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# Resources and reputation in the management of universities

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## Abstract

Reputation of organizations has become an attractive subject of research, absorbing the efforts of researchers from different fields and representing a major challenge for practitioners. The concept of reputation is dynamic and ambiguous, depending on the research perspective adopted and the recipient expected. This article adopts the understanding of reputation from the perceptual perspective, i.e. perception of achievements of the organization in the eyes of its stakeholders. The reputation of universities and its importance for their development were analysed. The results of research carried out among international experts of the higher education sector showed a substantial degree of respondents' awareness in terms of the perceived importance of reputation for the development of universities, and also contemporary recognition of reputation as a key category of organizational intangible resources. The conclusions of the research can be applied to strategic management, with a focus on a relatively new trend – reputation management.

**Paper type:** research article

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## Introduction<sup>3</sup>

Since the 1950s of the previous century, the interest of researchers in the concept reputation of has been growing. Theoretical and practical work focused in particular on the conceptualization of the tasks associated with the domain of the organization's activity (Dolphin, 2004). Since then, the reputation has become a popular subject of study. The authors analyzing the issues of reputation emphasize the specific nature of this phenomenon (resource), its complexity and multidimensionality, which results in a variety of research proposals, but also the lack of consensus. In addition, the process of building reputation takes years, while its potential loss or weakening as a result of adverse events can occur rapidly, unpredictably and globally, or strike different spaces and strengths of the organization – internal and external, legal, ethical, relating to the brand, etc. (Głuszek, 2008; see also: Pęksyk, 2014 – overview of approaches to measuring reputation and estimation of its value). From the perspective of risk management, what is emphasized in turn is the primacy of the concept of reputation, which – because of its sensitivity, multi-dimensionality and depth as well as durability to maintain its consequences – is sometimes called a “risk of risk” or “meta-risk” (Głuszek, 2014, p. 113).

Universities which are the focus of this study are a specific type of organizations. The aim of the article is to analyze the reputation of universities – as a specific and key resource – and its importance for the development of these organizations compared to other factors (selected resources and characteristics). The analysis was based on research carried out in the group of international experts of the higher education sector from four continents – representatives of universities associated in the HERMES network.

### 1. The role of resources in the management of organizations

In the literature, it has long been a popular view that the resources of the organization are an important determinant of its success and performance. The resources shall be understood as generally productive assets of the organization so that its activities can be carried out (Abu Bakar & Ahmad, 2010). In addition, one can indicate the following key descriptors that specify the nature of resources:

- The resources must be understood as those assets, which contribute to the formation of final products and services and create value for customers and other stakeholders (Day & Wensley, 1988).

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<sup>3</sup> The authors wish to thank the participants of the research, representatives of the universities associated in the HERMES network for their valuable contribution.

- Resources should be in the possession or under the control of the organization (Abu Bakar & Ahmad, 2010), which guarantees the organization the availability of the necessary resources. Furthermore, it is worth noting that in this approach resources can also be derived from the environment of the organization.
- Resources can be created in various ways, both internally and through interaction with various stakeholders, especially suppliers. As Skaates and Sepänen (2005) note, in the case of the so-called intra-organizational development of resources their replacement and accumulation take place.

There are many types of resources, and their most popular division allows to distinguish tangible and intangible resources (Abu Bakar & Ahmad, 2010). Among tangible resources there are more traditional categories, such as, capital and access to capital, material and technological resources. Intangible resources are, for example, organizational resources, human intellectual capital, reputation and assets such as proactiveness, innovativeness and risk-seeking ability (Jedynak, 2015, p. 278).

Resources are also classified, taking into account their impact on competitive advantage for organizations (Jedynak, 2015). This approach allows us to distinguish resources such as peripheral resources, resources base, competitive resources and strategic resources (Chaharbaghi & Lynch, 1999). Of course, strategic resources contribute to the success of the organization to the highest degree.

The evolution of management sciences has led to the emergence of concepts related to resources. The most important semantic equivalent of resources is the concept of capabilities. Relations between the two mentioned terms are explained by Morecroft (2002, p. 23), who believes that: “resources are defined as anyone (human assets) and anything (tangible or intangible assets) that are available and useful in any activities an organizations undertakes in pursuing its goals.” On the other hand, Morecroft (2002, p. 23) understands capabilities as: “an organization’s repeatable patterns of action in the use of resources, again usually in the context of activities that the organization undertakes in pursuit of its goals.” Therefore, what can be considered a common component of both concepts is the focus on achieving the organization’s objectives. Resources and capabilities should ensure the effectiveness of management processes. Capabilities can be regarded as a specific metaresource of the organization, the effect of the organization’s processes of learning and formation of certain practices. Olavarrieta and Ellinger (1997) interpret the aspects of conceptual relationships a bit differently. They distinguish: input factors (or generic resources), assets and capabilities (complex bundles of individual skills, assets an accumulated knowledge exercised through organizational processes, that enable organizations to coordinate activities and make use of their resources).

The primary aim of resource management for organizations is their optimal use. The research in this context is carried out:

- correlation between the organization's resources and the results of the implementation of the adopted business orientation (e.g. product innovation) (Abu Bakar & Ahmad, 2010);
- results of the creation and use of resources in the more and more common situation of multi-party development and deployment of resources (Skaates & Seppänen, 2005);
- process of converting resources into strategic resources and the impact of their use to obtain strategic advantage (Olavarrieta & Ellinger, 1997);
- conditions of use of resources in the process of strategic management in the form of approaches, such as, a dynamic resource-based strategy (Chaharbaghi & Lynch, 1999);
- status of resources in terms of strengths or weaknesses – used in the case of strategic analyses, prior to the formulation of strategic options, e.g. within the framework of the SWOT analysis (Warnier, Weppe, & Lecocq, 2013); resources can therefore play the role of barriers or drivers of the strategy, thus determining strategic choices;
- resource efficiency including three cognitive perspectives, which correspond to the appropriate evaluation criteria: industry perspective (price criterion), entrepreneurship perspective (the criteria resulting from the decision-making processes), organizational perspective (the criteria resulting from the efficiency of all processes based on resources) (Warnier, Weppe, & Lecocq, 2013);
- effect of the assumed configuration of resources on the ability to use strategic resources, implementation of marketing strategy, direct, economic performance and the satisfaction of stakeholders (Andersen, 2011);
- methodological aspects of measurement of resources (in the perspective of quantity, quality and availability) from the point of view of their relationship with the results in terms of growth and profitability of the organization (Azzone, Bertele, & Rangone, 1995).

It can therefore be noted that studies dedicated to the resources of the organization is on the one hand purely cognitive (in terms of increasing knowledge about the nature, types, meaning of resources) and, on the other hand, they are strongly utilitarian in nature, ultimately leading to certain guidelines and recommendations on the proposed rules for creation, use and evaluation of those resources.

## 2. Reputation as an intangible resource of organization

The first scientific study of the reputation of the organization was carried out in the 1950s of the previous century and focused in particular on the conceptualization of the tasks associated with the domain of the organization (Dolphin, 2004). Since then, the reputation has often undertaken the subject of research of many scientific circles and represents a major challenge for practitioners. Below there is an outline of the leading research problems related to reputation.

### Concept of reputation

Making attempts to define reputation is still a current and basic research problem. Table 1 presents the important approaches selected based on the literature review.

Table 1 *Selected definitions of the organization's reputation*

Author	Definition
Bromley	Distribution of opinions (the overt expressions of a collective image) about an entity
Roberts and Dowling	Perceptual representation of the organization's past actions and future prospects
Herbig and Milewicz	An aggregate, perceptual judgment of various groups of the organization's past actions
Fombrun and Shanley	Reputation is formed on the basis of direct and indirect experiences
Siano, Kitchen and Confetto	Reputation is the result of a shared judgment socially expressed by stakeholders, which is based on the actions of the organization and on its ability to satisfy expectations and create value for stakeholders

Source: based on Dolphin, 2004; Siano, Kitchen, & Confetto, 2010.

The concept of reputation is dynamic, because it is based on the changing perception of the achievements of the organization in the eyes of its stakeholders. When defining reputation, there evolved a clear trend referring to the synonymous nature of this concept. These are more or less liberal attempts to replace reputation with other terms that are considered to be synonyms, or the search for relationships and relations between the constructed set of synonymous concepts. Dolphin (2004), among concepts close to reputation, lists: identity, image, prestige, goodwill, esteem and standing, although reputation is most often compared with image. Gotsi and Wilson (2001) analyze the views of various researchers in this area, identifying up to four different approaches:

- synonymy between the two concepts,
- lack of synonymy between the two concepts,
- impact of reputation on image,
- impact of image on reputation.

In the case of the analyzed relations connected with meaning there is no consensus. It occurs in the case of the types of reputation with respect to even a single organization. This problem is explained, among other things, by Helm (2007), indicating that in the activities of any organization one can distinguish both partial reputation, which is the result of the perception of each individual stakeholder, and general reputation, which is the result of the previous.

## The formal status of reputation in management of organizations

An important direction of research are attempts to characterize the formal status of reputation – its role and significance. The analysis of the literature shows the following approaches to reputation of organization, allowing to describe the formal status:

- Reputation is one of the intangible assets of the organization (Perez, 2015).
- Reputation can be one of the key success factors (Illia & Balmer, 2012) – which is based on the idea of the above-average impact of reputation on the performance of the organization.
- The reputation of the organization is a component of the reputation of the sector (Luoma-aho, 2008).
- This reasoning stems from the assumption that sectors, just like organizations, have reputation that determines the reputation of the organization.
- Reputation of the organization is the determinant of the decisions made by their stakeholders (Helm, 2007).

These terms, in a complementary way, both reflect the multithreaded nature of the formal status of reputation and prove the strategic importance of this resource, not only in the narrower sense (taking into account organizations), but also in a broader one, involving all stakeholders.

## Reputation versus other management domains

Some researchers analyse reputation against the background of concepts and management issues relevant to other domains of activity of the organization. For example, it is analysed, together with the finance management (Siano, Kitchen, & Confetto, 2010). In this perspective, the purpose of research, among others, is the search



for common functions of resources of the organization and its reputation. The research also applies to attempts to construct common rules for the management of these problem areas, so as to achieve the synergy effect.

Another example is the analysis of the relationship between reputation and CSR reporting (Perez, 2015). These studies usually take place theoretically, exploring such theories as: institutional/legitimacy theory, impression management theory, reputation risk management theory, agency theory, signalling theory. A characteristic feature of these studies is to make use of assumptions, mental models and terminology specific of these theories.

Research on the relationship between reputation and marketing is more utilitarian in nature (Goldring, 2015). These studies lead to the answer to the question of how to combine the perspective of reputation with the market perspective and by building a reputation improve the results of marketing activity.

And finally, an important subject of study is the relationship between reputation and trust. These studies take place at two levels, namely trust and reputation management theory and trust and reputation models (Marmol & Perez, 2011).

The described research areas have on the one hand cognitive functions, and on the other utilitarian functions, indicating guidelines for the management integration on different problem areas.

## Management of risk related to reputation

A separate and vital trend of research is to manage risk associated with reputation. One of the important components of this trend is the formulation of the reputation risk management theory, which is largely a synthesis of earlier theoretical approaches (Perez, 2015). Another part of the study is devoted to attempts to conceptualize the concept of reputation risk together with activities consisting in locating this risk in the overall structure of the organization's risk (Dowling, 2006). Reputation risk is part of intangible risks. One can also regard research on modelling processes to manage reputation risk as part of this trend (Bebbington, Larrinaga, & Moneva, 2008). In addition, research includes in its scope the management of reputation risk regarded as a component of the broader concept of management, e.g. supply chain management (Lemke & Petersen, 2013). The above statement proves that reputation risk is now regarded as one of the most important activities in the organization, resulting in interest of numerous researchers of management sciences.

## Potential benefits of the reputation of organization

Research on reputation also includes attempts to identify and describe potential benefits arising from the organization's reputation. They start with the assumption that reputation is subject to perception and evaluation by stakeholders. Therefore, the subject of research are, *inter alia*, elements that from the point of view of stakeholders and may play the role of "carriers" of reputation. These are, for example, emotional appeal, product and service quality, vision and leadership, financial performance, workplace environment, social responsibility (Helm, 2007). Defining these carriers as sensitive from the point of view of reputation allows for modelling actions concerning their improvement.

Strategic implications of reputation are an important subject of research. These manifest themselves in consequences, as such, strategic advantage, market expansion, and finally, the overall success of the organization (Dolphin, 2004). As part of research on strategic implications, the new term, that is, the so-called reputation advantage of the organization was coined. This is about determining benefits, which for the organization are due to the fact that its reputation is assessed better than the reputation of other organizations in the sector.

In addition, the research on the impact of reputation on the development of relational capital, which is now a resource of strategic importance for many organizations is conducted (de Castro, Saez, & Lopez, 2004).

These research trends find their synthesis in general attempts to define the rules of reputation management, which are a kind of conceptualization of the domain of reputation management. Among such principles there is creating and maximizing reputational capital, utilizing reputational capital for obtaining key resources, brand extension, co-branding and corporate trademark licensing, reducing organization's reputational risk, overcoming reputational crises (Resnick, 2004; Siano, Kitchen, & Confetto, 2010).

### 3. Research methodology

Measurement of reputation is considered difficult (Pełsyk, 2014). Pełsyk (2014), quoting other researchers, identifies a number of reasons for the "chaos" in the empirical exploration of the phenomenon of reputation. These include, among others: different ways of defining the concept depending on the target recipient, sensitivity of reputation regarding critical incidents and long-term perspective of its creation/restoration and limitations of the adopted approach (studies of a historical nature are dominant). The author also notes that the majority of research is conducted in terms of the analysis of the perception – which is the approach adopted for research.

Studies on the perception of reputation in selected units of the higher education sector (universities) were carried out with the participation of foreign experts associated in the HERMES network. HERMES is “a strategic alliance of 19 worldwide universities in 12 countries. Its ambition is to offer dual degree programs in Management on all academic levels: Bachelor, Master and Doctoral studies” (HERMES, n.d.).

