product - market, but in terms of the knowledge society it is necessary to focus more on the company's resources, which are more durable and therefore a strategy based on enterprise resource has a long-term impact than the traditional approach (Zack, 1999). Importance of long-term action strategies shared by the author Finlay, who writes that the strategy reflects the long-term direction of the company and exploiting the opportunities in which it can be something to do or something to develop (Finlay, 2000).

The transition to a new way of strategy is the transition to a knowledge-based society. According Šmída creation strategy in the past was the role of top management. He collected the information, evaluate it and develop strategies which then communicates with employees in the form of jobs. The role of employees was not a strategy to express themselves, but realize commanded task. Thus, at the time of the knowledge society, which is starting to take account of the potential (knowledge) workers, they are gaining weight to considerations of strategy development (Šmída 2003).

### 4. Selection strategies based on knowledge

According to Johnson, strategy frames heading of organization providing competitive advantage through set up resources in turbulent environment in aiming to fulfill market demand and stakeholders (Johnson, 1999). Zack inclines towards definition adding that it is about balance between external environment and internal possibilities of company. Traditional model of strategic management defines strategies in circumstance product – market, but in circumstances of knowledge society, focus on company resources, which are more stable is needed. Strategy based on company resources has longer-lasting influence than traditional approach.(Zack, 1999). Importance of long-term effect of strategy advocates also Finlay, who remarks that strategy represents long-term heading of company and opportunities utilization within which something could be done or developed. (Finlay, 2000).

That means that important in decision making about strategic heading is knowledge. For strategic heading the important is not particular knowledge, but it is important to think about it in general, how it is perceived by external and internal company environment.. This general point of view divides according to Gottschalk and Zack into core, advanced and innovative. If a company would know these three types of knowledge, it will be able to decide easier, which strategic heading is appropriate and whether choose new or old path in strategic heading (Gottschalk, 2007)(Zack, 1999).

For effective decisions about strategic direction is a methodology based on enterprises with knowledge. Separation of knowledge on nuclear, advanced and innovative became the basis of the entire decision-making process. Research has confirmed the effectiveness of the strategic direction depends on the use of knowledge workers and customers within consumer and employment policy.

Separation of the individual policies were created under the generic classification of knowledge. Customers may carry innovative ideas, advanced or nuclear. To this they were created following key responses:

- Nuclear: Elementary activity - customers are just carriers of ideas that probably saw in competition.
- Advanced knowledge: Advanced Activity - customers are carriers of ideas that probably saw in the competition and they can suggest some improvements.
- Innovative Knowledge: Innovation activity - customers are carriers of new ideas in any sense (processes, products, technologies).

Also, employees may carry innovative ideas, advanced or nuclear. To this they were created following key responses:

- Nuclear knowledge: Employees are trying to perform your job well and sometimes they convey ideas, improvements that have seen probably in competition.
- Advanced knowledge: Employees suggest various improvements, optimization based on their experience.
- Innovative knowledge: employees are owners of entirely new ideas in any sense (processes, products, technologies).

For the following defined access to knowledge could create several combined employee and customer knowledge activities.

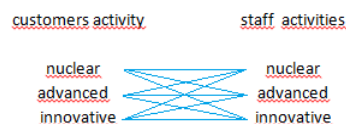
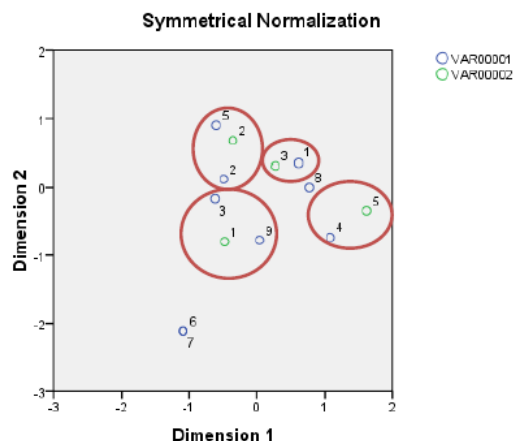


Figure 2 Customer and staff activities

After confirming that the effectiveness of the strategic direction depends on the combination of knowledge activities of employees and customers (Gottschalk, 2007) (Zack, 1999), it was necessary to model the complex which will provide information that is a matter for the strategic direction of the particular combinations of knowledge. It was used correspondence analysis, the statistical form groups with common similar results. Red circles are based on the tightest of dependence between a combination of knowledge and strategic direction type (Strategic heading depends on developing competencies and combining new and existing products. According to Johnson, these headings exist: use of new technological solutions and technologies, creating new products, restructuring - change of business, change operations within the process) (Johnson, 1999).

After ensuring that effectivity of strategic heading depend on combination of knowledge activities of employees and customers, the need for obtaining information, which strategic heading pertain to which combination of knowledge.. For this, a correspondence analysis which statistically create groups whit most frequent similar results, was used. Red circles were created according to closest dependency between knowledge combination and type of strategic decision making (strategy type). To perform the analysis, only data from responders, who specify that they would not change their strategy for 90-100% were taken. The results are reported in Figure 3 and 4.



**Figure 3** Corresponding maps for identification of the appropriate strategic routing for some combination of knowledge

Note

VAR00001 - is a combination of the use of knowledge workers and customers

Where 1 = innovative customer knowledge and innovative knowledge workers

2 = innovative knowledge and advanced customer knowledge workers

3 = innovative customer knowledge and core skills of employees

4 = Advanced knowledge of customers and innovative knowledge workers

5 = advanced knowledge and advanced customer knowledge workers

6 = advanced knowledge of customers and core knowledge workers

7 = nuclear knowledge of customers and innovative knowledge workers

8 = nuclear knowledge and advanced customer knowledge workers

9 = Customer nuclear knowledge and nuclear knowledge workers

VAR00002 - denotes the strategic direction

Where 1 assignment of new markets and segments

2 = Use of new technological solutions and technologies

3 = Creating new products

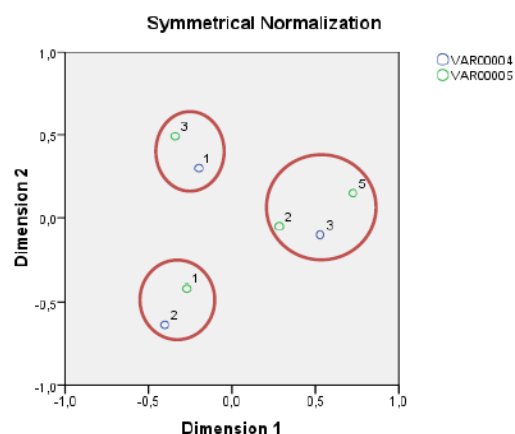
4 = Restructuring, change of business

5 = change operations within the process

From correspondence analysis we obtained following results:

- If a company utilizes innovative knowledge from customers and employees, then most effective type of strategic heading is creating new products.
- if a company utilizes innovative knowledge of customers and only advanced knowledge of employees, most effective type of strategic heading is utilization of novel technological solution and technologies.
- If a company utilizes innovative knowledge of customers and just core knowledge of employees, the most effective type of strategic heading is in taking over new markets and segments.
- If a company utilizes advanced knowledge of customers and innovative knowledge of employees, the most effective type of strategic heading is changing operation within the scope of processes.
- if a company utilizes advanced knowledge of customers and advanced knowledge of employees, most effective type of strategic heading is utilization of novel technological solution and technologies.
- If a company utilizes only core knowledge of customers and employees, the most effective type of strategic heading is in taking over new markets and segments.

Furthermore, using correspondence analysis found the following condition:



**Figure 4** Corresponding maps for insertion of strategic direction into type of strategy

Note

VAR00004 - expresses the type designation Strategy

Where 1 business growth

2 = Consolidation Company - as empowerment

3 = stabilizing companies - such as conservation status

4 = Attenuation market

VAR00005 - denotes the strategic direction

Where 1 assignment of new markets and segments

2 = Use of new technological solutions and technologies

3 = Creating new products

4 = Restructuring, change of business

5 = change operations within the process

Image of the classification reflects the strategic direction to the most appropriate type of strategy. According to the analysis, we can say the following:

- The most effective type of strategic guidelines for the growth strategy is the creation of new products.
- The most effective type of strategic guidelines for the consolidation strategy is a cast of new markets and segments.
- The most effective type of strategic guidelines for the stabilization strategy is the use of new technological solutions and technologies together with the change of operations within the process.

Results of verifying of research we can assume for lucidity into following table:

**Table 1** Determine the type of strategies based on a combination of knowledge assets

		Types of customer activities		
		Nuclear	Advanced	Innovative
Types of staff activities	Nuclear	Consolidacion	x	Consolidacion
	Advanced	x	Stabilization	Stabilization
	Innovative	x	Stabilization	Growth

## 5. Research methodology

For research, companies operating in Slovak Republic were included. For research purpose and for maintaining data quality questioner included several control questions, which filtered answers of responders, who were not able to verify hypothesis.

Representative sample is created of companies with subsequent characteristics:

- Company stated that it has a strategy created (answer "no" and "I do not know" is not allowed for, although according

to results we can observe a phenomenon in which companies without strategy prove higher efficiency than companies with strategy.

- Company strategy is interpreted as long-term heading of company.

In frame of process survey data to verify hypothesis 1 several methods of quantitative and qualitative evaluation were used. It was actually difficult to verify hypothesis using only one method. First processing of quantitative data included only selection of respondent's appropriate answers by selective analysis and cluster analysis to obtain very first picture about companies operating in Slovak Republic.

Then partial testing of working hypotheses followed. That lead to verification of main hypothesis in survey. Methods used:

- comparative analysis through effectivity index and spiderweb diagram,
- correspondence analysis,
- statistic methods of evaluation like X2 test of independence of qualitative signs.

In the article, only correspondence analysis results are shown.

