

Chapter 3

THE PRESCRIPTIVE PART

1. Introduction

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One of the objectives of the research conducted as part of this project was to produce recommendations concerning corporate strategy, economic self-government's activities and economic policy measures, recommendations which would improve Polish companies' competitiveness and internationalisation in the context of our country's entry into the euro zone. From a practical perspective, the point is to see the introduction of the euro as an opportunity for Poland's development. This opportunity is examined here from the perspective of the Polish economy's ability to improve its competitiveness and to increasingly integrate into the world economy.

The discussion presented in this part of the book is based on two foundations. The first one, broader and not linked directly to the empirical research presented in our work, refers to those theories and doctrines within economic sciences (by which term we mean both economics and management sciences) which appear to gain popularity in modern economic thought, and thus increasingly often become theoretical justifications for an economic policy being implemented or form a basis for strategies being pursued by companies. These doctrines either were mentioned explicitly in the theoretical part of the book or implicitly provided the background to empirical research. The other source of inspiration for the views formulated here are the results of empirical studies conducted as part of the present research project as well as other practical observations formulated in professional journals by researchers dealing with these issues. The present authors made an attempt to develop relevant recommendations, among others, on the basis of conclusions drawn from interviews with managers about their perception of the impact of Poland's entry into the euro zone on the situation of the companies they manage.

While working on this part of the book, we made several assumptions, which will be presented at this point to justify our line of thought and possibly help the reader understand and accept the proposals we put forward.

The assumptions are as follows:

- The introduction of the euro will trigger a shock change for entities at all levels: individual people in their roles of workers and consumers; companies in their roles of competitors, suppliers and customers; as well as units of state and local administration. The change is pervasive and radical. The theory of organisational change holds that its effective and efficient implementation will depend on the level of awareness and preparedness of all the participants involved. Meanwhile, according to the daily *Gazeta Prawna* [21 April 2009], nearly 60% of Polish entrepreneurs have not yet started preparing for the introduction of the euro. It is estimated that financial institutions may need up to 2.5 years for such action⁶², hence the importance of the educational aspect of preparing for change. All the stakeholders listed above not only should understand the reasons for the change, its determinants and anticipated consequences, but should also be aware of potential risks, threats and possible side effects. This requires, first of all, a professional and matter-of-fact discussion, a discussion free from political disputes, based on reliable sources of data about the state of the economy as a whole and on managers' opinions⁶³. Emotional arguments must give way to conclusions drawn from hard data describing the state of the Polish economy and Polish companies.
- According to evolutionary and institutional economics, change will take place in an incremental fashion, determined as it is by previous experiences and accumulated knowledge about similar processes in other periods and/or places. In addition to purely market-related aspects, which in economic theory often boil down to a system of prices, an important part will be played by broadly defined economic institutions, including not only organisations but also beliefs, value systems, ideas and experience accumulated in the course of socio-economic development. Therefore, it may be useful to know, for instance, how the Polish zloty was redenominated in the 1990s, or how the euro was introduced in other countries of our

⁶² A study conducted by Deloitte shows that such preparations have been started only by 9% of companies, and are being planned by 25% of them. As many as 59% of companies do not intend to take any action to prepare for the adoption of the euro [“*Gazeta Prawna*” 21 April 2009].

⁶³ Slovakia's experiences show that the public was most interested in the conversion rate, the euro changeover scenario, the way of ensuring compliance with rules regarding the introduction of the single currency, and practical implications in terms of wages and bank accounts. Participants were less interested in the social and practical consequences of the euro's introduction [European Commission 2008b, p. 5].

continent. It would be difficult to overestimate people's beliefs, judgements, prejudices, values, etc. Their development is usually spread over time, determined historically (path dependence) and subject to a relatively slow change. However, it is important for economic policy, broadly defined, that such institutions may be subject to influences and are prone to modifications, for example through the education system, the media, etc. As already mentioned, efforts to influence the perception of Poland's entry into the euro zone cannot be made in isolation from other countries' experiences. It should be emphasised, however, that such comparative studies or a search for benchmarks for Poland should be conducted on a large scale. It is essential to analyse the situation of countries which are large, economically strong, and playing a key role in the European Union, and of weaker countries, perceived by some as losers who are marginalised by the European Union. At the same time, it would be useful to examine the situation of Denmark and the UK, EU countries which are outside the monetary union. The perspective of evolutionary and institutional economics, therefore, also makes it possible to identify areas which should be researched⁶⁴.