Specific objectives of research included:

- an analysis of the awareness of the importance of reputation for the strategic development of universities,
- assessing the strengths and weaknesses of the organizations examined (including reputation and division into hard, material, measurable – “tangible” and subtle, immeasurable – “intangible” resources),
- identification of factors affecting the current reputation of selected universities in the assessment of experts – participants of the study.

The study goes beyond the dichotomy of “good or bad reputation”, it does not apply to rankings which have dominated the assessment of universities in the world and are a tool of fierce rivalry between the “best” (although rankings can serve their positioning [Kleiber, 2013; Pęksyk, 2014]). Reputation was recognized as a potential resource belonging to a different extent to every organization, although not in every organization it can be recognized or intentionally created. The analysis did not include such parameters as the maturity of the organization studied, historical data in terms of critical incidents, or the objective value of the organization (goodwill). It presents biographical facts, i.e. the year in which and/or the analysed university was founded (e.g. Faculty – universities or independent units belong to the HERMES network), its size (number of students and professors, or the number of independent units), didactic offer (number of degree programs), achievements and successes of the university (well-known alumni, accreditation), mission and membership of the university in the recognized associations, and also the presented innovative potential of the university (studies, projects, etc.).

The results reflect the subjective feelings of the representatives of the organizations examined (perceptual approach), in respect of the reputation and some of its components (selected factors). Thus, studies are part of a trend of analysis of the reputation understood as “perceptual judgment” (see Table 1), while reputation is not defined in economic terms (as estimated value – Pęksyk, 2014).

Data were collected in June 2015 in Bratislava (Slovakia), during the annual meeting of the representatives of the HERMES network. The conference discussed the current situation of member universities and directions of further development within the network (e.g. acquisition of new partners, closer cooperation, including joint research projects). When gathering data, researchers used questionnaires, supplemented by interviews and observation, the existing data (online profiles of the university) were also analysed.

Table 2 Organizations participating in research – short description

University	Selected criteria			
	Year of foundation	Size/Number of students	Number of professors	Factors related to reputation & university image*
University of Adelaide (Australia)	1874	Students: 25,000 International students: 5,500	Chairs/Full Professors: 232	History (the third oldest university in Australia), associated with five Nobel laureates, 104 Rhodes scholars, associated with recognized organizations
Chengdu Southwestern University of Finance and Economics (China)	1925	Students: 2,688 Programs: 26 Undergraduate and Graduate programs	Chairs/Full Professors: 77	SBA Vision: To be the most competitive international business school in Western China. 2010 SBA became a member of the European Foundation for Management Development (EFMD)
Texas A&M University (USA) Texas A&M University Mays Business School	1876 –	Students: 55,000 International Students: 5,736 Students: 5,900 Programs: 11 Undergraduate and Graduate programs	Chairs/Full Professors: 1440	Accredited by AACSB – International, the premier accrediting agency and service organization for business schools. Mays Business School's mission is to create knowledge and develop ethical leaders for a global society
Dresden University of Technology (Germany)	1828	Students: 37,000 International students: 4,000 Programs: 118	Chairs/Full Professors: 500	One of the oldest academic institutions for technical education in Germany; "synergetical university" TU Dresden closely cooperates with external research institutions, cultural, industrial and social organisations (so called "Dresden concept"); interdisciplinary cooperation, practical outcomes
University of Hohenheim (Germany) Faculty of Business, Economics and Social Sciences	1818 1975	Students: 10,000 International students: 12% Students: 5,000 Programs: 12 Bachelors and Master programs	Chairs/Full Professors: 43	History, location (enterprises like Porsche and Daimler, many small and medium-sized innovative high-tech firms in the region)

Athens University of Economics and Business (Greece)	1920	Students: 11,213 International students: 350 Programs: 8 Bachelor Degrees and 29 Postgraduate programs	Chairs/Full Professors: 195	History, location, the oldest educational institution in Greece in the fields of Economics and Business Administration, at both the undergraduate and the postgraduate levels
University of Pavia (Italy)	1361	Students: 25,000 International students: 1,300 Programs: 55	Chairs/Full Professors: 968	History (one of the oldest educational institution in Europe), location (city, campuses), facilities, infrastructure, heritage, study organization (tutors, research centres, labs), interdisciplinary programs
Department of Economics and Management	1963	Students: 2,500 International students: 300 Programs: 7	Chairs/Full Professors: 64	
Jagiellonian University, Kraków (Poland)	1364	Students: 50,000	Faculties: 12	History (the oldest educational institution in Poland, one of the oldest in Europe), location (city, region, old & modern campuses), associated with famous graduates and students (Nicholas Copernicus, John Paul II, 2 Nobel Prize winners, famous politicians); start-ups and centers supporting innovative research. National and international accreditations
Faculty of Management and Social Communication	1996	Students: 6,500 Programs: 20 Undergraduate, Postgraduate, PhD studies	Chairs/Full Professors: 85 (in the Faculty)	
University of Seville (Spain)	1505	Students: 65,000 International students: 4,000 Programs: Undergraduate, Master, Postgraduate	Chairs/Full Professors: 8 (in Faculty of Economics)	History (500 years), location, infrastructure, European Certificate of Quality for the EFQM model of Excellence and distinction as a Campus of International Excellence
Faculty of Economics and Business Sciences				
University of Alcalá (Spain)	1499	Students: 28,950 International students: 6,400	Teaching and Research staff: 1620	History (500 years), location (city – the world heritage), infrastructure, research.
Faculty of Economics, Business and Tourism	1975	Students: 3,700 –		One of Europe's oldest universities. Its alumni include some of the most famous names of Spanish culture, such as Lope de Vega, Francisco de Quevedo and Tirso de Molina

University	Selected criteria			Factors related to reputation & university image*
	Year of foundation	Size/Number of students	Number of professors	
University of Economics in Bratislava (Slovakia)	1940	Students: 12,000 International students: 400 Programs: 51	Chairs/Full Professors: 74	Considered one of the most important educational and scientific-research institutions in the Slovak Republic. University of Economics in Bratislava offers more than 80 individual courses taught in foreign languages (English, German, French, Spanish and Russian) and 3 full study programs in English, German and French language and double and joint degrees with partners from Europe. International cooperation in teaching, research, mobility of students and professors
The Bucharest University of Economic Studies ASE (Romania)	1913	Students: 21,000 International students: 500 Programs: over 200 at each level (undergraduate, master, doctoral studies)	Faculties: 12	Location (capitol of Romania), leader position in the field of business and public administration among universities in Romania (300,000 graduates), 22 research scientific centres. Bachelor's and Master's programs in foreign languages and Romanian (programs in English, French or German). National and international accreditations

\* (famous graduates/Nobel prize winners/recognized associations/mission/accreditations/other factors highlighted)

Source: HERMES, n.d.

## Research participants

Experts invited to participate in the research were both respondents and members of the organizations studied. They represented such disciplines as management, economics, international relations and science (statistics). Respondents are academics, people dedicated to international cooperation, in a sense, ambassadors of their universities. They were representatives of 12 universities spread over 4 continents: Europe (here the participation of experts was the greatest with the representatives of universities from Germany, Italy, Greece, Spain, Slovakia, Romania and Poland), USA, China and Australia. The following summarizes the basic data describing the participating universities (full descriptions are available on [www.hermes-universities.eu](http://www.hermes-universities.eu)).

A group of universities (or their independent units) participating in the study is very diverse in terms of history and geography. Regarding the image and promotion, one can see the emphasis on such aspects as: history, location, educational offer, research capacity, infrastructure, mission, the results of accreditation and evaluation, membership associations, the ability to cooperate internationally, famous graduates, combination of theory and practice, tradition with modernity, and others.

## 4. Research results

Analyses were carried out in relation to the three issues arising from specific objectives.

### Awareness of importance of reputation

Table 3 presents collective results of the perceived importance of reputation as a resource. The authors assumed that awareness of the importance of reputation for the strategic development of the organization will be reflected in its high assessments (positive perception of reputation).

According to responders, all the indicated resources were assessed as important for the development of the organization. Resources which received the highest ratings among respondents (as relatively the strongest determinants of further development of universities) include: staff, reputation, potential of the university to learn, and also the brand as well as the potential of the university to change. Resources with the lowest ratings were: standards and procedures, flexibility, infrastructure and location, as well as financial assets. The high relevance of reputation indicates its recognition as one of the most important resources for the development of the organization.

Table 3 *The importance of resources for the development of the organization*

Selected resources (in brackets there are four most important indications – ranking)	Importance of resources according to the respondents – medium (Scale: not significant [1] – very important [5])
Infrastructure	3.77
Location	3.85
Financial assets	3.85
Leaders	4.08
Staff (1)	4.38
<b>Reputation (2)</b>	<b>4.31</b>
Brand (4)	4.15
Relations with stakeholders	4.00
Standards and procedures	3.69
Potential of university to learn (3)	4.23
Potential of university to change (4)	4.15
Flexibility	3.77
<b>Overall rating of resources (average)</b>	<b>4.02</b>

## Strengths and weaknesses of organizations

Another aspect of the analysis was to assess the strengths and weaknesses of universities (including reputation and division of resources into hard, material, measurable – “tangible” and subtle, immeasurable – “intangible”).

Among the analysed resources the clear strengths indicated by respondents were: location, reputation and brand. Among weaknesses there were: flexibility, potential of universities to change, standards and procedures, relations with stakeholders and financial assets. Indirect categories (neither weak nor strong sides) included: potential of the university to learn, staff, leaders and infrastructure. Analyses have shown the importance of reputation as a resource that builds the strength of the organizations studied. In addition to reputation, the “brand” was in this category – both resources can be classified as “intangible resources” (sometimes they are considered synonyms, see above). In comparison to them, only location – as an example of measurable “tangible” resources, according to respondents, belongs to the group of strong components of the organization.



Table 4 *Strengths and weaknesses of organizations*

Selected resources (in brackets there are three most important indications – ranking)	Strength of resources according to respondents – average (according to the scale: W weakness [1–2] – S strength [4–5])
Infrastructure	S/W (3.84)
<b>Location (1)</b>	<b>S (4.54)</b>
Financial assets	W (2.92)
Leaders	S/W (3.69)
Staff	S/W (3.61)
<b>Reputation (2)</b>	<b>S (4.38)</b>
<b>Brand (3)</b>	<b>S (4.15)</b>
Relations with stakeholders	W (3.38)
Standards and procedures	W (3.23)
Potential of university to learn	S/W (3.53)
Potential of university to change	W (3.31)
Flexibility	W (3.15)

### Factors affecting the current reputation of the organizations examined

Another aim of this study was to identify factors influencing the current reputation of selected universities in the assessment of experts – participants of the research (interview method and based on open questions in the questionnaire). The important factors included: rankings (national, international and results of accreditations), famous graduates, history and tradition, profile (research, educational or mixed), number of students, location, promotion and marketing. Although the study also included opinions on “critical incidents”, respondents did not address this factor in a significant way. The biggest impact on the current reputation of universities are, according to most respondents, the results of the official (especially international and national) rankings, as well as the number of students, the profile of the university and its promotion and marketing. Other factors were evaluated in a differentiated manner depending on the particular situation of the university. These were the characteristics of the history and tradition of the university, including its famous graduates, or (or also) location, and various combinations of all of the above.

## 5. Discussion of results – implications for reputation management

The study summarizes the opinions of the international group of experts on the resources determining the development of the universities represented. The assessment of reputation reflects the importance of this intangible asset for the position and development of the organization. Reputation is not only a concept intuitively perceived as important (intuitively appealing), but also more and more often the subject of systematic research activities. The results show a significant level of awareness of the importance of reputation for the strategic management of the university (Table 3). Reputation has been identified together with factors, such as, location and brand as a group of resources which, to the greatest extent, co-creates positive perception of the organization (Table 4) – and to a greater extent than its financial assets, relations with stakeholders and flexibility. Identification of factors affecting the current reputation of the organizations examined confirmed the dominant role of rankings and accreditation. It seems that in conditions of the hard-to-imagine changeability of the environment in which today's organizations operate, the role of reputation, as an intangible factor – on the one hand, and on the other in some way a fixed (though highly sensitive) factor – it may constitute the basis and direction of the strategic development of the organization. Especially, if the development concerns the service sector of higher education, exposed – like other areas of the economy – to the increasing volatility and instability of the environment and high competitiveness in the sector. Based on the review of the literature and own research results one can conclude that there is a need for increasing awareness, and thus multidimensionally investing in intangible resources, including reputation (and/or brand). Reliance on hard and traditional resources (history, size of organization, location) may give rise to thinking about the reputation of the university. However, it arises concerns about the effect of “too big to fall.” This effect, which refers to, among others, the collapse of the US bank Lehman Brothers (an event that marked the beginning of economic crisis in 2008) badly hit the banking sector radically changing economic situation on world markets. It seems that the emphasis on reputation, understood as an indicator of confidence in the organization and the source of its competitive advantage, it is (and should be) one of the key areas of action in the framework of strategic management. This also applies to – and perhaps above all – the higher education sector, where alongside traditional and measurable strategic resources, experts advise paying attention to the active communications on the Internet, understood as a space for direct exchange of symmetric information with one another, including various groups of stakeholders.

## Conclusions and limitations

Limitations of the research results presented are due primarily to the following conditions: (1) the approach adopted and nature of analyses (perceptual judgement), (2) the alleged subjectivity of the test sample (respondents were the representatives of the analysed units), and (3) the lack of other prospects (other stakeholders), with special emphasis on communities leading discussions on the Internet.

The analysis of literature and empirical studies allow for formulating the following conclusions:

- The formal status of reputation in the management of organizations is complex. Reputation can be considered among others as: one of the intangible resources of the organization, a key success factor, a component of the reputation of the sector, a determinant of managerial decisions.
- One can observe a tendency of coexistence of two approaches to reputation management. The first, scattered, approach lies in the fact that the issues of reputation are a component of the management of different, specific domains of activity of the organization (e.g. finance or marketing). The second approach is based on the integrated reputation management.
- The condition and perception of the organization's reputation can be a source of potential benefits and risks in their activities. To a large extent, it depends on the perception of stakeholders of such reputation carriers as emotional appeal, product and service quality, vision and leadership, financial performance, workplace environment, social responsibility.
- Reputation is treated as a very important resource in the surveyed universities, just like part of other intangible resources. In these universities reputation is regarded as one of their strengths.