## 5. Conclusion

Knowledge is not static, it means that today innovative knowledge can be nuclear knowledge tomorrow. Therefore Lenin's old familiar "learn, learn, learn" can be applied in the corporate practice. Improving the competitive position in the market requires continuous learning and knowledge creation based on the experience and skills. Company's strategic direction is often based only on employees' knowledge. It is important to take into account also the readiness of the market and hence the knowledge of customers. Only combination of customers' and employees' knowledge can be essential for success.

Based on the analysis of the type of employees' and customers' knowledge, it is possible to determine the direction of the company. Direction of the company is the way, which the company has to go, but company need other analysis and audits to identify the individual steps.

After determining strategic heading several audits need to be performed. They will help to choose effectively strategic heading with its ways. We recommend to perform an audit of acceptability, suitability and feasibility.

Demerit which emerged while interpreting and designing solutions is that in case of some combination of knowledge activities of customers and employees there were no answers from respondents for these combination. As the respondents sample was representative, we can assume, that in Slovakia there are no companies with certain combination type. However this generalization is imprecise and for obtaining additional data for table, more retailed data obtaining from companies would be required.

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**Primary Paper Section: A**

**Secondary Paper Section: AE**

# BARRIERS TO EMPLOYEE DEVELOPMENT IN SMALL ENTERPRISES IN POLAND AND FINLAND – A COMPARATIVE STUDY

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**Abstract:** The purpose of the study is to identify barriers to employee development in small enterprises. The findings suggest that both Poland and Finland face similar difficulties in employee development, as confirmed by results of other studies published in professional literature. Of the most important barriers to employee development reported, high cost of development and time constraints are represented in similar proportion. It may be interesting to note that, for Polish entrepreneurs, the most important barrier to employee development is the employee as such. They often subscribe to the view that employees are reluctant to change or lack the potential or skills for effective development. Some respondents also emphasise their concern for unethical behaviour on the part of employees.

**Keywords:** employee development, barriers to employee development, small enterprise, Poland, Finland.

## 1 Introduction

Human resource development is a topic of importance, both for employees<sup>1</sup> and for the enterprise as a whole (according to Dalziel, there is a positive correlation between the available training alternatives and employee retention in the SME sector<sup>2</sup>).

Employee development has been an area of extensive research for many years, but the main focus has been placed on the study of large enterprises. Many researchers insist that small and medium enterprises offer no employee development activities whatsoever. Regardless of the validity of the above statement, the SME segment remains under-represented in research, thus opening up new prospects for valuable analyses. It seems that the most interesting aspect of the SME approach to employee development is the identification and the study of those factors that pose the most important barriers to employee development in this segment.

This paper presents an attempt at identifying typical barriers to employee development in small enterprises, based on in-depth literature studies and empirical research. The author presents the results of empirical research conducted in Poland (2013) and Finland (2015), using questionnaire surveys addressed to employers (211 survey forms in Poland, Lower Silesia region, and 154 in Finland) operating in the SME sector (between 1-49 employees). Finland was selected for comparison as one of the leaders of innovation, and the author expected to identify some of the best practices in the area of employee development, to be used as benchmarks by Polish enterprises willing to follow them.

It must be noted that the research sample cannot be considered representative, and, as such, offers no potential for generalisation. However, the author took care to ensure a comparable representation of the most important factors, such as the number of employees, company age, the size (population) of the company home town (HQ), and the dominant line of business. Basic characteristics of companies included in the research sample are presented in Table 1. It may be interesting to note that the marked majority of small companies in Poland were relatively young, with only a few reporting more than 30 years of operation history. This finding was in strong contrast to results obtained from Finnish companies, where long-established enterprises (upwards of 30 years of operation) constituted as much as 12.9% of the sample.

Table 1 Basic characteristics of companies included in the research sample.

(a) Number of Employees	Poland	Finland
1-9	49,3%	57,8%
10-19	22,8%	17,5%
20-29	9,0%	7,1%
30-39	7,6%	4,5%
40-49	11,4%	7,1%
No data	0%	5,8%
Total	100%	100%
(b) Company age	Poland	Finland
up to 10 years	61,6%	35,1%
11 do 20	26,5%	29,2%
21-30	10,0%	16,2%
31-40	0%	4,5%
41-50	0%	4,5%
Over 50 years	0%	3,9%
No data	1,9%	6,5%
Total	100%	100%
(c) Local population (city, town or place of registered offices)	Poland	Finland
Rural (with population up to 10 thousand)	8,5%	29,9%
Small town (10 - 50 thousand)	50,2%	31,2%
Town (50 - 250 thousand)	4,3%	22,1%
City (over 250 thousand)	34,6%	11,0%
No data	2,4%	5,8%
Total	100%	100%
(d) Dominant line of business	Poland	Finland
Trade	31,3%	16,2%
Production	16,1%	16,2%
Services	52,6%	54,5%
Other	0%	13,0%
Total	100%	100%

Source: own study based on empirical findings.

Employee development, for our purposes, should be interpreted as a configuration of intentional activities designed to develop knowledge, skills, values, attitudes, motivations and abilities of employees as well their physical and psychological condition, with the objective of improving human resource productivity, effectiveness and market value<sup>3</sup>.

## 2 Barriers to development of employees in small enterprises<sup>4</sup>, in the light of literature studies

The SME sector represent a distinct environment for employee development, since barriers to employee improvement in small companies are a consequence of both their internal structure and their external setting (micro- and macro-environment).

Based on literature studies, the author identified several groups of potential barriers to employee development in small companies. These were further segmented into two main categories: internal factors (related to the company and its specificity of operation), and external determinants (outside company influence). Since the former category was found to be overpopulated, the author introduced three sub-categories of internal determinants, namely those related to: employees, the employer, and the organisation.

The first subcategory comprises of factors related to employees. The general characteristics of the youngest generation of employees entering the labour market seem to offer favourable conditions for development activities. However, the findings suggest that persons employed in small companies – including those representing the Y generation – lack the initiative for self-development and tend to display demanding attitudes towards

<sup>1</sup> J. Fitzenz, *Retowność inwestycji vs kapitał ludzki*, Oficyna Ekonomiczna, Kraków 2001, p. 130.

<sup>2</sup> P. Dalziel, 2010, *Leveraging Training Skills Development in SMEs: An Analysis of Canterbury Region, New Zealand*, Local Economic and Employment Development (LEED), <http://www.oecd.org/dataoecd/7/39/45538500.pdf> (20.02.2015).

<sup>3</sup> Poczowski A., *Zarządzanie zasobami ludzkimi: strategie, procesy, metody*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2008, p.274.

<sup>4</sup> See also: Rak E., 2014, *Rozwój pracowników w małych przedsiębiorstwach – przegląd barier z perspektywy przedsiębiorcy i pracownika*, pp. 133-144. [in:] *Zarządzanie zasobami ludzkimi w teorii i praktyce*, Zeszyty Naukowe Wyższej Szkoły Bankowej we Wrocławiu 2014, 8 (46).

employers, perceiving development as the employer's duty towards the worker<sup>5</sup>. In addition, they seem unwilling to invest their time and financial resources in pro-development activities and are disposed to display immoral behaviour towards their employer<sup>6</sup>. The latter observation is of particular importance in the context of human capital theory<sup>7</sup>, with its emphasis on the active involvement of the recipient in development processes, expressed by their willingness to explore their own potential, to make suggestions for improvement, to show interest and dedication in training and improvement. Thus, it must be emphasised with force that not every employee is willing to make the effort of improving and refining their knowledge and vocational skills. In effect, pro-development activities should be addressed to those of the employees who show promise for development and display positive attitudes towards the task at hand.

The second subcategory of barriers to employee development groups factors directly related to the employer. In this respect, the most frequently reported barriers were those resulting from the employer's lack of skill or knowledge in many areas<sup>8,9,10</sup>. Similarly to the previous subcategory, immoral behaviour was also found to play a major role here, with reports of such practices as the excessive use (or even misuse/abuse) of the flexible forms of employment and direct reduction of HR investment spending<sup>11</sup>.

The remaining group of internal barriers to employee development identified in the course of research was subcategorised as organisational. These include factors directly related to the operating specificity of small companies. In this context, limitations to employee development may result from: company size, the lack of financial resources, or the lack of dedicated HR specialists<sup>12,13</sup>, low potential for advancement, uncertainty of employment<sup>14</sup>. Another important factor here is the fear of losing employees to competition. Lastly, small enterprises are also the least likely to adopt modern ICT solutions<sup>15</sup> designed to improve and facilitate the employee development activities.

Employee development is also strongly affected by companies' immediate and global environment. Low wages (for the majority of SME employees, wages are well below the national average) seem to be the most detrimental factor here. Another important

determinant is the low competitive position compared to larger enterprises, forcing SMEs to drastically reduce their operating cost – and employee development fund is usually the most immediate target for reduction. In their operating relations with stronger contactors, the SMEs are often the most obvious target for exploitation practices, to the effect of reducing their financial liquidity and, consequently, denying them the potential needed for employee development.

Table 2 Gross domestic R&D expenditure for 2011, in % of the GDP.

EU 27	Poland	European leader in R&D spending
1.94	0.77	3.78 Finland

Source: own research based on: OECD, *Gross domestic expenditure on R & D*, SCIENCE AND TECHNOLOGY: KEY TABLES FROM OECD, no. 1, 2013.

The *gross domestic research and development expenditure* seems to be an important determinant in the context of this study. In 2011, the EU average R&D spending was estimated at the level of 1.94% of GDP (cf. Tab. 2). For Poland, this index was drastically low (at 0.77% of GDP), particularly in comparison to Finland as the European leader in R&D spending (3.78% of the GDP).

Another strongly differentiating factor with respect to employee development in Poland and Finland is the supply of qualified workforce. Labour market structure is a major determinant of HR activities. Short supply of qualified personnel forces companies to increase their wages and training investment, and to seek employees from external markets<sup>16</sup>. According to Eurostat reports, Poland is characterised by a fairly high supply of personnel with university education (23% compared to the EU average of 25.9%), but still quite subpar to the leading position of Finland as the EU leader in 2010 (cf. Tab. 3).