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# Construction of the development strategy versus informal constraints

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## Abstract

In this article deals on the role played by informal constraints in socio-economic life and the nature of their impact on the effectiveness of formal institutions. The answer to this question will show the right approach to the construction of the development strategy, in particular whether and how social factors should be taken into account. The aim of the article is therefore to present the mechanisms of informal constraints in terms of socio-economic development. The observations lead to the conclusion that the assessment of the development strategy should not be limited to the analysis of its effectiveness in improving the material well-being of societies. It should also be consistent with ethical standards, i.e. meet the requirement of fairness, in particular accordingly with the understanding of the community which is supposed to be covered by the activities of the strategy. Achieving ethicality and high effectiveness of activities must, however, be based on the inclusion of informal restrictions in the processes of constructing development strategies.

**Paper type:** conceptual article

**Keywords:** development strategy, formal institutions, informal institutions, institutionalism, socio-economic development

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## Introduction

In the modern economy, there is a growing recognition of the thesis about the importance of institutions for socio-economic development of societies.<sup>2</sup> Many empirical studies, both those of a nature of a case study, and cross-sectional analyses on large samples of countries, showed that the rules deciding about social life determine the achieved level of prosperity (Easterly & Levine, 2003; Acemoglu, Johnson, & Robinson, 2005; North, 2006). Therefore, in order to program development, those in power should devote much attention to the institutions regulating economic activity in the country, and the quality of institutions should occupy an important place in the development strategy.

Under the influence of politicians there are mainly institutions *de iure*, or formal regulations, laid down in the legislative process. However, in the social reality there are also informal constraints, of an unofficial nature, with their source in the culture and in the history of society. As a result of various interrelationships between formal and informal regulations, *de facto* results of the former may be different from those predicted by legislators and, therefore, the whole body of institutions is important for socio-economic results (Acemoglu, Johnson, & Robinson, 2005; Voigt, 2013).

Therefore, one might raise the question of the role played by informal constraints in the socio-economic life and the nature of their impact on the effectiveness of formal institutions. The answer to this question will indicate the appropriate approach to the construction of the development strategy, in particular, whether and how social factors should be taken into account. The aim of the article is to present the mechanisms of informal institutions from the point of view of socio-economic development. It presents the hypothesis that informal constraints are the basis for daily activities of individuals and as such must be taken into account in planning the development of a country. What seems especially important is the informational aspect of all institutions, which means that they allow economic actors to build expectations and plan their own activities.

The article is a theoretical reflection on issues of programming development and institutional change. It presents the views of representatives of contemporary institutionalism, and attempts to critically respond to the experiences of the development policy.

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<sup>2</sup> This was proven for instance by a debate which was held in the *Journal of Institutional Economics* (December 2011), dedicated to interrelations between institutions and development.



# 1. Conceptualization of the notions of development and development strategy

Socio-economic development can be treated in two ways – in terms of positive categories, as a phenomenon occurring objectively, or normatively, as a goal, which societies should pursue and which in varying degrees can be achieved. When adopting an objective approach (e.g. Hausner, 2012), to define “development” one can use the formulation of Thirlwall (2006, p. 17) who treated it as “the process of economic and social transformation of countries.” It is, therefore, a phenomenon occurring all the time, consisting in constant changes of living conditions and social provisioning. Schumpeter (1960) looked at development in a similar way and emphasized the multidimensionality and discontinuity of these changes. Thus, with the development strategy in mind, one should remember that it leads not only to the quantitative increase of production capacities, but also to the changes of the economic and social structure.

The normative aspect of development is equally important. It is a process, as a result of which, simply put, people should live better lives. Evaluating the occurrence of development, what is observed is not only the material standard of living, but also two other dimensions of human existence: the sense of dignity, and freedom (Thirlwall, 2006). Improving people’s living standards and higher satisfaction of their needs are of course important,<sup>3</sup> but preserving the dignity of an individual and increasing the range of freedom is a necessary condition for achieving development in this sense. Alternatively, referring to Sen (2000, p. 295) development is “(...) the expansion of human capability to lead more worthwhile and more free lives.” Freedom is not only a goal to which we aspire, but also a means, an instrument of development – without which the improvement of economic performance is in the long run impossible. Hausner, among others, writes that the two aspects of development – social and economic – mutually condition each other, and increasing material prosperity must be accompanied by the dissemination of ethical standards.

Assuming at this stage the above broad understanding of development, one can agree with the statement that the socio-economic development is a goal which society should pursue. In this way, it becomes the goal for those in power and the basis for the legitimacy of their actions. As noted by Kozak (2012), in recent decades in business practice, a strategic approach to development has gained significance and popularity. Strategy – the concept derived from military terminology, and brought to public policies from the business sector (Gorzela & Kozak, 2012) – means “an instrument of conscious and systematic actions aimed at achieving concrete long-term development goals” (Kozak, 2012, p. 32). The fact that many countries create

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<sup>3</sup> Particularly in relation to developing countries – economic growth is the best means to eradicate poverty as GDP growth serves poverty eradication (Thirlwall, 2006, pp. 34–35).

and pursue development strategies is not only a conceptual change, but has a much more significant meaning. In the practice of governance of the country, a systematic approach, which is characterized by, or at least should be characterized by the following features, is gaining popularity (Kozak, 2012):

- long-term planning based on a vision – a desirable state of society in the future,
- carrying out an accurate diagnosis of the initial situation, identifying barriers and opportunities for development,
- broad, multi-dimensional approach, taking into account non-economic goals,
- systematic execution and, possible, revision of the planned activities.

In addition to typically practical purposes, the development strategy plays important informational functions. First of all, one should see in it as an expression of the desire to reduce the complexity and uncertainty of the environment. Thanks to an accurate diagnosis, the strategy makes it easier to understand the nature of socio-economic processes, points to the barriers and development opportunities, and becomes a source of information for economic actors, by setting objectives and implementation tools. This way, one can achieve consistency between the actions of various actors – both public and private – and mobilize them to take the desired action (Kozak, 2012).

Development objectives have to be met in everyday business practice. Therefore, the primary mechanism of pursuing them will be to influence the decisions of economic actors, by increasing their potential, or supporting proper patterns of behaviour. Therefore, a special function of development strategy is to create a framework for business activity, that is, institutions. Market activities are always embedded in wider institutional order, which should be the focus of those in power (Hodgson, 1998; Polanyi, 1957).

This results in two general requirements for the authors of the development strategy. Firstly, it must be effective in improving the material well-being of societies, which underlies the positive freedom of individuals. Secondly, it must comply with ethical standards, that is, meet the requirement of fairness, in particular accordingly to the understanding of community, which is to be covered by the strategy. Whether the two presented conditions of a good strategy are complementary to each other or may be in conflict will be considered later in the text.

## 2. Informal restrictions

In accordance with the approach of modern institutionalism, the starting point for the analyses conducted is to adopt the vision of limited rationality of an individual (Chmielowski, 2011). One of its hallmarks are the processes of acculturation, thanks to which people internalize certain common behaviour patterns within the environment (Goldschmidt, 2006) in order to use them later when making decisions. Among the internalized elements one can distinguish: customs, norms and rules. Although between these three categories there are significant differences (Ostrom, 1998), for the purposes of this article they will be understood in a way North (2006) understood them, that is, as informal constraints.<sup>4</sup> Their common distinguishing feature is that they are “produced, communicated and enforced outside of the officially sanctioned channels” (Helmke & Levitsky, 2004, p. 725). On the other hand, formal institutions are those that “are produced, communicated and enforced through the channels generally accepted as official,” i.e. primarily by state authorities (Helmke & Levitsky, 2004, p. 725).

What is significant from the point of view of the analysis are the following distinguishing features of informal constraints (also referred to as restrictions):

- they constitute a restriction for decision-making, as they indicate which actions are permitted, advisable or prohibited, and certain choices involve sanctions;
- the enforcement mechanism of sanctions can rely on social control or internal control, based on conscience (Voigt, 2013);
- because they are anchored in the culture and history of societies, they are based on ideologies, mental models, and are also very durable and less susceptible to changes (North, 2006);
- they do not necessarily lead to economically efficient results, because they can in fact pursue other social functions: guarantee stability, maintenance of power or preservation of tradition;
- they often take the form of tacit knowledge. Because they are treated by individuals as natural, their exact content may often be difficult to observe and communicate (Coyoumdjian, 2012).

Informal constraints influence the actions of individuals and, more broadly, social and economic life in different ways. They affect both the preferences of individuals as well as the situation of choice, shaping possible alternatives, the sequence of actions or information resources. Firstly, through mechanisms of rewards and punishments they create incentives to take specific actions. Secondly, the role of restric-

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<sup>4</sup> The text interchangeably uses terms “informal limitations”, “informal institutions” and “informal regulations.”

tions is to reduce uncertainty by increasing the mutual predictability of actions. If in a given community there are strong rules of action that are effectively enforced, it increases confidence regarding the specific behaviour of partners in the interaction. This makes it easier to formulate expectations, and build long-term plans. Thirdly, due to its durability, they help workers and entrepreneurs form specific ways of solving economic problems, i.e. routines. Routinization of economic activity in turn allows for significant savings of resources and better evolutionary adaptation to the environment (Nelson & Sampat, 2001).

Because usually informal rules coexist with formal ones, the analysis focused on the nature of the relationship between these two types of restrictions.

When constructing new or trying to change the existing formal institutions, one should keep in mind that their impact on individuals does not completely exclude the impact of informal limitations. If we accept the model of a socialized individual with limited rationality, there appears uncertainty regarding the results of actions of the designed rules. One reason for this uncertainty is acculturation of the norms and conventions of conduct (Voigt, 2013). According to Helmke and Levitsky (2004), there may be four basic types of interactions between formal and informal restrictions: complementarity, substitution, accommodation and competition (Table 1).

Table 1 *Typology of informal rules*

	Effective formal rules	Ineffective formal rules
Compatibility	Complementary	Substitutional
Incompatibility	Accommodative	Competitive

Source: Helmke & Levitsky, 2004, p. 728.

The first two types of dependencies occur when formal regulations introduced are consistent with existing in the community informal rules. Then the rules of both types reinforce each other, which increases the likelihood of achieving the results intended by the legislator and is beneficial from the point of view of social stability. If formal institutions for various reasons fail, they will be replaced by the activity of informal norms and rules (Voigt, 2013).

One can also treat formal institutions as a complement to previous limitations of an informal nature. North (2006) draws attention to it indicating that it is a natural mechanism of institutionalization in conditions of increasing complexity of social reality. Together with the increasing scale of economic relations and escalation of the anonymity of transactions, informal institutions are no longer enough and require top-down official reinforcement. Then, the proposed institutions will somehow grow out of the existing social conventions. This situation is very advan-

tageous because it can reduce the uncertainty and the development of generalized trust in the macro-scale.

What is more complicated is the case of discrepancies between the content of formal and informal restrictions. To illustrate this situation, one can use the reasoning presented by North (2006, pp. 36–45). Assume that in the conditions of the institutional balance and the match between institutions a formal institutional change was introduced. It will precipitate the whole system out of balance and will create tension, because social conventions suited to old institutions *de jure* will not match the new ones. The results *de facto* observed at the level of society are likely to be for some time different from the expectations of those in power, because some people will adhere to strongly internalized norms and rules. North (2006) predicts that, over time there will occur adaptation of informal restrictions to formal requirements of institutional order, but it seems that this scenario is overly optimistic. It assumes the effectiveness and efficiency of new institutions and the government in enforcing them. What is better suited to reality is the distinction made by Helmke and Levitsky (2004) of two scenarios: adaptation and competition. In the first of them, with a gradual, non-radical reform, due to the plasticity of culture, it is possible to adapt informal restrictions to new formal requirements. Such adjustment, however, will require the passage of time. From the point of view of authorities, the most adverse scenario is clearly a conflict between formal and informal rules. The risk of its occurrence increases especially in the case of radical reforms. The society may not agree on a new institutional order and continue to act in accordance with the informal regulations. This means the failure of reforms and high uncertainty about the final social results (Spranz, Lenger, & Goldschmidt, 2012).

The risk associated with the conflictual scenario becomes visible when one pays attention to the informational role of institutions. In the case of the two conflicting systems of conduct uncertainty among economic actors increases significantly. There is then no certainty as to how the other party of the transaction or a joint action will behave – and whether they will act according to the rule of law or social norms. What is more, it decreases the ability to sanction rules, both from the state and society, and the resulting institutional dualism is a significant barrier to development. Thus, the introduction of the institution, which often aims to reduce complexity and lower transaction costs, may lead to an exactly opposite effect and paralyze economic activity (Grzymala-Busse, 2010).

Finally, the dominance of formal rules in the institutional environment may have an adverse effect on social capital. The mere fact of external coercion appears to negatively influence trust and cooperation. There is a phenomenon of “moral hazard”: if public institutions care about reciprocity and trust, then we, as private citizens, no longer have to worry about it. Meanwhile, standards and rules developed in the activity of the community are its social capital and strengthen confidence and ability to work (Ostrom, 1998).

One should also pay attention to the ethical aspect of institutional change, highlighted earlier as a prerequisite of development. It seems that radical reforms that are in opposition to informal rules can have, together with the inefficiency described above, dubious ethical quality. Of course, there are cases in which informal rules do not meet the ethical standards. However, the mere introduction of solutions to conflict in relation to the existing social order should each time be subject to scrutiny.

### 3. Critical analysis of development policy

As shown by Easterly (2008), the theory of social sciences has nearly always included two opposing approaches regarding the origin of institutions, or more broadly – sources of social order. According to the supporters of the “top-down” vision, social order is imposed from above by the government, and it is based on statutory law. In this approach, in its extreme representation, those in power and experts are virtually unrestricted in the construction of institutions and may propose solutions deemed optimal on the basis of their theory.