Table 3 Persons aged 25-64 with university education (in %) in 2010.

EU 27	Poland	European leader
25.9	23	38.1 Finland

Source: own research based on: Eurostat, <http://appsso.eurostat.ec.europa.eu>, OECD: *Education at a Glance*, OECD Indicators, OECD Publishing, 2012, p. 36.

### 3 Barriers to employee development – results of empirical studies

Figure 1 illustrates the scale of HR activities undertaken in Polish and Finnish companies under study. Contrary to the author's expectations, Poland was found to not only keep its pace with Finland as the most innovative of the EU Member States, but even surpass it by a small margin. Based on the average responses from the entrepreneurs, Polish companies were more involved in HR activities (average score of 2.73) than their Finnish counterparts (average score of 2.61). However, it must be remembered that the above scores represent the highly subjective views of the respondent base.

Responses from Polish and Finnish entrepreneurs follow a similar distribution trend, with Finns decidedly more willing to admit to the fact no employee development activities are undertaken (28.6% of responses, compared to 19.9% for Poland). The Poles, on the other hand, were more willing to extend the scale of their HR activities to cover a wide spectrum of development (11.4% of the responses, compared to 7.1% for Finland).

Figure 1 Employee development in companies under study – the scale of employee development activities.

<sup>5</sup> M. Matusiak, *Zarządzanie Zasobami Ludzkimi w Małych i Średnich Przedsiębiorstwach*, [in:] Kryńska E. (ed.), *Kapitał Ludzki w Małych i Średnich Przedsiębiorstwach – Przystosowania do Technologii Informatycznych*. Wyniki Badań Empirycznych, Studia i Materiały, Vol. II, Wydawnictwo IPiSS, Warszawa 2007, pp. 104 - 105.

<sup>6</sup> Lichtarski J. (2006), *Kontrowersyjne etycznie i prawnie zjawiska towarzyszące polskiej przedsiębiorczości* pp. 47-52, [in:] J. Lichtarski (ed.), *Przedsiębiorczość*. Seria: *Przedsiębiorczość i Zarządzanie*, Vol. VII, No. 3, Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi, Łódź 2006.

<sup>7</sup> Armstrong M., *Zarządzanie zasobami ludzkimi*, Oficyna a Wolters Kluwer business, Kraków 2007, p. 485.

<sup>8</sup> *Innowacje dla przyszłości – od konkurencyjności przedsiębiorstwa do rozwoju regionu kujawsko-pomorskiego*, Regionalne Centrum Integracji Europejskiej we Włocławku, Włocławek 2007, <http://rcie.pl> (12.01.2012), p. 47;

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<sup>10</sup> Kamińska B., *Polityka szkoleniowa małych i średnich firm w kontekście współpracy w środowisku wielokulturowym*, [in:] F. Byłok, L. Cichobajński (eds.), *Problemy zarządzania zasobami ludzkimi w dobie globalizacji*, Wyd. Politechniki Częstochowskiej, Częstochowa 2009, pp. 123-130.

<sup>11</sup> Research conducted on a sample of 193 SME representatives of the Silesia region of Poland, in the years 1999/2000, J. Strużyna, *Doskonalenie jakości zarządzania zasobami ludzkimi w małych firmach*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2002, p. 176.

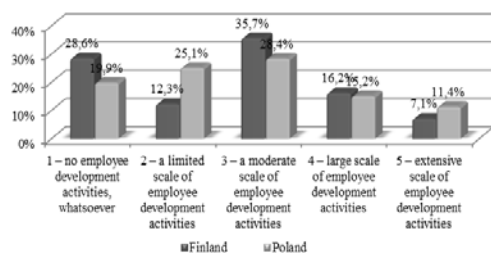
<sup>12</sup> Studies show that one of the more pronounced reasons is the manager's (entrepreneur's) fear of losing control over their managerial duties, cited after: Thassanabanjong K., Miller P., Marchant T., 2009, *Training in Thai SMEs*, Journal of Small Business and Enterprise Development, 16(4), p. 682, <http://www.emeraldinsight.com/doi/abs/10.1108/14626000911000992> (6.02.2015).

<sup>13</sup> *Ibid.*, p. 685.

<sup>14</sup> J. Stredwick, *Zarządzanie pracownikami w małej firmie*, Wydawnictwo Helion, Gliwice 2005, p. 15.

<sup>15</sup> PARP: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce*, Warszawa 2011, <http://www.parp.gov.pl/files/74/81/469/12554.pdf>, (30.05.2012).

<sup>16</sup> Z. Pawlak, *Zarządzanie zasobami ludzkimi i przedsiębiorstwie*, Wyd. Poltext, Warszawa 2011, pp.59-60.



Source: own study based on empirical findings.

The initial question used in the survey took the form of an open question to employers: "What are the most important barriers to employee development activities in your company?". Only a section of the respondents chose to provide their answer to this query, with 57 responses collected for Poland and 110 – for Finland. The responses were analysed and segmented into categories (cf. Tab. 4).

For both respondent groups, the most frequent response was the financial barriers to development (this answer was provided by 24.6% of Polish and 30.9% of Finnish entrepreneurs. Factors related to employees themselves were the next largest group of responses in Poland (29.8% of total responses) – this group included such factors as the lack of employee involvement, motivation, loyalty or personal potential for development. In striking contrast to the above, only 3.6% of Finnish entrepreneurs seemed to perceive their employees as barriers to development, but the Finns were decidedly more willing to admit to not seeing the need for employee development as such or to attribute their lack of involvement to time constraints (including the difficulties in finding replacement for employees delegated to training activities).

Table 4 Barriers to employee development in Poland and in Finland

Poland	Barriers:	Finland
24,6%	Financial constraints	30,9%
19,3%	Lack of employee involvement, motivation, initiative	3,6%
10,5%	Other factors related to employees	0,0%
15,8%	Trade specificity	0,9%
7,0%	Time constraints (including the difficulties in finding replacement for employees delegated to training activities)	20,9%
0,0%	No need for employee development	20,9%
5,3%	Excessive employee rotation	0,0%
3,5%	No barriers	0,0%
1,8%	Employee age (with dominant population of older employees)	1,8%

Source: own study based on empirical findings.

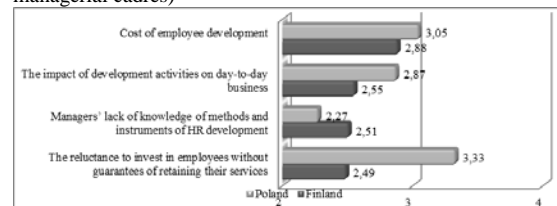
Respondents were also asked to evaluate the significance of specific preselected barriers to employee development listed under two categories: factors related to management and those related to rank-and-file employees. Each factor was evaluated on a 5-point scale, with 1 representing the opinion that a given factor is not considered a barrier at all, and 5 – to denote factors of great significance as barriers to development of employees.

Figure 2 presents barriers to employee development attributed to the managerial cadres. The respondent entrepreneurs, both Polish and Finnish, were found to subscribe to the view that steep cost was the most important barrier to employee development in their companies, although it must be noted that the decided majority of responses in this respect received evaluations between 2 (low barrier) and 3 (moderate barrier).

According to Finnish respondents, the remaining three factors (of the preselected set) posed a similar impediment to development activities (with average score of 2.5. Polish entrepreneurs, on the other hand, were more reluctant to admit to their own lack of knowledge, and they were more likely to expect unethical behaviour on the part of their employees (e.g.

employees switching jobs after having exploiting the full range of development opportunities sponsored by the company).

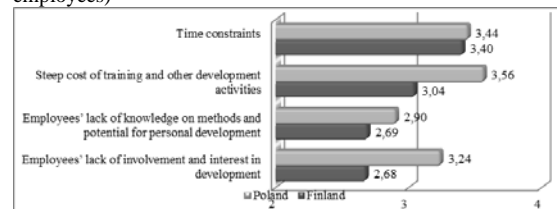
Figure 2 Barriers to employee development (attributed to managerial cadres)



Source: own study based on empirical findings.

Both respondent groups were similar in their opinion that cost and time constraints were the two most important of the employee-attributed barriers to employee development (cf. Fig. 3). In addition, Polish entrepreneurs were decidedly more in favour of the opinion that employee development is hampered by the employees' reluctance to make any effort.

Figure 3 Barriers to employee development (attributed to employees)



Source: own study based on empirical findings.

#### 4 Conclusions

The results of empirical studies conform with the structure of the most important barriers to employee development in the SAME sector presented in professional literature, such as the steep cost of employee development and time constraints (mostly related to the difficulties in finding temporary replacement for persons delegated to training). However, the study revealed an interesting aspect worth pursuing in future research, namely that the most important barrier to employee development, in the opinion of Polish entrepreneurs, is the employees themselves. Our Polish respondents were fairly consistent in their view that employees lacked the will and the predisposition to improve. They were also more wary of the potential unethical behaviour on the part of their employees.

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#### Primary Paper Section: A

#### Secondary Paper Section: AE

# THE IMPACT OF ADAPTION MANAGEMENT IN CONJUNCTION WITH PROFILE ORIENTED MARKETING FOR A HIGH URBAN, SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT QUALITY

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**Abstract:** Cities are the carriers and pioneers of socio-economic change and diverse development trends. In times to come, cities and regions definitely need clearly structured and consistent development plans. In this context demands in reference to the planning and usage of urban living space of cities and regions are increasing and require the use of new profiling systems. The main purpose of this paper is to provide an empirical evidence on the importance of the adaption management and profile oriented marketing systems for a clearly structured future and profile oriented urban development concept/system for the new demands of public/city planer in order to provide a high sustainable, competitive and innovative developmental quality for their inhabitants to live and work in. This future oriented development, create a challenging situation for the diverse districts. With the help of systematic, dynamic development processes the goal can be achieved. Firstly you have to figure out, how you can connect and implement profile oriented marketing and adaption management. Therefore you have to clear the question, is adaption management important to profile oriented marketing and development systems? The Answer is: Yes, it is! Adaptive management is a valuable tool and significantly correlated with sustainable marketing development processes. In this context, we also bear in mind that today innovation, diversity and networked thinking, are significant factors. Therefore the planer/organizations serves as a role model for the inhabitants and needs to be adapted to the new usage and specially needs at every step. The new profiling system offers a methodical basis and adaption management provides the soil.