Conversely, representatives of the “bottom-up” approach perceive the source of rules governing society in everyday interactions at the local level – out of them there emerge orders at higher levels. Because they are anchored in local structures they cannot be altered in any way, but only carefully and gradually. A similar distinction is found in the North’s thoughts (2006) – a radical and incremental institutional change. Description of the properties of these two approaches, in its ideal-type forms, are shown in Table 2.

Table 2 *Two visions of the origin of social order*

	<b>Top-down</b>	<b>Bottom-up</b>
Determination of order	Emergence from interactions, culture	Statutory law
Government action, possibility of institutional change	Limited, evolutionary	Freedom, radicalism
Role of experts, economists	Advising incremental changes (2 <sup>nd</sup> -best)	Construction of optimal institutions (1 <sup>st</sup> -best)
Basis of search	Respect for existing solutions	Pure reason
Balance	Many	One

Source: based on Easterly, 2008.

Many contemporary authors of economic development indicate the dominance of the top-down approach in thought and in the economic policy practice of the twentieth century, seeing in this fact the source of many failures of the development policy (Ostrom, 1998; Rodrik, 2003; Easterly, 2008). In postwar decades, with the collapse of colonialism, a fight against poverty and the improvement of the economic situation of underdeveloped countries became one of major global challenges. Through the activities of international organizations and the direct influence of Western governments, economic policy in many countries in Africa and Latin America was conducted according to the standards imposed from the outside. Rodrik (2003) describes the attempts to transplant ready-made recipes from Europe or the United States – first in the paradigm of development based on import substitution, and since the 80s by the so-called Washington Consensus. Development strategies proposed to poor countries were, therefore, first, imposed from above, and, second, came from another historical-cultural order.

The vision of the order imposed from above has its roots in the utilitarianism of Bentham. Bentham believed that societies are substantially similar to each other in terms of needs and, therefore, institutions – the mechanisms of rewards and punishments – can be fairly easily transplanted between countries. Such “transplants” will require some adjustments, but according to Bentham they will not be a problem for the government, thanks to easy access to the information needed about the local community and its preferences (Couyoumdjian, 2012). However, this attitude turns out to be too optimistic for several reasons. Excessive universalism of institutional recommendations and top-down nature of the rules lead to conflicts with informal rules, according to the theory presented earlier. North (1994, p. 366) wrote that “economies that adopt the formal rules of another economy will have very different performance characteristics than the first economy, because of different informal norms and enforcement.”

Easterly (2008) draws attention to the fact that the formal institutional order of rich countries, which enabled them to develop in recent centuries, has its origins in earlier informal institutions, and is their natural continuation. Easy transfer of ready institutions to poor countries is burdened with a very high risk because they do not have centuries of evolution of informal rules and norms behind them.

It turns out that the Bentham’s approach to the possibility of knowing local preferences is unjustified. The tacit nature of knowledge results in the fact that its communication, accurate understanding and modifying is very difficult for external actors (Couyoumdjian, 2012). If the authors of public policies fail to reach local structures of knowledge and information, any attempt to regulate will be burdened with the aforementioned risk of increasing complexity. The example of such an event could be the transformation of the CIS countries, where the elements of free market capitalism were quickly introduced into the post-Soviet socio-economic reality (Chavance, 2008). The weakness of both institutional arrangements, formal

and informal, as well as the competition between them made it impossible to create reliable economic expectations and paralysed economic activity.

Aldashev, Chaara, Platteau, and Wahhaj (2010, p. 29) mention other factors that reduce the efficiency of the top-down approach to programming development: ignorance of society about the law, the lack of confidence on the part of citizens regarding formal rules and state institutions, and the risk of manipulation of the rules and regulations by the political elite to seize economic rents. Ostrom (1998), in her observations on the development programs carried out by international organizations in developing countries, goes a step further and states that they may even be counter-productive, causing perverse effects. The introduction of strong formal rules displaces trust between citizens and strikes at the foundations of social capital. Treating people as passive recipients of policies repeatedly led to negative results, whereas the public institutions created to strengthen the existing private rules led to their disintegration (Ostrom, 1998).

According to some authors, the source of failure lies in the incorrect identification of good institutions with the institutions of Western countries, or even more narrowly – Anglo-Saxon ones. Relying the development strategy of the country on Western institutional patterns, including strong protection of private property and increasing the scope of economic freedom, often led to fatal results. Dogmatic free-market approach disregarded ownership and management rules existing in the recipient societies (Rodrik, 2003; Chang, 2011).

## Conclusions regarding constructing the development strategy

Since the top-down construction of development-oriented institutions is at a high risk of failure, then how should authors of public policies proceed with them? Rodrik (2003) indicates pragmatism in the first place. The recommendations resulting from the theory of economics, even in its neoclassical edition, are fairly general and do not indicate precise institutional forms. The basic requirement for starting and maintaining dynamic development is to ensure that economic actors ensure the returns of the labour or capital resources involved.<sup>5</sup> In order for the economic activity to occur, an employee must be sure to receive remuneration for the work performed, and the entrepreneur must be able to keep profits from the company he directs. The ability to create reliable expectations requires clear – formal and informal – rules enforced in practice.

Whether this will be done within the framework of private, community or state property, and the extent to which the activities will be regulated by the state is a sec-

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<sup>5</sup> Thirlwall (2006, pp. 74–75) mentions two subsequent, also very general, properties of good institutional order – the quality of governance and limitations imposed on politicians.



ondary issue. Observing the institutional order of the richest countries in the world today, one can see a high diversity of institutions, which reflects cultural differences between societies. Only in Europe, one can identify diverse socio-economic models, and even greater differences occur when the comparison also includes countries of Southeast Asia. Thus, one comes to the conclusion that universalism is not the right approach in the construction of development, and introduction of Anglo-Saxon models of management is not its *sine qua non* condition.

Institutions should be specific, tailored to the local context, which includes, among others, market structures, structures of power and political constraints, local administration and informal restrictions. Quoting Rodrik (2003, p. 10): “The pre-existing institutional landscape will typically offer both constraints and opportunities, requiring creative shortcuts or bold experiments. From this perspective, the ‘art’ of reform consists of selecting appropriately from a potentially infinite menu of institutional designs.”

Effective reform will require a thorough diagnosis of local constraints and opportunities, and the possibility of building on local knowledge. Bearing in mind the possible negative consequences of the conflict with informal rules, the authors of public policies should in the first place as far as possible meet the social context and cultural background (Spranz, Lenger, & Goldschmidt, 2012). The process of institutional change should involve the representatives of the community, and the implementation of rules should be preceded by deliberation and appropriate informing of citizens. If economic subjects understand formal rules and trust in their actions, this will translate into beneficial realization of informal constraints, to the benefit of economic activity (Aldashev et al., 2010). Because these are usually informal rules that are the primary source of trust, formal institutions should be the support for their implementation. They can do this, for example by providing: information on the specific economic problem and the sides of the interaction; tools for monitoring implementation of the provisions and efficient judicial system to settle disputes and execute sanctions imposed on participants (Ostrom, 1998; Boettke & Fink, 2011). As Aligica and Boettke (2011) write, systems of formal and informal rules, instead of imposing one specific procedure should transmit knowledge and thus enable social learning, through lessons learned from successes and failures.

Zweynert (2006) notes that often informal existing rules are identified as barriers to development. Then the intermediate goal of the development strategy will be to change informal rules. In this case, the authors of the development strategy may face a significant dilemma – respect for informal rules or own recommendations to promote development. To some extent, this is also a dilemma between efficiency and ethics of solutions. The trade-off between these two options, however, is limited – the effectiveness of the strategy is to some extent dependent on the adaptation to the local context. Since the change of informal rules may take a very long time, one should ensure that in the meantime discrepancies between informal constraints and official institutions are not too large because it can lead to undesir-

able results, as described earlier. These are the arguments for a gradual institutional change, based on the existing social structures.

The observations lead us to the basic conclusion – informal limitations must be taken into account during the construction of development strategy if the ethics and high efficiency of actions is to be achieved. Summarising the analysis conducted, one should mention once more recommendations on how this can be done:

- respect for local, informal constraints; where possible, basing on them the formal institutions,
- making incremental rather than radical changes,
- pragmatism instead of universal recommendations,
- the role of information and deliberation during the construction and implementation of strategies.

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# Rational informative assertiveness in management communication

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## Abstract

The article concerns informative assertiveness and the difference between its rational and irrational kinds. The study presents the examples of this distinction in the analysis of the expert and advisory roles, sales, negotiations and organizing in typical situations of management. Based on these examples, the text specifies the conception of rational and irrational informative assertiveness and their roles in management. The objectives were realized using the phenomenological analysis and the case study. The study formulates hypotheses and shows the perspective of further research on the impact of rational and irrational informative assertiveness on management processes.

**Paper type:** conceptual article

**Keywords:** assertiveness, communication, conflict, management competencies, negotiations, rational expression, risk management

## Introduction

“Assertiveness” stems from adjective “assertive” (“expressing one’s opinion in a strong and confident manner”), noun “assertion” (“the act of making a strong statement or claim”) and verb “assert” (“1. to state firmly 2. This insist on it... defend one’s rights, opinions etc.”) (Higgleton, Sargeant, & Seaton, 1992, p. 46). In a general sense, assertiveness is self-confidence and confidence of what one says, decides or does (in various aspects and fields). Sometimes it is associated with the ability

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to express and pursue one's own needs and decisions, a sense of self-competence, value, social status, self-respect, naming and expressing one's own feelings, acceptance of criticism and praise, and with a mental attitude and a group of habits that affect the way of making decisions and actions in such a way that they are becoming more in line with what the entity intends and accepts (Lloyd, 2002; Paris & Casey, 1979; Pfeiffer & Pfeiffer, 2003, 2010; Phillips, 2002; Rakos, 1991; Robinson, 1982; Stoudenmire, 1978; Walmsley, 1991).

Nowadays, the term "assertiveness" has become a fashionable keyword in popular and scientific literature and it sometimes has been affected by the tendency of glorifying such words by narrowing the scope of "assertiveness" to mean only advantages, positive features determining personal patterns (e.g. Stoudenmire, 1978) as opposed to aggression, hatred, contempt, stupidity, etc. (e.g. Alberti & Emmons, 2001; Walmsley, 1991). This narrowing of the scope is acceptable in definitions regulating or designing – narrowing the meaning of words or conferring new meaning to words. It should be noted, however, that it is not consistent with the meaning of "assertiveness" in ordinary and scientific language, according to which, for example, one can be thoughtlessly assertive, assertively express hatred, contempt for people (Lloyd, 2002); assertiveness is a characteristic of actions and attitudes that may be rational or irrational (Paris & Casey, 1979; Robinson, 1982).

The purpose of the study is not to present a review of theories and concepts of assertiveness. The text constitutes an objective analysis. This applies to the relatively poorly scientifically examined kind of assertiveness – assertiveness in the transmission of information (hereinafter referred simply to as "informative assertiveness") and the difference between its rational and irrational kind. The objectives are realized using the phenomenological analysis and the case study.

## 1. Rational assertion and assertiveness in the methodological sense

"Rationality" in the study indicates the feature of actions, i.e. it does not refer to for example rationality of knowledge, science, emotions or organizations. It is understood in the methodological sense (Bunge, 1987, p. 5; Kotarbiński, 1973, p. 123), i.e. it does not refer to factual (economic) rationality of actions (Hey, 1993; Kotarbiński, 1973, p. 123). Since the phenomenon of methodological rationality builds on rational assertion, it we first specify its nature.

Term "assertiveness" has a Latin etymology. Latin *asserto* and *assertio* mean assertion – a confident and forceful statement of fact or belief, that something is such and such, for example – recognizing a sentence as true or making a judgement with the conviction of its truthfulness. In antiquity, it indicated the recognition of a slave to become a free person (Kumaniecki, 1974, p. 53). In contemporary lan-

guages assertion can denote speech acts “in which something is claimed to hold” (Pagin, 2014) or a mental act of certainty about the truth of (conviction of truthfulness, subjective certainty of truthfulness) beliefs and statements expressing them. Assertion can be understood in methodological (as assigning them truthfulness or probability because of their justification), emotional (feelings about their truthfulness or likeability) or behavioural (willingness to act in accordance with them) meanings. Further parts of the study refer to assertion in the methodological sense (Bocheński, 1993; Bortolotti, 2010; Bunge, 1987).

Assertion is gradated due to its certainty – it can be stronger or weaker. The strength of methodologically rational assertion of statements is proportional to its justification. Rational certainty of information (rationality of assertions in the methodological sense) lies in the symmetry (compatibility) between justification and certainty of beliefs: the better a given claim is justified, the greater the (subjective) certainty of its truthfulness or probability. The proportion does not take place in the irrational assertion (Bortolotti, 2010; Jacko, 2013; Kotarbiński, 1973, p. 123; Pagin, 2014). For example, assertion accompanying hypotheses is methodologically rational if the entity is aware of the their justification (e.g. that they are probable but have not been proven) and sure of them insofar as they have been justified. It is not rational if the entity is certain about them (when they have not been sufficiently proven) (Lakatos, 1980; Matheson, 2011; Popper, 1996, 2002).

Rational assertiveness (in the methodological sense) is the perpetual inclination (attitude) to rational assertion, and irrational assertiveness (in the methodological sense) – to irrational assertion. Rationally assertive persons (manifesting a tendency to rational assertion) are certain of their beliefs insofar as they are properly justified. Rational entities can maintain the beliefs even under pressure and are ready and willing to change their views when they prove wrong. The lack of rational assertiveness is a lack of willingness to rational assertion. This lack must be distinguished from irrational assertiveness, which is the tendency to irrational assertion. Irrationally assertive agents wishfully evaluate their beliefs. They can maintain beliefs contrary to their knowledge, deny direct experience, violate the laws of logic, if their knowledge, direct experience, the laws do not lead to where the methodologically irrational agents wish (Bortolotti, 2010).