**Keywords:** adaption management, planning process, profile-oriented marketing, sustainable development

## 1 Introduction

The demographic change shows a significant, unambiguous direction. Over the coming years cities substantially continue with strong growth. On the other side, it is likely that many peripheral and structurally weak regions are currently standing at a watershed in terms of their regional orientation and in particular are affected by struggle with massive declining population levels and an increasing number of elderly people. (Kern, 2015) However, in this connection, we must also bear in mind that today innovation, diversity and networked thinking, are significant and even more important aspects in a sustainable urban and competitiveness regional development and go hand in hand. Moreover, the basis of an efficient communication strategy, focus in particular on developing long-term, innovative and interlinked thinking.

According to current reports of the United Nations, half of the world's population is living in cities and it is expected that this number increase to two thirds of the world's population by 2050.

There has been an increasing process of merging cities and their surrounding regions into a metropolitan figure and a distinct separation and hierachization of spaces has become difficult. Therefore cities are expanding to regions (Zibell, 2003, p. 23), creating a homogenous entity of space regarding geographic, economic or political criteria.

Thus, cities are subject to constant change and diverse development trends (Ramsauer, 2012, p.2). Therefore, the importance of urban living space is constantly increasing, as cities are the housing-, work-, and life-centers of most people. In this context demands in reference to the usage, planning and design of urban places, spaces and cities are increasing (Welch Guerra, 2010, p. 5) thus require an innovative thinking manager, planer, leader and the use of new profiling systems.

Space however, has in the past few decades been redefined by sociologists (Schroer, 2006, p. 9). Urban living space has long been viewed as the setting of social and economical developments. However, urban living space can be viewed as more than that. Current theorists argue that people are constantly reconstructing space in their daily actions. Urban space is no longer the setting but becomes an integral part of social and economic processes and is characterized by suburbanization and structural change and requires to understand city planning as a

dynamic development process. (Löw, 2008, p. 51). According to Heinrichs (1999, p. 9), there is a growing mutual competition between cities and regions, much like between companies. Profile oriented marketing (Kellner, 2007) has demonstrated successful in distinguishing goods and services from those of competitors, because the profile, incorporating the values of an organization gives the product an emotional fingerprint.

The aim of this paper is to understand, how profile oriented marketing can be implemented to increase the attractiveness of the urban living space of cities and regions. In the case of urban living space this role is taken by innovation, diversity and culture. Therefore, the doctoral thesis will be particularly concerned with the question, is profile oriented marketing a suitable tool to increase the attractivity of cities or regions to individuals/citizens or organisations/companies and thereby enhance the developmental quality.

In times to come, cities, communities and regions definitely need clearly structured and consistent development plans in order to provide a secure social and economic environment for their inhabitants to work and live in. Therefore it is the task of public manager, city- and communal planer and those who took on responsibility to make sure that short-, middle- and long-term requirements of the citizens are met as best as possible, so that a high, sustainable, innovative, urban development quality can be achieved (Kellner, 2006, p. 223).

The themes and content of adaption management and sustainable urban and regional development cannot easily be separated from each other, as they are often both overlapping and interrelated. Thus, it appears to be important to address the question from a management perspective of the role of adaption management in profile oriented marketing for sustainable, innovative economic and social development on the one hand and from a marketing perspective on the other hand. Therefore, this paper contains two sections, dealing with the questions how the environment needs and changes to be organized and how the managers/planers needs to act, respectively, to promote innovation and diversity for a high sustainable development quality. A third section addresses, how these two perspectives can be integrated.

## 2 Adaption management issues

It is important to translate and describe the term and aspects of adaptive management in an easily, clearly and comprehensible way to put it in practice, to ensure that becomes reality and are systematically integrated into daily actions that are oriented towards the specific needs and the new usage and planning. Adaptive management was introduced in the 1970s, by a group of ecologists and can be viewed as „a structured and systematic process for continually improving decisions, management policies, and practices by learning from the outcomes of decisions previously taken.“ (Intaver Institute, 2014)

This definition basically translates into „learning by doing“. Adaptive management is now used for all kinds of projects outside the field of ecology. The key to adaptive project management is to manage projects based on learning from actual project performance and to learn via the use of quantitative methods. Therefore, adaptive management includes the following elements (National Research Council, 2004, Figure 1):

- The formulation of management objectives, which are regularly visited and revised.
- A model of the system being managed.
- A range of management choices.
- Responsive power structures.
- Monitoring and evaluation of outcomes.
- A mechanism(s) for incorporating learning into future decisions.

The goal of adaptive management is to determine the best management strategy through experimentation. Thereby, adaptive management aims to enhance knowledge and reduce uncertainties from natural variability, incomplete data (National Research Council, 2004) or social and economic changes. Furthermore, adaptive management aims at a timely response to such changes, i.e. flexibility in decisions.

Passive and active approaches to adaption management can be distinguished (National Research Council, 2004).

Passive adaptive management selects one management approach from the range of possibilities and implements based on existing information and understanding. The outcomes of management actions are monitored, and subsequent decisions are adjusted accordingly.

Active adaptive management reviews information before implementing management approaches. Management options are chosen based upon evaluations of a range of competing, alternative system models.

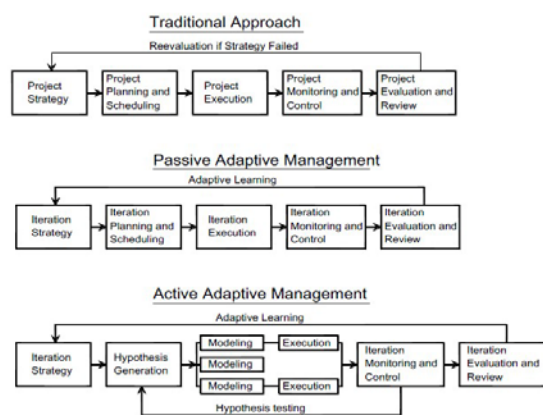


Figure 1: Adaptive Management Process (Intaver Institute, 2014)

### 3 The role of adaption management in profile oriented marketing for sustainable regional economic and social development

Cities or regions are constantly subject to social and economic change, reshaped by the daily actions of their inhabitants and resident organizations. Therefore uncertainties can be expected to be high and management processes have to be highly flexible. Thus, adaption management measures could be valuable to the aim of increasing the attractiveness of cities, regions and enhance the sustainable social and economic development quality via profile oriented marketing. The paradigm shift in the understanding of urban living space mirrors current paradigm shifts in marketing. Where the brand itself was in the center of marketing strategies until recently, new marketing models focus their efforts on people. Marketing strategies need to be monitored, evaluated and updated accordingly.

**Profile Oriented Marketing** can be understood as *“the expression of a comprehensive philosophy and concept of planning and action, by which – based on systematically gathered information – all activities of an organization are consequently directed towards the current and future market requirements, with the aim to meet the markets needs and achieve individual goals.”* (Weis, 2012, p. 23 translated)

A **profile** is a bundle of individual, as unique as possible characteristics of a communality. These characteristics include the quality statement (*mission*), the aspired state (*vision*), a clear and valid mind-set (*principles*) and the appearance (*corporate identity*) of the organization.

By defining its aspired state, the profile gives an organization a clear direction of development, a perspective to work future oriented. Therefore, the profile is the pivotal point of marketing actions, as outlined in the Profiling-Structure Modell by Kellner (2007, p. 60 shown in Figure 2).

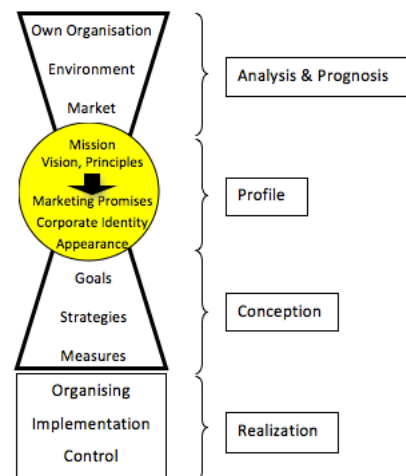


Figure 2: Profiling-Structure-Model (Kellner, 2007, p. 60, translated)

The profile is in itself a result of constant analysis and prognosis of the own organization (city), the environment, the competitors and a prognosis of future market development. Once the profile is established clear goals can be defined and strategies and measures to achieve these goals can be developed, which can then be realized by a strict organization and control mechanisms at each implementation step. In that respect, profile-oriented marketing implements measures of adaption management. It is however a challenge to bridge the gap between providing a clear perspective and keeping values constant and recognizable, as intended by the profile, on the one hand, and constantly updating and flexibly changing marketing strategies on the other hand.

### 4 Improvement of Adaptive Capacity

**Adaptive capacity** is the capacity of a system to adapt to environmental changes.

In ecological systems, diversity is the catch phrase for factors generally associated with increased adaptive capacity (Gunderson & Holling, 2001).

Adaptive capacity of regions is influenced by economic development and technology, but also by social factors (Klein and Smith, 2003; Brooks and Adger 2005; Tompkins, 2005; Berkhout, 2006). With respect to climate change or natural catastrophies, adaptive capacity has been related to community organizations and social networking (e.g. Tompkins, 2005; Robledo, 2004).