## 2. Informative assertiveness

In the informative aspect, assertion is a quality of speech acts. It is about expressing certainty either verbally (e.g. using quantifiers such as “I’m sure,” “I’m not sure,” “certainly,” “perhaps,” “probably,” etc.) or non-verbally (e.g. when you confirm your own or someone else’s words, nodding, expressing certainty or its lack with intonation, mimicry or gesture). Rational informative assertion of the speech acts consists

in expressing rational certainty of information. Irrational informative assertion of speech acts expresses irrational certainty (Pagin, 2014).

Informative assertion plays an informational function – it informs about the likelihood. Irrational informative assertion is a kind of misinformation. For it expresses a certainty, which is not methodologically rational. Therefore, these two kinds of assertion can play different roles in interpersonal communication. Rational informative assertion supports communication and understanding. Irrational informative assertion corrupts communication and involves a risk of misunderstanding. It can be instrumentally and objectively rational only when it is an effective tool for manipulation.

Rational informative assertiveness is a tendency to rational informative assertion of the speech acts. A person rationally assertive in the informative aspect has the ability and inclination to accurately express their methodologically rational certainty. It can manifest itself, for example, in indicating probability of information. Irrational informative assertiveness is a tendency to express informative irrational assertion of speech acts, for example, exaggerated expression of confidence (inconsistent with rational certainty) or the expression of uncertainty of beliefs in the light of their valid proof.

In the following sections one will analyse examples presenting the role of rational and irrational informative assertiveness in some typical situations of management and one will argue that rational informative assertiveness is a managerial competence. One will formulate and partially justify the following hypotheses:

- In some situations rational informative assertiveness is a necessary condition of efficient performance of managerial roles. For both leaders and ordinary employees need the ability to accurately determine the degree of certainty of their knowledge and to accurately express their certainty.
- In some situations irrational informative assertiveness cause unnecessary misunderstandings and conflicts, which contradict the objectives of management.

### 3. Rational informative assertiveness of experts and advisers

The task of experts and advisers is to suggest good solutions. Their authority does not have to be affected when they admit that there is something they are not sure about or ask for time to find the answer to the question. The expert does not need to know all the answers. He or she should only know where and how to find them (Sadler, 2001). Nevertheless, advisers and experts may be tempted to hide their doubts under the guise of irrational assertiveness when accompanied by the fear that uncertainty can be read as a lack of competence. The fear is risky and inconsis-



ent with their expert and advising roles in the process of management. For example, we ask an expert or advisor to resolve the problem and get information about one course of action, when in fact, she or he knows several solutions. If the decision-makers have received information that the expert is not certain of a solution and that there are more possible solutions, they could consider other options of action, seek information from other sources etc., which would allow for making a better decision, and – most importantly – they would be better aware of the risks associated with taking this or that decision.

In some cases, information about risk is more important than solutions. Consultants can be employed in organizations not only to identify the best scenario of action, but also in order to determine the risk of solutions at stake. Therefore, rational informative assertion is an important skill of advisers and experts (Frenkel, Hommel, & Rudolf, 2004).

Excessive assertiveness of the adviser can be expected by the customer and justified in part by the function of motivation. This happens, for example, when the customers expect that the adviser will motivate them to make decisions or confirm the intentions pursued. Even in such a situation advisers are responsible for the mistakes of the customer resulting from their overconfidence. Thus, for example, theorists of business “couching” point to the fact that the role of the coach, *inter alia*, is to raise the customer’s concerns and skills to challenge the known and proven solutions so that they can find even better solutions (Garvey, Stokes, & Megginson, 2008; Ives & Cox, 2014).

#### 4. Informative assertiveness of a seller

Even if the behaviour of the seller encourages the purchase, it may in some cases not be in the interest of the institution in charge of sales for the long term. This can happen when it has the hallmarks of an irrational informative assertion, which misleads the buyer. For example, irrational informative assertiveness might be a sales tactic involving understatement – an indicator of the benefits of the product and concealment of its defects, which can confuse the customer and lead to purchase decisions, which would not have been taken if the customer had had adequate knowledge. When the customers become the users of the product, they can discover its flaws. Then they may avoid repeat purchases where they were misled. In this case the above, assertiveness is not to the advantage of the seller and the organization that employs them, because it results in the loss of the company image and outflow of customers. It is effective, but in the short term. In the long term it is risky and, therefore, inefficient.

There are better ways of selling than the above tactic of understatement. Skills of rational informative assertiveness are required to encourage the customer to buy

without using the above tactic than with its use. For example, one can ask the customer about the criteria the product has to meet, and then describe the product accordingly (indicate what advantages and disadvantages it has regarding these criteria), but skilfully – so that the customers well understand how the product can satisfy their needs (Stanwick & Stanwick, 2013, pp. 174–193).

## 5. Informative assertiveness of a negotiator

Irrational informative assertiveness may be an element of bluff and persuasion in negotiations. As such it can contribute to the success of a negotiator. For example, if the negotiator makes the impression that they are impeccable regarding the case they consider negotiable, they can provoke the other side of the negotiations to make concessions. Therefore, what above was called irrational informative assertion is a recognized negotiating tactic. Note, however, that this is a risky tactic and – in some cases – may be inefficient. It is risky especially in the case of long-term cooperation. When the other party realizes that it was misled, then the tactic can spoil the image of the negotiators and the organization represented by them and may lead to rupture of negotiations or hinder the establishment of talks in the future (Carson, 2010; Curry, 2008, pp. 150–173). The tactic may be too inefficient when it hinders the achievement of a satisfactory compromise. It may turn out to be like that, for example, when one of the objectives of the negotiations is to build trust between the parties, or at the final stage of negotiations when the strategy of cooperation is determined, when reliable mutual information plays a very important role for the development of accurate solutions (Bugdol, 2011; Fisher, Ury, & Patton, 1991, pp. 50–55).

In the case of the discussion about the disagreement between the parties to the negotiations, methodologically rational informative assertiveness may facilitate agreement, as it allows dialogue in the context of justification (substantive negotiations). Accurate determination of reasons and arguments of the presented attitude lets the other side understand them well. Expressing confidence in the things that are known to be questionable may cause mistrust, because it is a typical manifestation of dishonesty. When justifying, negotiators can examine and discuss the merits of their positions, and in this area find compromise solutions for both sides. Irrational informative assertiveness can significantly reduce the possibility of negotiations in the context of justifications and thus increases the risk of unnecessary escalation of the conflict between the parties (Ury, 2007, 2011).

## 6. Informative assertiveness in motivating and organizing

The superior's commands can motivate the subordinates by his or her authority within the organization (resulting from the role they play in the organization). Besides this, the superior can motivate them by indicating the reasons of his or her decisions. In this case, the subordinate have a chance to submit to the instruction not only because it is their duty or fear, but also by recognizing the legitimacy of the instruction. Therefore, rational informative assertiveness plays the role of rational motivation, when the supervisor motivates the subordinates by their understanding of the reasons of his or her decision (Frey & Osterloh, 2001).

When issuing commands rational informative assertiveness can support efficiency of their execution when they specify their aim and probability of information. For example, a supervisor may issue a command to a subordinate in this way: "Please buy product X at company Y," or: "I have just received from source Z the information that product X has the best price in company Y, so please go there to buy it, but I'm not entirely sure of this information, so please check it first." The practical difference between the two messages is that the second message carries the information about the real purpose of the transaction. Its aim is to make a purchase at a good price (not make a purchase in company X). Imagine that in the meantime the price of product X has increased significantly in company Y and the employee becomes aware of it before making a purchase. After receiving the first command – they will make a purchase and expose their own organization to unnecessary costs. In the second case, maybe before buying they will consult their supervisor and confirm the instruction. Then the employee and supervisor have a better guarantee of achieving the purpose (purchase at a good price).

Rational informative assertiveness can be a method of taking orders by subordinates, when it carries information about whether the command has been understood and whether they are able to fulfil it well. Exaggerated (irrational) informative assertiveness of an employee, even if it is a way to show respect for a colleague or superior, can be confusing and result in poor execution of the command. It is a fact that fashion for assertiveness sometimes is wrongly associated with overly confident confirmations, for example, in response to questions: "Are you sure?" "Do you understand it?" or "Can you do it?" Succumbing to this fashion of speech the employee does not make proper use of the opportunity to acquire additional instructions that would help them better perform the task or avoid mistakes. If, as a result, the command is not executed or not executed well – it can lead to losses and conflicts within the organization.

## Conclusions

The article specifies the difference between rational and irrational informative assertiveness and their nature. It indicates the role of rational informative assertiveness and the risk posed by irrational informative assertiveness in management. The analyses show some reasons to shape rational informative assertiveness in managers and other members of organisations.

The study opens some perspectives of further empirical and theoretical research. It formulates hypotheses that can be empirically investigated. The hypotheses can be specified in various ways and lead to further investigations. For example, one can experimentally investigate the impact of rational and irrational assertiveness in communication between organisations on the possibility of building stable alliances and cooperation between the organisations in specific areas, the impact of rational and irrational informative assertiveness of the members of an organisation on its functional and existential security. The distinction between rational and irrational informative assertiveness can be useful in the analysis of management processes in contexts and cases other than those indicated in this study. For example, there takes place a wide spread discussion in management ethics on the problem of admissibility of manipulation in management. The paper outlines some mental mechanisms of and risks essentially linked to irrational informative assertiveness. In this way the article shows some pragmatic limits of appropriability of manipulation in management. These are only examples of empirical and theoretical research perspectives indicated by the supplementation of management communication theories with the distinction between rational and irrational assertiveness, which is presented in this paper.

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# Services provided to the society in Poland in the framework of Cause Related Marketing

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## Abstract

Services are provided by different entities for the benefit of society, among which the largest group is constituted by non-governmental organizations. They are funded from different source, inter alia, one possibility is to use the concept of Cause Related Marketing. It assumes a collaborative partnership with the commercial organization whose aim is to engage in solving social problems.

The purpose of this article is to explore the concept of Cause Related Marketing in contexts of social services, based on programs Cause Related Marketing conducted in Poland.

This article uses the method of critical analysis of the literature. Additionally four Cause Related Marketing programs which were carried out in Poland are thoroughly analysed.

The analysis showed, that Cause Related Marketing is a tool through which NGOs can obtain financial resources for the implementation of its statutory objectives. Through the cooperation of enterprises with non-profit organizations it is possible to offer and to provide a variety of services to the public.

**Paper type:** review article

**Keywords:** Cause Related Marketing, non-profit organizations, social services

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## Introduction

Currently in Poland the numbers of people using the services provided by NGOs is increasing. In Poland in 2015 a recorded 17,000 foundations and 85,000 associations have been registered (*Polskie organizacje pozarządowe 2015*, 2015, p. 4). 45% of them are entirely based on social work. Polish non-governmental organizations which deal in:

- sport, tourism and recreation account for (32%), e.g. conducting sports activities, organizing recreational events, babysitting sports facilities;
- education and upbringing account for (15%), e.g. conducting interest groups for children and youth, organizing courses and training for adults, and conducting schools;
- culture accounts for (13%), e.g. organizing picnics, festivals, cultural education, actions supporting regional tradition;
- healthcare accounts for (7%), e.g. health promotion, health education, conducting rehabilitation centre;
- social services and social assistance account for (7%): assistance for people with disabilities, the poor, support for families of addicts;
- local development accounts for (6%), e.g. animating the activities of local communities, neighbourhood activities, rural development (*Polskie organizacje pozarządowe 2015*, 2015, p. 5).

The data presented above indicates that in Poland, the NGOs support sports, tourism, recreation, education and upbringing to a large extent. Non-governmental organizations frequently provide their services for free or for a small fee. The implementation of these services is done using different sources of financing, which may be grants, donations, or membership fees. One possibility is to use the concept of Cause Related Marketing. It assumes a collaborative partnership with the commercial organization whose aim is to solve social problems. The funds allocated for this purpose shall be generated mostly through donations stimulated by the purchase of the product or service.

The purpose of this article is to scrutinize the services provided to society through the use of Cause Related Marketing in Poland. The analysis has shown that Cause Related Marketing is a tool through which NGOs can obtain financial resources for the implementation of its statutory objectives. Through the cooperation of enterprises with non-profit organizations it is possible to offer and to provide a variety of services to the public. The analysis was intended to present the types of services provided to the public within the framework of Cause Related Marketing and to identify their beneficiaries.

This article uses the method of critical analysis of the literature. Additionally an analysis was carried out on Cause Related Marketing programs and services that



are provided to society in Poland in the framework of this partnership. Four completed Cause Related Marketing programs, which were carried out in Poland were thoroughly analysed. Also described their partners, assumptions, duration and services that are provided to the public through the use of this tool.

## 1. Concept of Cause Related Marketing

Cause Related Marketing is a form of cooperation between companies and NGOs, whose aim is to create social good. It involves the creation of partnerships between businesses and non-profit organizations whose aim is to have a positive effect or better yet find a solution to the given social problem. For this purpose actions are being undertaken which rely on the promotion of image, company, products, or services in connection with the idea of society (Iwankiewicz-Rak, 2011, pp. 192–193). Cause Related Marketing is an intermediate form between commercial marketing and social marketing.

The partnership between a product and a cause is referred to as Cause Related Marketing (Varadarajan & Menon, 1988, p. 60). Donating money to a charity based on consumer purchase has become a major corporate philanthropic trend. As consumers, they can make consumption decisions that simultaneously benefit themselves and the society (Kim & Johnson, 2013).

Cause Related Marketing is a hybrid of commercial marketing and social aims. It could not only be regarded as a variety of social marketing, because campaigns in this area are generally conducted by non-profit organizations, however marketing actions are expected to contribute only to solve a particular social problem. In the context of Cause Related Marketing it connects to the social purpose of a business, so a commitment to a business is as important as sales. There is therefore the following relationship: more commercial success is a bigger financial commitment and provides stronger support to the organization, which is the face of the campaign (Maison & Maliszewski, 2008, p. 212).