In social systems, adaptive capacity is determined by (Gunderson & Holling, 2001):

- The storage of knowledge in order to learn from experience.
- flexibility and creativity of decisions.
- Responsive power structures.

### 5 Conclusion

In summary adaption management is a valuable tool to be integrated in marketing approaches for sustainable regional and economic development. Profile oriented marketing appears to be the option of choice too increase attractiveness of cities or regions and can give important impulses. It may be helpful to assess the adaptive capacity of a city or a region in case of social

or economic change. This capacity may even be integrated into the profile as part of the marketing strategy: **We are attractive, because we are adaptive.**

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**Primary Paper Section: A**

**Secondary Paper Section: AH**

## INTER GENERATIONAL SECOND LANGUAGE ATTRITION WITHIN UNIVERSITY STUDENTS - CASE STUDY

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**Abstract:** The purpose of this article is to present the results of an experiment investigating a decline in second-language skills of University students. The paper consists of five parts. The first section defines a definition and different types of language attrition. The following part presents a model of the education in the Jan Długosz University in Częstochowa. The third part focuses on the essential research categories used in the experiment, various solutions in teaching English for academic purposes. The last but not least part presents the hypotheses and the applied methodology as well as detailed description of the investigation. The author reveals here the results of the research. Conclusions from the experiment and suggestions for possible follow-up investigations of this issue is found in the final part of this paper.

**Keywords:** second language attrition, motivation, memory

### 1 Introduction

Each student is eagerly waiting for a holiday break and a rest from university classes, including a foreign language course. Such a gap in the second language learning during a holiday period is not a favourable solution since acquiring any language requires regularity. Considering ideal situation students should not only continue to learn a foreign language in the summer but also try to make up for knowledge deficiencies and in consequence feel confident in the new academic year. The holiday break in learning a foreign language will not cause a sudden oblivion but it may be a source of lack of our language skills development. Many researchers maintain that any unused language is rusty and eventually dies. The fact that within a year we gathered some knowledge does not mean that one can effectively use it. The vocabulary is one thing and the practical ability to use it is another. Over three-month summer break from language practice for university students is questionable. Different ways of overcoming this problem will be presented furthermore in this article. At this point it is worth explaining how and why the foreign language is forgotten. Therefore, it is essential to have a closer look at the definition of second language attrition. The next section determines a clarification of that issue.

#### 1.1 Definition of second-language attrition

Second language attrition is in general perceived by many scientists as a decrease of foreign language abilities. This may be a result either of insufficient use of L2 or due to a domination of another language because of changes of learner's surrounding.

There are several definitions of e-learning ( see Schöpfer-Grabe for a theoretical description of the e-learning terminology). Schöpfer-Grabe, a German scientist draws attention to the fact that "almost everybody who has learned a foreign language shares the experience of forgetting the acquired language skills once the period of formal instruction is over" (1998, p.231).

According to Köpke & Schmid second-language attrition can be described as the "non-pathological decrease in a language that had previously been acquired by an individual" (2004, p.5) and defined as deficiency of learner's abilities in the individual case (de Bot & Weltens, 1995).

Second language attrition is a quite new area of research since it has been developing since the beginning of 1970s and is still among interest of many scientists. Hansen (1999) explains that not only linguists are involved in exploring that field since they want to measure what is lost but also psycholinguists and neurolinguists who are concerned with the way L2 is forgotten and sociolinguists, sociologists and anthropologists ( examining why second language is lost).

Although, scientists are extensively involved in examining the attrition of L2 for over 40 years still a lot of is unknown in

comparison to the field of second language acquisition. The next section will exemplify different types of attrition.

#### 1.2 Types of attrition

The theoretical foundation of the language attrition studies derives principally from cognitive and psychological theories. Scientists primarily inspect the field of second language attrition for the loss of the L1 and L2.

The first diversification that can be made is between pathological and natural language attrition. Pathological attrition is most frequent in acquired occlusal defects after loss of abutement zones, and in certain congenital malocclusions. In other words the loss is caused by a damage of the brain, an injury, age or an illness. Nevertheless, this issue is not going to be explored any further since the language attrition in these cases is not brought about by natural circumstances.

Another potential division is suggested by Weltens. He distinguishes inter and intra generational language attrition. „Inter-generational language attrition is concerned with attrition within individuals, whereas intra generational language attrition concentrates on the attrition across different generations” (Weltens, 1987, p.24). Van Els (1986) classifies four types of attrition in terms of which language is forgotten and in which environment is being changed. Thus, he distinguishes:

1. loss of L1 in L1 environment, e.g. dialect loss
2. loss of L1 in L2 environment, e.g. immigrants losing their mother tongue
3. loss of L2/FL in L1 environment, e.g. loss of foreign languages learned at school
4. loss of L2/FL in L2 environment, e.g. aging migrants losing their L2.

#### 1.3 Processes of language attrition

In order to comprehend the process of language attrition better it is necessary to get to know different stages of language attrition. There are different theories about the occurrences of L2 attrition phases.

Gardner (1982, p.519-520) conceives that the process of second language attrition is classified into three stages, namely:

1. Stage 1: The beginning of second language learning
2. Stage 2: Completion of language instruction
3. Stage 3: Assessment of language competence

The period from first stage to second is defined as the acquisition time. Between stage 2 and 3 occurs incubation period (1982, p.520). Furthermore, Gardner expresses that it is not enough to take into account only the time between second and third stage to declare the existence of attrition. It is also necessary to consider „the duration, relative success, nature of the acquisition period and the duration and content of the incubation phase” (Gardner 1982, p.520). The acquisition period is the time where “language learning or language experience takes place, mainly from the first to the last lesson. During the incubation period, no language training or language usage takes place and the forgetting may begin” (Gardner 1982, p.520). He states that when that language learning is no longer operating, a study about language attrition can be carried out. In order to provide an explanation of how second L2 attrition appears it is essential to have an eye at the dates of the examination of memory. Therefore, the next chapter deals with this issue.

#### 2 Theories of memory loss

First theories of forgetting date back to late 19<sup>th</sup> century when Ebbinghaus, German psychologist pioneered the experimental study of memory. The empirical research about learning still

plays an important role in the contemporary research of remembrance.

## 2.1 Decay-Theory

Ebbinghaus was extensively involved in the exploration of the memory and the brain. One of his first studies dealt with the role of memory as to storage and forget the information. His considerable result of his investigation was the correlation between the amount of learned knowledge and the amount of time invested. Moreover, he stated that the longer the time of the break is the more repetitions are needed. Ebbinghaus' outcomes of his research contributed to the first theory of forgetting which was the decay theory. It says that "if something new is learned, a memory trace is formed. This trace is going to be decayed, if it is not used in the course of time, and by decaying of this trace forgetting takes place" (Weltens, 1987, p.25).

## 2.2 Interference theory

The Interference theory is considered as one of the most important theories of forgetting. "It indicates that prior, posterior or new learning information compete with already existing ones and therefore forgetting occurs. This inhibition can be divided into two types: the retroactive inhibition, where information acquired at a later point in time blocks the information that was acquired earlier. Proactive inhibition means that information acquired in the past can infer with new information" (Ecke, 2004, p.325). Thus, a blocking may appear that restrains the acquiring of the new objective item.

## 2.3 Retrieval-failure hypothesis

Nowadays, apart from decay and interference theory the retrieval-failure assumption has become more and more popular and extensively accepted. According to Schöpper-Grabe (1998, p.237) it says that "the storage of information happens on different levels. Therefore, information or memory is not deleted, but rather, the access to the current level is blocked". Hence, the information is not available. Hansen refers to Loftus & Loftus (1976) characterize the process of forgetting which is compared to the situation when someone is : "[...] much like being unable to find something that we have misplaced somewhere" (1999, p.10).

Cohen (1989) claims that an evidence of progressive retrieval is the learner's sense of not being able to find anything. Therefore, the student is not able to utter anything that he or she used to bear in mind and as a result an incorrect form is used. De Bot & Waltens (1995) treat this period of time as the decisive element to measure how far the attrition has already proceeded. In order to understand the author's investigation better it is essential to have a closer look at the model of education at the University where the research was carried out.

## 3. The model of education at Jan Długosz University

At the beginning it is important to point out that the Jan Długosz University is a public institution, with history that traces back to 1971. Currently the University community is created by nearly 8,200 students and over 700 academic staff members. The students can choose among over 50 specialties at five faculties. They can also take to study three foreign languages: English, German and Russian. All of them are conducted in the Department of Foreign Languages.

In the first cycle the foreign language course lasts 120 hours and is carried out within four semesters. Most of the students start learning a foreign language either at the beginning of first semester of their studies or second. Therefore, some of them finish at the end of the second year or winter term of third year. The course ends with a final examination that proves the upper-intermediate level (B2) in accordance with the Common European Framework of Reference for Languages. The Department of Foreign Languages uses a lot modern solutions

that contribute substantially to the increase of the level of education.

## 4. The research methodology in EFL context

### 4.1. Initiation

A didactic process has got two aspects. One aspect concerns the forms of teaching and is the subject of the methodology description, the second one deals with the essence of learning. Indeed methodology focuses on teachers' working process rather than the learners wherein the problematic issues are recognized fairly one-sided i.e. not having a reference for the reported facts and phenomena. Concurrently, the learner's role in the teaching process is absolutely crucial for the effectiveness of this process and in consequence could not be omitted in the description of methodology, as well as too complex to content itself without an indication. Learners in the process of learning a foreign language are the object of the teaching process as well as the subject of learning proceedings.

The student who is taking part in the teaching instruction undergoes compound systems and different conditions during the lesson. The learner as a taught subject goes through a teacher's control process and is set to receive information. On the other hand as a subject of learning proceedings is organizing work on its own. The student is not only focused on teaching since it is an object of teacher's control, monitoring and evaluation but also converge with learning as an organizer and a self-study conductor.