The most popular form of commercial organizations, which participate in the joint venture are stimulated by a purchasing donation. It is the sale of products, of which part or all of the income will be forwarded to the implementation of the social objective defined by the non-profit organizations. These products are marked with a special logo program, which is promoted in an advertising campaign. The commercial organization is involved not only financially, but also by designing the campaign. Cause Related Marketing's success is dependent on the attractiveness of their products and the publication of its activities. The company implementing this strategy assumes that customers have pro-social attitudes and factor in that purchasing decisions will be opportunities to support the social program (Dejnaka et al., 2013, pp. 35–36).

The aim of Cause Related Marketing is to collect funds for a specific purpose while building a positive social reputation, to increase the value of the company, to gain customer loyalty and sales support. Cause Related Marketing involves the use of budgets, strategies and techniques of marketing to support social objectives with simultaneous attention to support business activities. This strategy uses the cooperation of the three parties: non-profit organizations, businesses and consumers. There are also here two donors (enterprise and consumer). These bring advantages to all parties (Wasilewski, 2007).

Through the use of Cause Related Marketing non-governmental organizations gain financial resources for the implementation of their statutory objectives. Obtaining funds means greater opportunities in the use of marketing communication tools to spread ideas, and consequently provide a larger commitment to the environment and solving of social problems. Long-term cooperation with the company in the context of Cause Related Marketing can provide financial stability for the organization and strengthen its position in the market. The company reinforces its image as a socially responsible entity. The company reduces customer price sensitivity to products covered by the program Cause Related Marketing and an increase in sales of such products and others offered by the company. This generates growth, commitment and customer loyalty, shaping and strengthening relationships with external entities. There is an increase in motivation of employees and their social sensitivity, because they can perceive the “human face” of the company for which they work, so in return they become more involved in fulfilling their duties. Participation in Cause Related Marketing also offers advantages to customers who in making purchases have the ability to help others, and in return receive satisfaction from their altruistic action. The consumer can usually do this without any special effort (Kaniewska-Sęba & Stefańska, 2015, pp. 122,124).

For the first time the idea of Cause Related Marketing was used in the United States in 1983, when American Express agreed to donate one cent from every purchase made with its card to the fund for the restoration of the Statue of Liberty. Purchasing a product with a cause provides consumers with the feeling that they can “make a difference in the world” and “makes philanthropy simple and convenient” (Eikenberry, 2009, pp. 52–53). One year later, before the celebration of the 100<sup>th</sup> anniversary of the monument, a marketing campaign was conducted in a very innovative way. American Express issued a credit card, and the proceeds from this issue and the activities undertaken allowed for the renovation of the monument. As a result of the campaign, they generated \$ 1.7 million and the use of cards increased by 27%. In 2004 the company changed its strategy and committed to paying 1 cent from each purchase made by using the card. This campaign was also a success (Iwankiewicz-Rak, 2011, pp. 192–193).

The idea of Cause Related Marketing has many supporters, but also entails risks. The first relates to the ethics conducted cooperation. It is often seen as more beneficial to the company than a non-governmental organization that may derive

greater benefit from such cooperation. Lack of suitable control tools in this regard (Gołaszewska-Kaczan, 2013, p. 180).

In Poland, the company take the cooperation in Cause Related Marketing essentially for economic reasons, while in Western Europe such activities are carried out for ideas and support social objectives. Therefore, it is often accused of businesses that are not really interested in social issues that are secondary to them, and are only trying to maximize profit. NGOs are often accused of selling his image in exchange for subsidies and support. It is important to choose the appropriate partners to the program. Enterprises should convince the consumer to a serious interest in the case, therefore, supported a social purpose should be compatible with their mission (Witek, 2015, pp. 1636–1637) and actions taken in the strategy of Corporate Social Responsibility. The success of this program relies heavily on the image of the company, it is also important as is perceived partner NGO. Action, in which activated a little-known or perceived negatively the company may fail. It is important to choose the right partner in terms of area activities, interests and branch (Gołaszewska-Kaczan, 2013, p. 181). Equally important is the choice of the product from which part of the proceeds will be allocated to the social objective. Products should not be controversial or detrimental to health. The safest are detergents, cosmetics and food.

## 2. Non-governmental organizations as an implementer of social services

Non-governmental organizations belong to the third sector of the economy. This term refers to the concept of division of socio-economic activity of a democratic state into three sectors. The first sector includes state institutions (state sector), the second sector are the entities which are profit oriented (private sector), but there are organizations that are not for profit (non-profit) and do not form part the state structure, therefore belong to the third sector (Wygnański, 2011).

NGOs are called voluntary organizations that work independently of government and political structures, which are non-profit-making. They lead the efforts in social affairs and public good (Wasilewski, 2007, p. 20). According to Polish law, these entities cannot share their profits between the members and founders of the organization. All profits from the resulting funds or economic activity are spent on the implementation of statutory objectives that are socially useful. As a result, non-profit organizations have certain tax advantages, and do not pay income tax on legal persons.

The operations conducted by non-governmental organizations covers many areas of public life. Especially there, where problems arise, and there are unsatisfied needs in areas which are not an exclusive domain of the state. In implementing

their goals, they use custom methods and forms of work that are virtually limitless and they depend on customer organization and its possibilities. The biggest advantage of these entities is that they can quickly and completely adapt to the needs and expectations of customers.

Establishment and activities of NGOs in Poland is regulated by law, in particular the Act on Public Benefit and Voluntary dated 24 April 2003. Nowadays, the most popular forms of private and non-profit organizations in Poland representing about 70% are citizens' initiatives and foundations whose participation is about 20% (*Polskie organizacje pozarządowe 2015*, 2015, p. 4). Other entities included in the Act and active in the field of public benefit are created by churches and religious associations, social cooperatives, and non-profit companies.

The association is a voluntary, self-governing and permanent association whose purpose is not to gain from the activity, but rather sets goals and strives to achieve them. It has a membership character, because the realization of its objectives should in a meaningful way be dispensed by human activity, rather than direct involvement property. For the establishment of the association a minimum of 15 persons is required, legal persons can be members.

The foundation can be established for achieving the objectives of social and economic aims. A statement of intent is necessary from the founder in order for a particular foundation to be legally set up, this is known as the act of foundation. The essence of the foundation is its equipment in the assets transferred by the founder, and the main task of the foundation is to achieve the objectives specified by the donor. This entity can create both natural persons and legal persons. It can hire employees, conduct business obligations, receive donations and subsidies from the public budget. Foundations can be set up by one person.

Perrow (2000) suggests categorization of non-governmental organizations due to their functions within social and service sectors. He distinguishes the following types:

- good nonprofits – organizations with mutual benefits, which are characterized by providing public services for their members. These services are provided free or partially free. These organizations offer goods for the collective consumption, and build social relationships between the organization, volunteering and society;
- intermediate nonprofits – also called quasi public agencies. These are mainly large enterprising organizations that provide services outside and cooperate with the public, do not require membership, employ full-time employees, they are financed with public and private funds and by corporate foundations. They also take an economic service activities (paid), which is a source of funding for statutory purposes;
- bad non-profits – organizations that provide services, which are similar to business firms, pay taxes, with the surplus of revenue being shared between owners and managers. Examples are foundations whose activities are

financed by the owner, and social enterprises. They pursue the economic objectives of the owners and do not seek to create partnerships with the social environment (Perrow, 2000, pp. 33–34).

NGOs which provide social services are distinguished by the fact, that they apply to solving social problems with new, unconventional methods. They are not appointed from above, because their activities are very diverse and actively go out to beneficiaries. Very often, these entities are the first to discover social problems, as they are the first called upon and first to respond. They carry out their actions locally, so have the flexibility to adapt quickly to the needs of a given problem. Very often they deal with issues that are unpopular and have not been engaged in by public services (Grewiński & Skrzypczak, 2011, pp. 113–122).

### 3. Characteristics of services provided to society through the NGOs

Non-profit organizations provide to the public a lot of services in different spheres of life, using traditional and innovative methods. Service is every activity or benefit that can be provided by someone to someone else. The service is immaterial, there is no impact in the form of ownership of anything (Hollins & Shinkins, 2006, p. 8). Its production may or may not be associated with a physical product. Services are characterized by the following features:

- immateriality – services can not be measured, shown before buying, patented or transported;
- impermanence – the service does not exist outside the process of providing it, and can not create stocks of services, there are difficulties synchronizing supply and demand;
- inseparability in the process of production and consumption – production and consumption of services is carried out in the same place and time, often the manufacturing process involves the client who establishes direct contact with the person providing the service;
- heterogeneity – the quality of service depends on many uncontrollable factors and the quality of personnel, the service standardization process makes it very difficult;
- inability to acquire ownership rights – the service can not be resold, there is no market for services used (Czubała, Jonas, Smoleń, & Wiktor, 2012, p. 18).

Social services, which are provided by NGOs, are different from other forms of services that are non-market. They may also be provided by public institutions. It is a form of social benefit, the aim of which is to directly satisfy human needs. So-

cial services are individualized, tailored to specific audiences, who are individuals or families. The quality and availability of these services has an impact on the functioning of social groups and the wider community. They can be provided free of charge, partially or with a fully remuneration fee. They are oriented to the person who uses them, meet the needs of vulnerable groups, through direct provision of support and assistance. There are also educational activities, which promote socially desirable behaviors, combating discrimination and actions aimed at upgrading living standards and create equal opportunities for everyone (Szarfenberg, n.d., pp. 12–15).

The services provided to society are associated with the third sector of the economy because their performers are non-governmental organizations and service users are their beneficiaries. By using Cause Related Marketing non-governmental organizations, which have concluded a partnership agreement with the company receive funds for the implementation of their statutory objectives. Most often a company declares by transferring all or part of the amount received from the sale of a specific product, which is often marked with the logo of the related marketing program. In using the tools and techniques of marketing such a program, they gain the trust and interest of society, which for the purchase of specific products derive satisfaction from altruistic activities and therefore supports a specific social goal, and the company cooperating with a NGO gaining consumer loyalty, improve its image and notes an increase in sales.

#### 4. Cause Related Marketing programs and services provided by them to society in Poland

Nowadays publicize the social problems is not only the domain of NGOs. It is becoming more and more important area of activity of enterprises, particularly those that operate according to the principles of corporate social responsibility.

In Poland Cause Related Marketing is becoming increasingly popular. Currently, there are several programs conducted under this type of partnership between companies and NGOs. This article presents analysis of the longest lasting and providing large number of social service Cause Related Marketing programs conducted in this country. The intention of this analysis is to depict the types of services and their beneficiaries through the cooperation of NGO and companies within the framework of Cause Related Marketing.

## Give Children Sun

The oldest Cause Related Marketing program conducted in Poland is the *Give Children Sun* carried out by the Foundation Polsat with the company Procter & Gamble. It is the largest marketing initiative common cause implemented in this country. It was launched in 1999 and continues to date. Every year from 1st September to 24<sup>th</sup> December a portion of the profits generated from sales of products of Procter & Gamble marked with the logo of action, which is a yellow sun on a red background are transferred to the Polsat Foundation. Every year a new target is appointed for solving a given problem relating to the health of children. In the 15 years since the initiative was first started about 71 million PLN has been raised.

The collected funds will be transferred to the Polsat Foundation, which aim to achieve service to the charges, which are children with health problems. Money is spent on their treatment, operations, therapy and rehabilitation, purchase of medicines, specialized medical equipment necessary to save life and limb. The *Give children the Sun* has also contributed to the complete equipment of 232 branches and specialized centers for children.

With the implementation of this program it is possible to use specialized diagnostic equipment, medicines and treatment for children living within Polish territory. Also contributed to solving the problems of specific pediatric center (Fundacja Polsat, 2012).

## Share your meal

The program *Share your meal* has been implemented by Danone in 2003 in cooperation with the Polish Humanitarian Organisation. Its primary purpose is to combat child malnutrition in Poland. This program can be implemented thanks to the commitment of Danone customers, who from August to October by buying products bearing the special logo of which a share of the income from its purchase is allocated to solve the problem of malnutrition among children. The funds are channeled through financing and co-organizing activities under the program.

Services provided under this program to the community focus on eliminating the problem of malnutrition among children of school age. Thanks to the funds collected using Cause Related Marketing it has been possible to donate more than 14 million meals to needy children. Under this program, services are provided by non-governmental organizations, community centers, schools from across the country, businesses and private individuals.

The program works in three areas. The first of these is aid involving the transfer of funds and food to fight malnutrition among children. For this it uses the collection of food. The second is the transfer of money on good ideas, which are grants for projects related to connecting feeding children with education in the field of

proper nutrition and ecology. So far 243 projects have been implemented, so that the nutritional assistance received more than 11,000 children. For the last area of assistance, Academy of *Share your meal*, it helps to establish local partnerships between business, local government, schools, media and civil society organizations in the fight against malnutrition (Danone, 2015).

## On the side of nature

The program *On the side of nature* is being implemented since 2009 in cooperation with the State Forests, the Our Earth Foundation and the business organization Żywiec Zdrój. Its aim is to develop environmentally friendly attitudes and education regarding the impact of trees on the environment in which we live. The program includes a yearly campaign of planting one million trees in the Beskid Żywiecki and a national grant competition aimed at educational institutions throughout the country, in which they transfer funds to carry out local environmental initiatives that promote knowledge about trees and their protection and respect for water.

During the 6<sup>th</sup> edition of the program 5 million trees were planted in Beskid Żywiecki, covering an area of over 715 hectares. In the annual Big Feast Planting Trees involved 16,000 participants, 100 completed environmental projects in which involved 380 organizations and institutions and refurbished 500 km of mountain denigrated.

The program *On the side of nature* uses Cause Related Marketing to raise funds to achieve these goals. The company Żywiec Zdrój SA forwards part of the revenue from the sale of their products to protect the environment and planting trees. This program implements social services mainly in terms of environmental education for children and youth learning. Carried out environmental workshops, on the website of the program present interesting information, tips, and quizzes related to the topic of the environment. Their aim is to draw attention to the problem of environmental protection and need for a common education and knowledge from an early age about the condition (Żywiec Zdrój, 2015).

## Lipton plays with the Orchestra

Cause Related Marketing program *Lipton plays with the Orchestra* has been carried out since 2013 with the cooperation of Lipton which belongs to the Unilever Group and the Great Orchestra of Christmas Charity (GOCC), which is a very famous Polish foundation, which has been operating for 23 years. The action is undertaken from November 15<sup>th</sup> to the grand final of the Great Orchestra of Christmas Charity, which takes place in early January and is connected to a nationwide



fundraising action for the treatment of children and seniors. At this time, part of the proceeds from the sale of specially designed packages of Lipton, with a distinctive logo GOCC supply the account of the foundation. These activities are supported by an advertising campaign which informs the public about the action. The collected funds are earmarked for implementing the goals of the annual final of GOCC, which are, for example, the purchase of special equipment for pediatric emergency medicine and decent medical care for the elderly (WOSP, 2013).

Each finale of the Great Orchestra of Christmas Charity is a huge venture, the foundation tries to raise funds in various ways, including the use of Cause Related Marketing. Cooperation with the company Unilever has proved a good idea. However, it is not known what amount is contributed to the account of the foundation of this cooperation, because there is no information regarding this on the website of the foundation. The foundation during the annual collection brings together over 50 million PLN, with these funds equipment is purchased which saves the lives and health of children and the elderly (WOSP, 2015).

The Foundation, Great Orchestra of Christmas Charity provides a lot of services to the public. These include the education of children in first aid in primary schools, the purchase of medicines and special medical equipment for children in need and the elderly, purchase of modern medical equipment for hospitals in Poland, functioning six national medical programs and Volunteer Centres, which carry out first aid training (*O Fundacji Wielka Orkiestra Świątecznej Pomocy – Fundacji Pożytku Publicznego*, n.d.).

## Conclusions

The provision of social services by NGOs places them as market entities acting in the general interest, for improving the welfare of individuals. They also contribute to social cohesion, community building and a civil society. These tasks impose an obligation to carry out activities and services according to the needs and expectations of society. NGOs undertake initiative standardization and certification of services to increase the correctness of fulfilling tasks and increase their potential and market power in the conduct of activities and gaining public support.

Cause Related Marketing is a tool with which NGOs can gain the financial resources to carry out their statutory objectives. With the use of non-cooperation with commercial entities, it is possible to offer and provide a variety of services to the public. The most common services funded using Cause Related Marketing in Poland relate to aiding sick children and the elderly, feeding needy children, care for the environment by planting new trees and educational activities.

An important element of Cause Related Marketing programs is also educational activities and grant programs which, through funding allows for the activation

of local communities in order to solve a particular social problem. Subsequent editions and successes that reach users of Cause Related Marketing have further convinced of the rightness of cooperation between NGOs and businesses and transfer by donations stimulated by purchasing funds for the implementation of specific social goals. It should pay special attention to the risks and limitations associated with the use of Cause Related Marketing. Imperfectly designed and carried out in cooperation can be a source of problems for the company and the NGO. Therefore, the most important is the selection of a reliable partner and an appropriate choice of the social goal, it is also important that the campaign concerned the one area that is compatible with its activity of the company.

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# On some aspects of contagion effect in organization – models and diagnostic tools

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## Abstract

One of the aspects of the volatile, uncertain, complex and ambiguous environment is the contagion effect that impacts the organization. In order to understand what the contagion does and what contagion effect means for organization, the author conducted an in-depth literature review, and defined these ambiguous concepts emerging in various research fields. The paper also discusses models of mechanisms that facilitate the spread of contagion including the 4C model, contagion model of sales peak. What is more, the author proposed the diagnostic tool to map a contagion effect induced by external factors. The theoretical consideration on the contagion and contagion effect is supported by examples coming from the business practice.

**Paper type:** conceptual article

**Keywords:** complexity, contagion effect, crisis, organization, positive influence, risk

## Introduction

Contagion and contagion effect are phenomenon that emerge in various research fields, contexts, and involves different entities. Fragmentation of knowledge on contagion and contagion effect results from the unstructured problems that are hard in covering and resolving. Initially, the concept of contagion was probably used in immunology, and then was adapted into various fields of research including psychology, marketing or finance.

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The primary goals of the article are to synthesize knowledge on contagion and contagion effect and present the models of contagion in organization. The author will also suggest a diagnostic tool for mapping contagion effect in the organization.

The research problem raised in the paper is of descriptive, explaining, defining, and diagnostic character. In terms of thinking, the author applies synthesis, combining elements of induction and deduction, analysis. Although, the paper sourced from the literature review it is supported by examples coming from the business practice.

## 1. Contagion – definition and types

The review of literature allows to distinguish two basic approaches to the understanding of the term “contagion.” They involve the spread of financial crises and imitation of behaviour. The latter includes the emotional contagion, defined as “tendency to automatically mimic and synchronize facial expressions, vocalizations, postures and movements with those of another person and, consequently, to converge emotionally” (Hatfield, Cacioppo, & Rapson, 1994, p. 5). As part of the interpretative framework of such phenomena, viral marketing (Trusov, Bucklin, & Pauwels, 2009), purchasing decisions (Argo, Dahl, & Morales, 2008) or behaviour within the supply chain (McFarland, Bloodgood, & Payan, 2008) are the concepts of contagion used in the context of imitating behaviour. The approach to financial markets focuses on the spreading of crises, negative shocks or disturbances (Edwards, 2000; Kaminsky, Reinhart, & Végh, 2003; Goldstein, 1998; Rose & Spiegel, 2009; Forbes, 2012, Pericoli & Sbracia, 2003).

Both cognitive perspectives are sometimes complementary, and e.g. the analyses describing the spread of financial crises take into consideration the imitation of behaviour typical of the “herd behaviour.” An essential strand of analyses undertaken within the framework of contagion is that it intensifies the existing interdependence (Kaminsky et al., 2003; Markwat, Kole, & van Dijk, 2009). It is assumed that contagion is subject to escalation, which is why local disturbances may transform into regional or even global crises (Markwat et al., 2009). Contagion is also defined as the co-movement in excess of that implied by the factor model, i.e. above and beyond what can be explained by fundamentals taking into account their natural evolution over time (Bekaert, Ehrmann, Fratzscher, & Mehl, 2011).

The phenomenon of contagion is also characterized by the fact that the classical mechanism of spreading crises involves investors in a number of countries owning the same assets or applying the same cognitive mechanisms. The latter results in, for example, the panic effect and herd behaviour, which, in turn, facilitate the spread of contagion (Roubini & Mihm, 2011).

In this paper, the author defines contagion as a phenomenon of rapid, immediate, high frequently, self-replicating influence on the affected entities.

Immediacy consists in the fact that as soon as the mechanism of influence starts to operate, contagion occurs. Rapidity is tantamount to the intensity of the phenomenon. Its scope may include such attributes of contagion as its high frequency, which refers to the escalation of connections as result of contagion, as well as its capacity to multiply by replication in numerous situations.

In the light of the above considerations, contagion can be defined as the process of accelerated spread of repeatedly replicating information, which is possible owing to its capacity to impose the mechanism of action on the affected entity (e.g. a company). With respect to the way contagion occurs, two kinds of the process can be isolated:

- direct exposure contagion – occurs when one entity influences another, e.g. liquidity problems affecting a company may cause similar problems in other companies;
- emerging contagion – when entities affected by contagion appear independently of one another owing to their exposure to the same kind of assets, e.g. bonds of Eurozone states at risk of bankruptcy (Greece, Spain, Portugal), but such assets may also include currencies and derivative instruments.

When it comes to the presence or absence of intention, contagion can be divided into:

- intentional – when it is spread purposefully; it may occur e.g. when an enterprise intentionally abuses the terms and conditions of cooperation;
- non-intentional – when contagion occurs as a result of lack of awareness, e.g. when a participant in the value chain initiates certain attitudes which are then inadvertently adopted by other participants.

As regards to the distribution of its sources, contagion can be characterised as:

- single-epicentre (e.g. the US in August 2007);
- multiple-epicentre (e.g. Greece and Italy in 2011).

With respect to its types, contagion is usually characterised as:

- financial – e.g. the interbank market (Müller, 2006), exposure to foreign assets (Rose & Spiegel, 2009), liquidity problems (Hernández & Valdes, 2001), direct financial connections (Hernández & Valdes, 2001), CDSs (Credit Default Swaps) (Hernández & Valdes, 2001);
- financial-real economy – contagion spreads in the sphere of the real economy through the actions of the financial markets, e.g. abrupt cessation of commercial bank lending due to insufficient liquidity on the interbank market;
- real – contagion within the sphere of the real economy, e.g. exposure of trading connections to *country zero*, that is, the one where the crisis has started, or a sudden decrease in the volume of orders.

However, there are also other kinds of contagion that, from the vantage point of a company, do not necessarily have a negative impact on its operation. Accordingly, the following types of contagion have been identified:

- virtual – those that occur in the virtual space, e.g. a film that shows poor recruitment practices or certain aspects of organisational culture, which, on the other hand, offer an opportunity for buzz marketing based on the unique contents of a film, game, virtual postcards;
- virtual-real – the transmission of phenomena that occur in virtual space into the real world, e.g. contagion in the virtual sphere drives the actual purchasing decisions made by consumers.

The distinctions fundamentally correspond with the channels of contagion. Admittedly, in literature the relationships between the notion of contagion and channels of contagion are ambiguous. According to the principles of causal reasoning, contagion should occur via such channels. However, the literature does not always support this distinction.

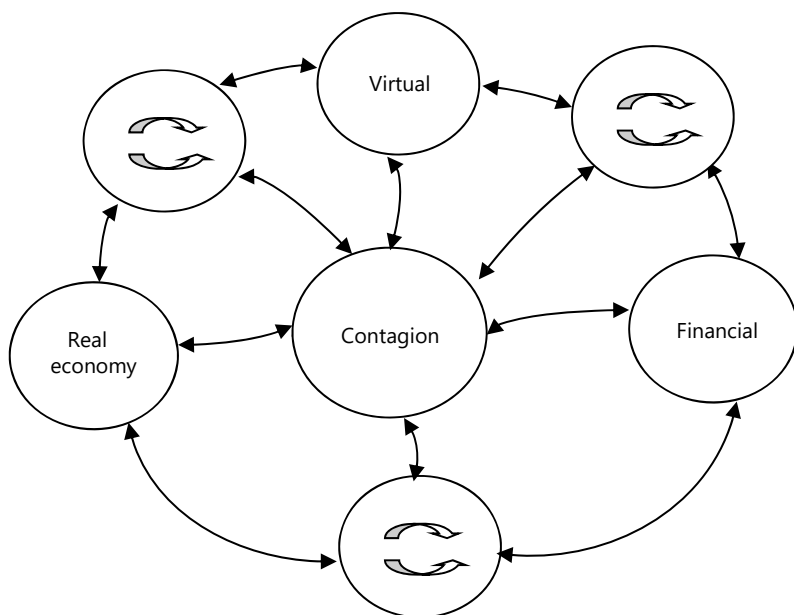


Figure 1. *Types of contagion.*

The considerations reviewed so far warrant the definition of contagion as a spatiotemporally determined set of unidirectional influences that arises when factors causing contagion impose its mechanisms of action on the affected object



(e.g. an organisation such as a business enterprise). In the sphere of corporate activity, one may identify three types of behaviours in the face of the contagion effect. They include situations where the enterprise is subject to contagion, itself causes contagion or when contagion occurs within it. These three situations may occur simultaneously.

## 2. Mechanisms that facilitate the spread of contagion

There are two models of mechanisms that facilitate the spread of contagion. The first one involves the negative aspects of contagion, while the other can be linked both to the negative and positive interpretations of contagion.

In the first case, the spread of contagion is interpreted as a process in which the lack of documented security measures leads to a drop in confidence and escalation of contagion. For example, buyers of CDOs (Collateralised Debt Obligations) assumed the risk of mortgage repayment defaults in the United States. Once the default rates for subprime loans started to increase, CDO owners were infected with problems occurring in the subprime loan market.

The spread of contagion was intensified by repurchase agreements. Mortgage-backed instruments were supposed to act as collateral for the repurchase of agreements made by banks. When its value dropped, repo lenders required that the collateral be topped up long before the loan was due to be repaid. Worse still, other partners required larger collaterals for other transactions, since they were concerned about the solvency of the borrowers. Demands for increased collateral led to a massive sale of assets.

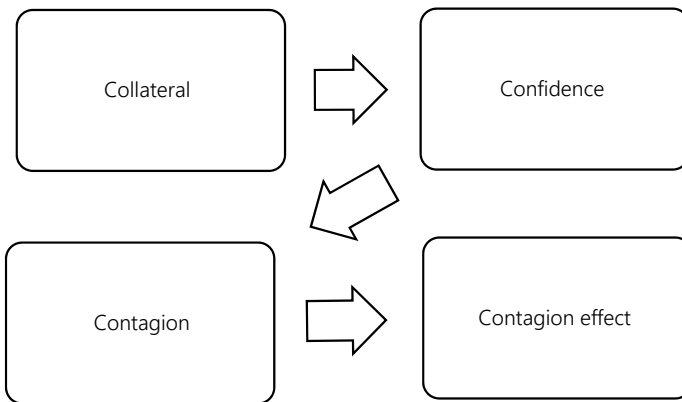


Figure 2. *Model 4C.*

Source: based on Wyciślak, 2013, p. 51.

Naturally, it is possible that the spread of alarming information results in a drop in confidence, and, consequently, in contagion. All business contracts are founded on a certain degree of trust. The greater the trust, the lower the costs of contracts. The level of trust as well as social capital can be considered to be the basic determinants of contagion in terms of relationships amongst enterprises.