As an English teacher who is mainly responsible for running a language classes I am also oblige to keep checking and testing a group of students over a period of time to see if their made a progress in learning a foreign language. In our Foreign Languages Department students are entitled to enrol in one of the available courses. The size of the group is limited. It consists minimum of 15 students and maximum 28. It is important to mention that the group is mix age, sex and ability. Due to this fact I decided to investigate the learners' skills development over a whole language course since I observed a decline of students' second language skills especially after summer break which takes 3 months.

The experiment started in March 2014 and it finished in October 2014. I had chosen two groups of Safety Engineering faculty. Both of them consisted of 15 students. Before the experiment started they wrote a pre-test. It is also worth to mention that they were supposed to be at the same level, namely B2 in accordance with the Common European Framework of Reference for Language. After summer term they were asked to take a post test. The last stage of this research was conducted after student's holidays in October 2014. In order to understand a language attrition process it was essential to examine various hypothesis that attempt to explain how language memory changes over time.

### 4.2. Hypothesis

After the investigation and collecting the data, it could conceivably be hypothesised that the forgetting process will set immediately after summer break for students. This might be determined by the fact that two languages within the same mind are able to have an impact and interference in one another. Moreover, partial overlapping among two languages in the mind may appear. As it has been mentioned in the previous section each group is mixed sex, age and ability. Because of this, the null hypothesis (H0) assumes that these students with higher level of language competence will forget less after a break from a foreign language instruction. The alternative hypothesis (H1) supposes that the occurrence of second language attrition will not ensue from learners' language level of proficiency. According to the above assumptions it has been presumed that contact and the intensity with the target language cannot be the only variable causing language attrition. Different factors such as psychological (cognitive and biological), sociological ( attitude towards language and culture) and socioaffective factors ( orientation and

motivation) are essential for attrition and determine an independent variable. In order to test these two hypothesis the author of this article has implemented certain investigation procedures. They will be described in details in the next section.

### 4.3 Investigation

As it was mentioned in section 4.1. the investigation started in March 2014 and it finished in October 2014. The experiment was designed in such a way that it was possible for the teacher to obtain information on the learners' progress both in terms of receptive (listening and reading) and productive (speaking and writing) skills.

The study involved two groups. The choice of these two groups was random. The experimental groups were studying English in the traditional context. They were working mainly in the classroom context but they were also asked to do some extra activities at home in order to revise a new material. Each group had 30 hours of English (1 academic hour is 45 minutes) in the classroom conditions. English instruction was taking place once a week through 15 weeks and it finished in the mid of June.

At the beginning of the experiment, that was third semester of foreign language course, students were asked to do a pre-test. It consisted of vocabulary, grammar, listening and reading section. A course curriculum was designed in such a way that the following topics were discussed: attitude to money, mobile phone mania, music and advertisement and life in travel. Both groups were graded in the classroom context during the whole research. The students took two test in English. One and the other aimed at checking their receptive skills namely reading and listening as well as linguistic competence that is grammar and vocabulary. Moreover, during the classroom practice productive skills were practised.

At the end of summer term which fell on 19<sup>th</sup> of June 2014 students did a post-test. After that all the pupils had a holiday break that lasted 3 months. They continued their foreign courses at the beginning of October.

The object of the last stage of the investigation was to test students' knowledge after the holiday rest and to check what is the loss of foreign language. Supplementary, it should be stated that it was the last semester of English instruction. It ended in the final examination. The next part will presents all the outcomes of the research.

### 4.4 Results

After seven months of investigation the following result may be presented. Since the limited scope of this publication the results of only one group will be presented. Nevertheless, it is crucial to indicate that both groups had similar outcomes. As it has been mentioned the students took a pre- and post-tests. Chart 1 presents the results of these two.

According to the results presented in the chart the average grade of the pre-test is 40% . However, a significant increase can be notified in the post-test as the final grade was 67%. The highest score of the pre-test was 63% whereas the worst was 21%. See chart 1 for detailed findings of the investigation.

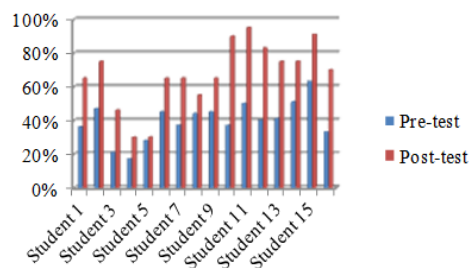


Chart 1. Results of the pre-test and post-test.

Both groups were graded in the classroom context during the whole research. The students took two test in English. The results of them are presented in the table below.

Students	test 1	test 2
Student 1	79%	67%
Student 2	76%	74%
Student 3	69%	39%
Student 4	66%	43%
Student 5	69%	36%
Student 6	49%	51%
Student 7	46%	79%
Student 8	79%	59%
Student 9	63%	58%
Student 10	92%	55%
Student 11	46%	19%
Average	67%	53%

Table 1 Results of the test written in the classroom context.

Comparing the results of these two tests it may be stated that the second test was slightly more difficult for them since the outcomes were a bit worse. Also one students did not pass it. It may be may assumed that this happened because of the end of semester and the fact that students might have been weighed down on the numerous test they had to pass from other subjects. The last diagram ( see chart 2) compares the results of the post-test written in June with the one that students took after holidays.

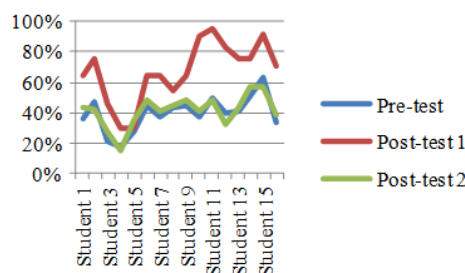
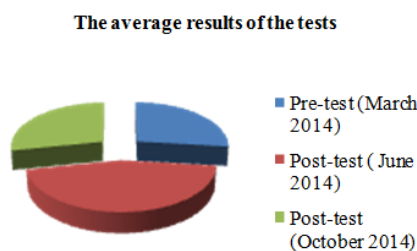


Chart 2 Comparison of pre-test and post-tests.

The average results of all of the tests briefly provide a glimpse into the problem of second language attrition. Therefore, the next diagram presents the results in a condensed way.





**Chart 3** Consolidation of the average results of all of the tests.

The findings presented above support one out of four types proposed by Els (see Van Els, 1986 in part 1.1. of this article) namely, loss of L2 in L1 environment has occurred. Chart 3 shows that the results of pre-test and post test conducted in October are fairly the same. The average result of pre-test in March was 40% whereas post-test in October was 42%. As „Roman Jakobson embedded language regression into linguistic framework and claimed that language attrition is the mirror image of language acquisition” (Waltens & Cohen, 1989, p.130). Schmid (2014) suggests that expertise in a foreign language occur in different layers. Hence, as a mirror of image of acquisition, attrition happens from the top layer to the bottom

### 5 Conclusions

The results presented in that experiment confirm the assumptions established at the beginning of that investigation. They prove that even after such amount of time like 3 months a forgetting process begins immediately. However, it occurred that the level of competence of the learner is not as important as it was assumed. Therefore, the null hypothesis (H0) conjecturing that these students with higher level of language proficiency will forget less after a break from a foreign language instruction has to be rejected.

Comparing the results from Chart 2 from the previous section it is clear that those students who had high results in the post test written in June, namely 90%, after incubation period their second-language skills decline considerably to 41%. Thus, their scores were almost the same as the pre-test ones. It can be assumed that students with lower proficiency level do not follow a typical forgetting curve proposed by Ebbinghaus (see Kurch, 1999, p. 102). According to the results they forget less than those with better grades. These findings may be explained in the following way, either students with lower proficiency level have more positive attitude towards the target language or they seek more possibilities and opportunities during the incubation period to retain their language competence.

Therefore, the findings of the investigation support the alternative hypothesis (H1) assuming that the occurrence of second language attrition will not ensue from learners' language level of proficiency. However, after conducted studies it can be seen that all four language skills are affected. Though, some of them are more likely to be influenced than the others. The investigation proves that grammar and lexical competence are more likely to suffer a high attrition process.

Moreover, grammatical loss concerning tenses and conjunctions of verbs appear quite frequently. Correspondingly to Olshtain (1986) the author of this article noticed „reduced accessibility in vocabulary retrieval in all situations of attrition where there is a reduction of language loss over long periods of time” (Olshtain, 1986, p.163).

Finally, results of the investigations presented in this article prove the second-language attrition ensues from a certain order which defines productive skills as the one that are more influenced than receptive ones. Problems in lexical retrieval, followed by attrition in morphology and syntax seem to be the first symptom of language forgetting. However, in order to fully comprehend how

the human mind deals with language it is advisable to conduct further research in this area.

Summing up, activities carried out before and after the learning process are both significant in the process of storing and consolidating the information. The memory is prone to the impact of new stimulus and is subject to previously assimilated memory material influence. This means that an event which was remembered might be forgotten a week later not because the time went by but the other things that record distorted or removed a memory trace. The more we are active after learning something the greater possibility of forgetting the acquired knowledge is. If we learn things thoroughly it is less likely that they will be dismissed from mind, despite the impact of subsequent experience and information.

Therefore, both of linguistic and psychological point of view, the foreign language requires not only specific teaching methods but also a specific organization of learning process if it is going to be assimilated by learners and become an instrument of cognition and communication that operates parallel to the native language.

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### Primary Paper Section: A

### Secondary Paper Section: AI



## THE FINANCIAL SOURCES OF INVESTMENT ACTIVITY – A CASE OF POLISH ENTERPRISES

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**Abstract:** The main objective of the article is the diagnosis of investment activity's financial sources in Polish enterprises. In this respect the special emphasis was put on the examinations of the following funding sources for enterprises' investment expenditures: own means, budgetary means, domestic loans and borrowings, total means directly from overseas, means directly from overseas (of which bank loan), other sources. Moreover, the particular attention was focused on comparative analysis of enterprises' investment activity financial sources in NUTS of Poland scope. The research was based on measures of position and cluster analysis on the base which was isolated space groups. The examinations were based on data from Central Statistical Office of Poland in the scope of the period 2008-2013.

**Keywords:** financial sources of investment activity, investment activity.

### 1. Introduction

Turbulent conditions of the contemporary enterprises' functioning require undertaking a set of activities that aims to adjust to the changing surrounding. Due to the dynamic surrounding the maintenance of enterprises on the market and remain competitive involve taking actions at various levels of business activity. In this respect the special place constitute investment processes, which contribute to increase the adaptability of enterprises to the surrounding.

The enterprises' activity in terms of investment is closely connected with the availability of funding sources for investment expenditures. Restrictions or deficiency of capital essential for investment activity might determine a significant barrier of enterprises' development.

The main aim of the research is the diagnosis of investment activity's financial sources in the Polish enterprises scope and its diversity between particular NUTS of Poland. The studies use data from Central Statistical Office of Poland. The examinations were concerned on the period 2008-2013.

### 2. The issue of enterprises' investment activity

Maintenance and increase the competitive position of the enterprises is closely linked nowadays to their investment activity. The investment is the base of improving the enterprises' resources usage and successfully realization their strategies. In its issue enterprises' investment activity is strictly connected with regions development. Noticeable duality in that aspect is expressed mainly in considering the investment as an essential factor of the regions' competitiveness. In consequences, improving enterprises' entrepreneurship might increase regions' competitiveness<sup>1</sup>. In this respect investment activity is included to the factors which determining the endogenous region's capacity to respond at changes in the macro surrounding. These group of determinants expressed regions reaction force on the exogenous changes<sup>2</sup>.

On the other hand, enterprises' investment activity should be stimulate from regional level. From this point of view, it is necessary to create appropriate conditions to stimulation enterprises' investment activity.

The issue of investment activity is closely related to the selection of financial sources for investment expenditures. In this context, financial capital should be regard as the base for regions'

development<sup>3</sup>. However, it should be emphasize that the issues connected with choice of the financial sources for investment activity distinguish complexity. In this respect enterprises should put the special attention, among others, on capital structure, cost of capital, financial risk and enterprises' financial situation.

### 3. The methodology of the research

The undertaken examinations were concerned on the sources of financing investment activity of Polish enterprises. Particular attention was put on such financial sources as: own means, budgetary means, domestic loans and borrowings, total means directly from overseas, means directly from overseas (of which bank loan) and other sources.

The studies were divided into two parts. Firstly, it was made the diagnosis of the particular investment activity's financial sources dynamics in the period 2008-2013. To analysis were used dynamics and structure measure and measures of position.

Secondly, the examinations were concentrated on the comparison of enterprises' financial sources for investment activity between regions in Poland (NUTS). For this reason was used cluster analysis on the base which was isolated space groups, which allowed to indicate enterprises' investment activity financial sources in NUTS of Poland scope. To research were chosen the following variables:

$x_1$  – the average value of own means in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_2$  – the average value of budgetary means in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_3$  – the average value of domestic loans and borrowings in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_4$  – the average value of total means directly from overseas in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_5$  – the average value of means directly from overseas (of which bank loan) in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_6$  – the average value of other sources in financing enterprises' investment activity in particular NUTS of Poland scope (PLN).

$x_7$  – the average value of enterprises' investment expenditures in particular NUTS of Poland scope (PLN).

$x_8$  – the average number of enterprises per 10 thousand inhabitants in particular NUTS of Poland scope.

Above variables were used to construct the matrix ( $X=[x_{ij}]$ ), which constitute the basis for comparison of enterprises' investment activity financial sources in NUTS of Poland scope. In the following step the define data matrix ( $X=[x_{ij}]$ ) was standardized, according to the following formula<sup>4</sup>:

$$z_{ij} = \frac{x_{ij} - \bar{x}_j}{S_j}, \text{ when } x_j \text{ is stimulant} \quad (1)$$

or

$$z_{ij} = \frac{\bar{x}_j - x_{ij}}{S_j}, \text{ when } x_j \text{ jest destimulant} \quad (2)$$

where:

$$z_{ij} - \text{standardized diagnostic attribute } x_{ij}, \quad (3)$$

$$\bar{x}_j = \frac{1}{n} \sum_{i=1}^n x_{ij}$$

<sup>1</sup> Zygmunt, A.: *R&D Expenditures in Poland. Voivodship Perspective*, „Regional Barometer”, Tom 12 Nr 2 2014, ISSN 1644-9398, pp. 14.

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<sup>3</sup> Makiela, Z.: *Przedsiębiorczość i innowacyjność terytorialna. Region w warunkach konkurencji*, Warszawa: Wydawnictwo C.H. Beck, 2013. ISBN 978832555368. pp. 16.

<sup>4</sup> Kukuła, K.: *Metody unitaryzacji zerowanej* Warszawa: PWN, 2000. ISBN 83-01-13097-0. pp. 82.

$$S_j = \sqrt{\frac{1}{n} \sum_{i=1}^n (x_{ij} - \bar{x}_j)^2} \quad (4)$$

Next, it was selected the probability measure<sup>5</sup>:

$$d_{ij} = \sqrt{\sum_{k=1}^m (z_{ik} - z_{jk})^2} \quad (5)$$

where:

$d_{ij}$  – taxonomic distance defined as the Euclidean distance in  $n$ -dimensional space between two test objects;  $m$  – the number of attributes (variables);  $i = 1, \dots, n$ ;  $n = 1, \dots, n$ ;  $n$  – the number of objects,  $z_{ik}$ ,  $z_{jk}$  – standardized size of diagnostic attributes.

Above procedure allowed to isolate space groups (the clusters of the first order)<sup>6</sup>, which enabled the comparison of enterprises' investment activity financial sources in NUTS of Poland scope. The examinations included the period 2008–2013 which was conditioned by the availability of data from Central Statistical Office of Poland.

#### 4. The dynamics of financial sources of Polish enterprises' investment - research results

The effects of examinations conduct to the conclusions about the changing dynamics of the various sources of financing investment activity in Polish enterprises' in the period 2008–2013 (table 1–table 7). Identified appearance might results from very dynamics surrounding of enterprises' activity, which performed during analysed period and was mainly associated with world economy trends. Consequently, external factors might impact on enterprises' financial situation and their competitiveness level. As a result, these processes might affected on the risk of investment activity and its financial sources. Hence, the calculated dynamics might constitute the implication of the enterprises' necessity to adaptation to the changes in the economy.

Table 1. The dynamics of the total average value of financial sources for investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-21%	-11%	6%	-13%	-5%	-9%
Median	-17%	-2%	11%	-3%	0%	-2%
Third	-10%	4%	23%	1%	10%	5%

Legend: Previous year = 100

Source: Own calculations based on data from Central Statistical Office of Poland:

[http://stat.gov.pl/bdl/app/dane\\_podgrup.display?p\\_id=545869&p\\_token=0.16510106120341306](http://stat.gov.pl/bdl/app/dane_podgrup.display?p_id=545869&p_token=0.16510106120341306) [access: 14.12.2015].

Table 2. The dynamics of the average value of own means in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-20%	-10%	7%	-9%	-7%	-8%
Median	-15%	-1%	12%	-4%	-1%	-2%
Third	-7%	9%	24%	8%	11%	9%

Legend: Previous year = 100

Source: see table 1.

Table 3. The dynamics of the average value of budgetary means in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-4%	0%	-12%	-15%	-15%	-9%
Median	3%	18%	7%	-4%	7%	6%
Third	30%	51%	24%	14%	26%	29%

Legend: Previous year = 100

Source: See table 1.

Table 4. The dynamics of the average value of domestic loans and borrowings in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-33%	-31%	-9%	-22%	-11%	-21%
Median	-27%	-12%	17%	-12%	1%	-6%
Third	-1%	1%	49%	-1%	46%	19%

Legend: Previous year = 100

Source: See table 1.

Table 5. The dynamics of the average value of total means directly from overseas in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-40%	-34%	-43%	-38%	-14%	-34%
Median	-12%	1%	-3%	-9%	19%	-1%
Third	15%	39%	45%	32%	63%	39%

Legend: Previous year = 100

Source: See table 1.

Table 6. The dynamics of the average value of means directly from overseas (of which bank loan) in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	-82%	-66%	-75%	-88%	-48%	-72%
Median	-18%	-27%	-12%	-51%	11%	-20%
Third	52%	31%	250%	115%	123%	114%

Legend: Previous year = 100

Source: See table 1.

Table 7. The dynamics of the average value of other sources in financing investment activity in Polish enterprises in the period 2008–2013 (according to the measures of position).

Quartile	2009					
	2009	2010	2011	2012	2013	–2013
First	68%	71%	90%	68%	91%	77%
Median	97%	118%	130%	81%	101%	105%
Third	125%	146%	264%	108%	167%	162%

Legend: Previous year = 100

Source: See table 1.

The calculations show that among analysed investment activity's sources of financing the most significant dynamics distinguish other sources (table 7). The conducted research indicate the increasing rank of above financial source of investment activity during analysed period. During the years 2008–2013 in half of Polish enterprises dynamics of other sources of investment financing was higher on average than 105%, while in three quarters of enterprises higher on average than 77%. This occurrence means that Polish enterprises notice the importance of searching new sources of financing investment expenditures.

The results of studies indicate also relatively high discrepancy between dynamics of means directly from overseas (of which bank loan) in Polish enterprises (table 6). During analysed period

<sup>5</sup> Młodak, A.: *Analiza taksonomiczna w statystyce regionalnej*. Warszawa: Difin, 2006. ISBN 8372516057. pp. 48.