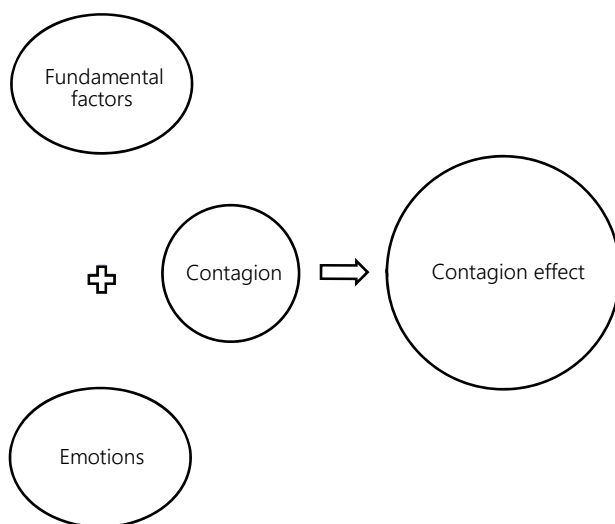


Figure 3. *A model of origin and spread of contagion.*

The fundamental factors include e.g. increased interest on bonds above the planned limit, whereas emotions comprise anxiety, fear and panic. Yet fundamental factors may also involve advantages offered by the product such as a new taste or new functional packaging. And these in conjunction with emotions such as rapture, admiration and recognition result in a positive contagion effect.

The process that showed most, if not all, attributes of contagion was one of the factors that led to the bankruptcy of General Motors. On June 1, 2009, the 101-year-old automotive giant applied for protection from creditors. The bankruptcy of General Motors was the fourth largest in US history (in terms of aggregated assets). The new General Motors is called General Motors Company LLC, a different entity from its predecessor. The US giant was bailed out thanks to state help (both in Europe and in the US). GMAC, the (former) financial arm of General Motors, in the period directly preceding the global financial crisis, committed itself heavily to investment in the subprime credit market. For some time, GMAC in a way subsidised the proper mission of General Motors, which was car manufacturing. Once the subprime speculative bubble in the US exploded, General Motors was destroyed. Losses incurred by GMAC cancelled out the profit from the principal ac-

tivity of the company (Talbot, 2009). Thus, in the case of General Motors, we are dealing with financial-to-real contagion and with the deterioration of fundamental conditions related to the speculative bubble on the subprime loan market in the US.

In the case of MF Global Holdings, the source of contagion were the bonds of heavily indebted Eurozone states. In 2010, MF Global Holdings started buying the bonds issued by such countries as Italy, Spain, Portugal, Ireland, and Belgium on the assumption that the prices of those bonds would continue to increase as interest rates fell. The reality turned out to be exactly the opposite – prices of the bonds in question fell, while the interest rates steadily increased. The exposure of MF Global Holdings to bonds of those European countries totalled \$6.3 billion, which was five times more than its equity capital (as at September 30, 2011). Finally, on October 31, 2011 MF Global Holdings filed for bankruptcy in the US Bankruptcy Court in Manhattan (Evans, 2011). This was the eighth largest bankruptcy in US history.

In Poland, the phenomenon of contagion can be analysed in terms of problems related to currency options. Losses due to these derivative financial instruments were incurred by such companies as Apator, Ciech, Duda, Fota and Krosno, Sanwil, Ropczyce, Alchemia, Forte, MIT, Paged and PKM Duda. As result of losses due to currency options, banks financing the meat producer Duda filed a motion for its bankruptcy. In July 2009, the company came to an agreement with the banks and converted its payable dues of 300 million PLN into company shares (Dowgielski, 2011).

Naturally, an infected company may become a source of problems for other companies. It may occur intentionally, when the enterprise in question purposefully refrains from cooperation. At this moment it makes sense to ask, under what conditions companies tend to share risks and when do they tend to infect others? In this respect, the level of trust appears to be the decisive factor, however, we cannot forget about the propensity to exploit a dominant position in the network as well as how easy it is to break the relationship. In the face of contagion, one should simply break the relationship. Thus, risk-sharing appears to be advantageous when the general economic situation is favourable. In the context of instability, it is better to remain isolated. Contagion may also occur inadvertently, when within the value chain certain disadvantageous behaviours tend to be more and more widely imitated (e.g. overstocking).

One of the models stemmed from a business practice that illustrates contagion in supply chain is illustrated in the Figure 4.

The contagion effect manifests itself in supply chain by sales peaks. Contagion effect is a result of certain patterns in behaviour of the sales staff. The latter is determined to meet monthly targets. Knowing that retail chains in other words customers wait for the months' endings in order to get the highest possible discounts. This means that last working week has seen even about 60% of total value monthly sales. Accumulation of customers' orders over the months' endings affects other company functions, including customer service, logistics, procurement, but also IT and HR.

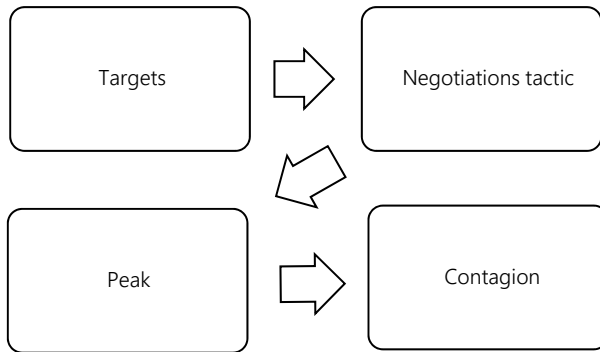


Figure 4. *Contagion model of peak in sales.*

Customer service needs to secure resources for additional work both on entry and validation of orders. Consequences are twofold: higher costs and more errors.

Logistics also need to secure additional transportation capacities from the spot market, which translates into higher costs. Transport Service Providers even run of capacities and are not able to ensure the proper service levels. What is more, the trucks are not fully loaded which means waste.

The additional warehousing capacities should be secured, which translates into more resources to commit. The latter results in a growth in need for FTE. Full-time equivalent is a unit that indicates the workload of an employed person in a way that makes work-loads or class loads comparable across various contexts. As the additional temporary resources are primarily secured by employment agency, new employees are not skilled enough, and the training is time consuming. Consequently, productivity is on the downward spiral, and costs witnessing the growth.

When it comes to inventory control, the Pareto method is a classical way for dividing items into classes. Each class is then assigned to a dedicated area of the warehouse. The fastest moving items are generally called A-items, whereas next fastest moving category of products is called B-items, both consequently and respectively next fastest one – C-items. However, the new criteria are needed to optimize storage within the Pareto method in the wake of contagion. It means that picking list from the Warehousing Management System, should be improved by further studies based on for example discrete event simulation. Depending on the homogeneity of the customers' orders, picking or handling are the most resource intensive operations and the most ones affected by contagion.

The other consequence of contagion is the growth in the number of quality claims raised by customers, orders are not delivered – in full, on-time, error free.

### 3. Building the diagnostics tool

Investigating contagiousness potential may be treated as an element of strategic-level analysis. It can become a component in the strategic analysis framework for company-like organizations. What should be noted is that contagion does not have to be a loosely structured problem as it may occur in the case of highly structured issues and be a result of errors in action methodology as well as epistemic-level problems.

Further in the diagnosis, the specificity of a contagiousness phenomenon needs to be addressed. In the light of this notion, the following problem areas should be explored:

- the degree of interconnectedness intensity for a given enterprise,
- the level of influence on decision-making patterns (assessing undisclosed knowledge) – behaviour imitation.

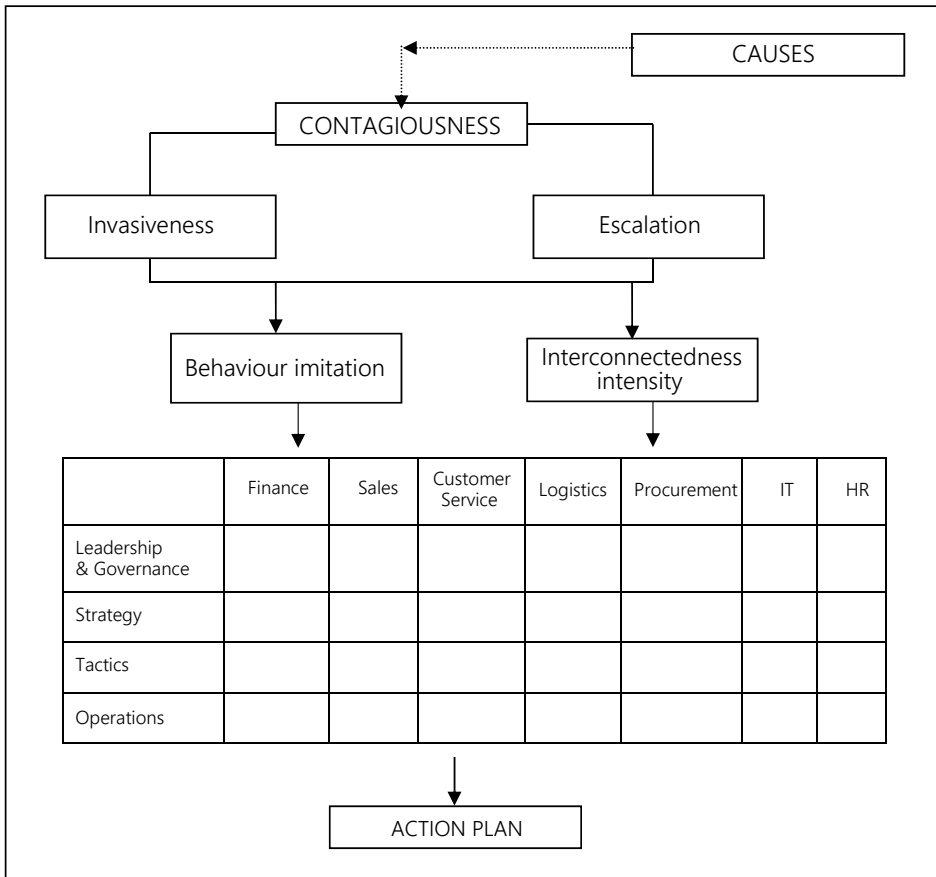


Figure 5. Schematic representation of contagion diagnosis phase.

Table 1 *Analytical formula for contagion assessment*

Analytical formula for contagion assessment	
Characteristics	Description
Evaluation	It is intended to transform the data obtained and to turn them into evaluative and/or quantitative categories. The above is achieved through the following: choosing evaluation criteria, determining the weights of evaluation criteria, factor ranking, aggregation and dissection, synthesis, evaluative ordering, and others. Appropriate diligence needs to be observed when choosing evaluation criteria. To that end, it is indispensable to strive to objectivize the selection of evaluation criteria and to discard arbitrary or contingent benchmarks. One methodologically correct and practically useful solution to specify evaluation criteria is the successive approximation procedure.
Categorization	The procedure aims to determine the qualitative class of factors that cause contagion; with regard to evaluation, categorization is secondary and complementary.
Selection	Investigation the importance of factors that cause contagion. Their importance may be determined on the basis of the following criteria: <ul style="list-style-type: none"> <li>– significance (how strongly a given factor that causes contagion influences the effective functioning of the company),</li> <li>– necessary resources to act in order to block, compensate for, minimize, eliminate the contagion and its effects,</li> <li>– interconnectedness of factors that cause contagion: whether taking action is a premise (a condition) of actions against other such factors or the countermeasures are independent; the existence of applicability limits guarantees any future changes in value(s) of the factor(s) that result(s) in contagion shall be noticed and re-evaluated.</li> </ul>

Basically, the purpose of assessing factors that result in contagion is to turn them into measurable quantities. General methodological requirements concerning factor assessment process are:

- preparing assessment ground rules,
- selecting assessment methods and techniques,
- formulating assessment standards.

Correctly established, the factors that cause contagion demand interpretation. What becomes necessary then is relevant expertise and an objective, impartial way of thinking. One should remember that in some complicated cases when implementation of advanced research techniques had failed, the problem was recognized after subsequent meticulous consideration of contagion causes that were presented by employees. Naturally, the course of failings is marked for its divergence. Their course varies depending on the type of organization. Behaviour imitation or the degree to which managers' strategic-level decision-making patterns have been influenced. Studying changes in managers' decision-making patterns may be performed by considering such factors as: preferences in strategic choices, acquiescence towards external entities' behaviour, susceptibility to external influences.

Interconnectedness intensity may, in turn, be examined in relation to financial realm and logistics. In this area, what can be distinguished are for instance sale of assets, negotiations with creditors, renegotiating delivery terms.

The essential issues with regard to addressing a contagion situation are the possibilities, scope, time of cooperation with external entities. This happens due to the fact that affected organizations are unable, because of the extent of contagion effects, to single-handedly manage the actions that lead to compensation, minimization, and elimination of various failings.

## Discussion and conclusion

The contagion induced in the company should be further discussed. In the case of contagion within a company, the decisive role is played by its organisational culture and leadership. Rumours tend to spread in the context of nepotism (division of goods and services at variance with the social, legal and ethical order). However, a positive contagion effect can be achieved thanks to the existence of genuine leadership.

In terms of negative contagion, the reasons are tensions between the reality and expectations. The ambitious employees are tasked with ambitious tasks and have high expectations. But, the difference between reality and expectation/ambitions leverages frustrations. This, in turn, translates into rumours fuelling the organization. Frustrated people leave the company and infect others. As a result, the company suffers from the waves of employees leaving.

On the other side, the contagion could be applied by positively impacting others. Achieving positive contagion is about leveraging resources in the way that will allow us to exploit fully their potential. Finding out the leverages is a key to awake the contagion and benefiting from contagion effect. Enthusiasm and passion are amongst the positive contagion leverages. Having passion and enthusiasm in place we could then stimulate for example creativity in organization. About 30 minutes session would be an appropriate and sufficient tool to achieve the contagion effect for creativity. The agenda of such session would consist of: presentation of creativity role in solving problems, practical tips, methods of stimulating creativity; fun/work in subgroups, going to a social event. The bottom line for inducing positive contagion effect for creativity is however to build a creative mood by exploit leverages including passion and enthusiasm.

The further research should also focus on spontaneous knowledge wide spreading within the organization. For investigating an impact of external factors on organization the appropriate mathematical tools should be developed.

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SŁAWOMIR WYCIŚLAK – obtained his doctorate from the University of Economics in Kraków. He has over 10-years' experience of working with companies of various sizes, including mid-sizes firms and multinationals. His academic interests focus on the analysis of companies response models towards crisis and complexity, and in particular international management, supply chain management, risk management, international financial markets.