<sup>6</sup> Heffner, K., Gibas, P.: *Analiza ekonomiczno-przestrzenna*, Katowice: Wydawnictwo Akademii Ekonomicznej w Katowicach, 2007. ISBN 9788372468451. pp. 69–72.

the dynamics of financial source in question was in one quarter of enterprises higher on average than 114%, while in another one quarter lower on average than -22%. Identified dynamics, in connection with relatively lower dynamics of total means directly from overseas (table 5), allows to the conclusion about a comparatively decrease in analysed sources of financing enterprises' investment activity. This situation might result from increased financial risk and the level of means directly from overseas availability. Furthermore, financial risk level and the financial sources' availability might also cause the dynamics decrease in usage of domestic loans and borrowings as financial sources of investment activity by the majority of Polish enterprises. The effects of research emphasise that in period 2008–2013 in half of enterprises the dynamics of analysed source of financing investment activity was higher on average than -6%.

The conducted studies allow to highlight variable dynamics of budgetary means in financing investment activity of Polish enterprises in the period 2008–2013 (table 3). According to obtained results in one quarter of Polish enterprises the dynamics of budgetary means use for investment activity was higher on average than 29%, while in another quarter lower on average than -9%. The fluctuation of budgetary means' dynamics as a financial source of investment activity might constitute in analysed period from the conditions of their availability for enterprises and, in consequences, might influence on investment expenditures of enterprises.

Moreover, the estimations emphasize the lowest dynamics of own means, in comparison to other analysed enterprises' financial sources of investment activity (table 2). The calculations shows that in the period 2008–2013 the dynamics of financial source in question was in half of Polish enterprises lower than -2%.

#### 4. The effects of the comparison of enterprises' financial sources for investment activity between regions in NUTS of Poland scope

The results of conducted research allow to isolate four space groups involving regions of Poland in terms of enterprises' financial sources for investment activity in the period 2008–2013 (table 8–table 11).

Obtained results indicate the greatest similarity in financial sources of enterprises' investment activity in the period 2008–2013 between regions NUTS PL33 (8) and NUTS PL62 (16) (table 11). Regions in question distinguish the similar average number of enterprises per 10 thousand inhabitants as well as the similar average value of enterprises' investment expenditures. In relations to other regions enterprises from highlighted regions characterize relatively low average value of own means and total means directly from overseas as the sources of investment expenditure covering. Moreover, for specified regions was recognized relatively low average value of other sources in financing enterprises' investment activity.

Taking into account accepted variables the relatively high similarity in usage of enterprises' financial sources for investment activity appeared in analysed period between regions NUTS PL34 (7) and NUTS PL62 (16) and between regions NUTS PL43 (9) and NUTS PL52 (13) (table 10 and table 11). In comparison to NUTS PL62 (16), NUTS PL34 (7) differentiate higher average usage of total means directly from overseas and other sources and simultaneously relatively lower average value of means directly from overseas (of which bank loan). On the other hand, regions NUTS PL43 (9) and NUTS PL52 (13) characterize relatively the slightest average number of enterprises per 10 thousand inhabitants in comparison to other regions in Poland. Enterprises from these regions distinguish relatively high (on average) value of investment expenditures with relatively high average involvement of domestic loans and borrowings and other sources. Furthermore, regions in question, in relations to the others, have relatively the lowest average

value of budgetary means as the source of financing investment processes.

Table 8. The presentation of the first order clusters (I group)

I group			
Region symbol		5	6
Variables	x <sub>1</sub>	3079	2401
	x <sub>2</sub>	182	171
	x <sub>3</sub>	337	580
	x <sub>4</sub>	161	176
	x <sub>5</sub>	9	38
	x <sub>6</sub>	66	126
	x <sub>7</sub>	749	714
	x <sub>8</sub>	4068	4778
Summary of the closest elements		5-6	
Minimal taxonomic distance		0.44	

Legend: 5 – NUTS PL31, 6 – NUTS PL32

Source: Own calculations based on data from Central Statistical Office of Poland:

[http://stat.gov.pl/bdl/app/dane\\_podgrup.display?p\\_id=545869&p\\_token=0.16510106120341306](http://stat.gov.pl/bdl/app/dane_podgrup.display?p_id=545869&p_token=0.16510106120341306) [access: 14.12.2015];  
[http://stat.gov.pl/bdl/app/dane\\_podgrup.display?p\\_id=73167&p\\_token=0.6954289305055666](http://stat.gov.pl/bdl/app/dane_podgrup.display?p_id=73167&p_token=0.6954289305055666) [access: 14.12.2015];  
[http://stat.gov.pl/bdl/app/dane\\_podgrup.display?p\\_id=73269&p\\_token=0.5784680957681978](http://stat.gov.pl/bdl/app/dane_podgrup.display?p_id=73269&p_token=0.5784680957681978) [access: 14.12.2015].

Table 9. The presentation of the first order clusters (II group)

II group							
Region symbol		2	3	4	10	12	15
Variables	x <sub>1</sub>	28800	5916	11084	8392	7042	4939
	x <sub>2</sub>	2188	295	432	208	196	161
	x <sub>3</sub>	3312	890	1529	1149	1212	990
	x <sub>4</sub>	3543	329	491	445	559	1682
	x <sub>5</sub>	739	50	139	178	154	1385
	x <sub>6</sub>	1705	607	545	428	244	460
	x <sub>7</sub>	1290	987	961	1094	1135	1136
	x <sub>8</sub>	28920	8030	17072	10747	11827	8480
Summary of the closest elements		2-4	3-10	4-10	10-12	10-15	
Minimal taxonomic distance		7.49	1.09	1.49	0.61	3.78	

Legend: 2 – NUTS PL12, 3 – NUTS PL21, 4 – NUTS PL22, 10 – NUTS PL41, 12 – NUTS PL51, 15 – NUTS PL63.

Source: See table 8.

The study shows that relatively high similarity in financial sources of enterprises' investment activity scope is also noticeable between regions NUTS PL31 (5) and NUTS PL32 (6) (table 8). The mentioned regions characterize medium number of enterprises per 10 thousand inhabitants, when from other regions perspective the average value of enterprises' investment expenditures in regions in question is the slightest. This occurrence indicates the necessity to increase efforts in development of investment processes in enterprises scope, which might constitute in enhancing their competitiveness, and in consequences, their regions.

Table 10. The presentation of the first order clusters (II group)

III group				
Region symbol		9	11	13
Variables	x <sub>1</sub>	1196	2446	1273
	x <sub>2</sub>	58	115	63
	x <sub>3</sub>	237	547	282
	x <sub>4</sub>	114	284	87
	x <sub>5</sub>	24	32	12
	x <sub>6</sub>	49	209	60
	x <sub>7</sub>	1033	1265	961
	x <sub>8</sub>	2641	4592	2679

Summary of the closest elements	9-11	9-13
Miminal taxonomic distance	1.54	0.43

Legend: 9 – NUTS PL43, 11 – NUTS PL42, 13 – NUTS PL52.  
Source: See table 8.

Table 11. The presentation of the first order clusters (IV group)

		IV group				
Region symbol		1	7	8	14	16
Variables	x <sub>1</sub>	5039	1139	1856	2847	1179
	x <sub>2</sub>	223	91	116	135	99
	x <sub>3</sub>	1509	315	365	559	372
	x <sub>4</sub>	362	211	125	285	75
	x <sub>5</sub>	218	1	37	16	2
	x <sub>6</sub>	235	70	81	170	58
	x <sub>7</sub>	917	772	846	897	819
	x <sub>8</sub>	8435	2230	3086	6028	2888
Summary of the closest elements		1-14	8-14	8-16	7-16	
Miminal taxonomic distance		1.39	0.76	0.23	0.34	

Legend: 1 – NUTS PL11, 7 – NUTS PL34, 8 – NUTS PL33, 14 – NUTS PL61, 16 – NUTS PL62.

Source: See table 8.

Furthermore, the examinations results distinguish comparatively high similarity in terms of enterprises' investment activity financial sources between regions NUTS PL41 (10) and NUTS PL51 (12) (table 9). The high close match was observed especially in the relatively the highest (in comparison with other Polish regions) average value of financing investment expenditure by own means. Simultaneously, it has to be underline that the enterprises from regions in question highlight (during the period 2008–201) relatively the highest value of domestic loans and borrowings and total means directly from overseas in financing investment activity.

Obtained outcomes, achieved by cluster analysis application, allow to the conclusion about the slightest similarity in enterprises' financial sources of investment activity between regions NUTS PL12 (2) and NUTS PL22 (4) (table 9). Apart from relatively the very high number of average enterprises per 10 thousand inhabitants and the (on average) very high value of own means in financing investment activity, enterprises from mentioned regions differentiate particularly in usage of budgetary means, domestic loans and borrowings, means directly from overseas (of which bank loan) and other sources to financing investment activity.

Additionally, the study shows relatively high discrepancies between regions NUTS PL41 (10) and NUTS PL63 (15) in financial sources for enterprises' investment activity scope (table 9). The results of examinations indicate that region NUTS PL63 (15), compared with the region NUTS PL41 (10) distinguish significantly higher average value of means directly from overseas (of which bank loan), while also significantly lower average value of own means in financing enterprises' investment activity.

## Conclusions

The conducted research lead to the several conclusions. First of all, the obtained results allow to the conclusion about differential dynamics of financial sources average value for investment activity in Polish enterprises in the period 2008–2013. Above appearance might arise from business surrounding changes resulted especially from the macroeconomic conditions.

Consequently, this occurrence might affect the level of enterprises' financial risk and thus to chosen particular financial source for investment activity.

Furthermore, the obtained results enable to indicate significant diversity of financial sources for enterprises investment activity between regions in Poland (NUTS) in the period 2008–2013. This situation might results from differ enterprises' availability to particular sources of finance for investment activity.

The complexity of enterprises' financial sources of investment activity requires further studies. They should be concentrated on the identification of the determinants, which might affect the improvement of Polish enterprises' investment activity and their decisions concerning the choice of financial sources for investment expenditures. Moreover, they should also concern on the particular region conditions, which might improve enterprises' investment decisions.

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