- Given such circumstances, it will also be important to take into account recommendations formulated in the field of political science. From the same point of view, the existence of a clearly defined and understood national (or, rather, state) interest associated with the introduction of the euro is an unquestionably essential condition. One could even hazard a guess that developing a relatively uniform and unanimous approach to the introduction of the euro should become part of the Polish *raison d'état*. A study conducted by the Gallup Organisation in May 2008 for the European Commission found that 50% of people in New Member States⁶⁵ believe that introducing the euro will have a positive impact on their countries, 57% of them think the influence will be positive for themselves, 37% expect an adverse impact on their country, and 39% a negative impact on themselves [European Commission 2008a, pp. 5–6]. As many as 71% feel that introducing the euro will increase prices, while 19% think that it will help to stabilise prices; 53% believe the euro will make them feel more European; in turn, 54% think that introducing the euro will not cause them to lose their identity; the same percentage do not believe that the country will lose control over its economy. 55% (as opposed to 38%) are not con-

⁶⁴ A separate and more specific issue is research methods. In scientific research, explaining complex issues such as Poland's accession to the euro zone requires information gained not only from quantitative sources (data collected through a questionnaire as part of an interview with the respondent) but also in qualitative form [Silverman 2007, Konecki 2000].

⁶⁵ The so-called MBS9 group (Poland, the Czech Republic, Hungary, Bulgaria, Romania, Latvia, Estonia, Lithuania and Slovakia).

vinced that the process of introducing the euro will cause personal difficulties, although 72% (unlike 24%) fear abuses on the part of market participants. At this point, we are returning to the idea of giving up emotions in favour of a matter-of-fact discussion and the need to support political views with economic analyses. Some hazard may be caused by politicians using their views on the speed of joining the euro in order to increase their popularity. The issue is indirectly related to the well-known problem of a political business cycle, whose formal model was proposed by Nordhaus [1975]. The author demonstrated that the government's decisions made at a given time produce results in the future as well, so it may well be that decisions meeting with social approval and satisfying people's expectations will lead to consequences more difficult to accept much later; or, conversely, that today's unpopular decisions which require some sacrifices may produce positive results in the future. Still, a calm assessment of the long-term benefits and losses associated with entry into the euro zone is extremely important.

- It is indisputable, then, that Operation Euro will be large-scale, carried out at all levels and planes of the economy and society. That such a situation requires a comprehensive, holistic and interdisciplinary approach does not seem to need further explanation or justification. Being aware of the complexity, universality and multifaceted nature of the “euro project,” later in the chapter we try to contribute to the discussion about actions which need to be taken at the three socio-economic levels of: companies, economic self-government and economic policy. Given that this operation affects primarily an instrument of economic policy which is a currency, it should be emphasised that what is key is the behaviour of people who create and implement economic policy. It is them that set a direction for meso-level institutions and then for micro-entities, which have to treat this policy as an independent variable codetermining their strategies. Such a feature of economic policy emphasises the imperative to orientate it, under any conditions, in such a way that it will have a positive effect on companies' international competitiveness.

2. Recommendations for companies

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The present section offers two sets of recommendations for companies:

- recommendations concerning general competitive strategy,
- detailed recommendations, directly related to the introduction of the euro.

With regard to the microeconomic aspect of the discussion, we refer here to such basic company concepts and theories as:

- the resource theory of the firm (one of the schools within the strategic management trend) – according to this concept, the company's competitive advantage is built on the basis of rare, original, special and unique resources; the resources make it possible to obtain a kind of economic rents, which are actually benefits arising from the exploitation of unique resources; from this perspective, company competitiveness is improved through the development of the resources which enable us to obtain such rents,
- the concept of the company as a learning organisation – the concept lays emphasis on knowledge as a basic resource leading to competitive advantage; it is important, therefore, that we create, acquire and use knowledge to build competitive advantage; for this to be possible, knowledge must be managed,
- the concept of the firm as part of evolutionary economics – this concept stresses that company competitiveness is built by using specific procedures, repetitive patterns of behaviour, a kind of genes, which are developed over a longer period of time,
- concepts of the firm as part of new institutional economics – the theory of transaction costs, agency theory, the theory of property rights – all these concepts emphasise that the institutional solutions adopted, especially the way economic activity is organised (market versus hierarchy), have implications for management effectiveness and as such are an important determinant of competitiveness,
- concepts of competitive strategy – most simply, they boil down to distinguishing several basic types of strategy relying on different sources of competitive advantage (low-price strategy, differentiation strategy, strategy of the basin).

2.1. General recommendations

We can start the present section, which presents recommendations for companies in connection with Poland's adoption of the euro, with a number of general observations about the development of Polish companies' competitiveness in terms of competitive position, competitive potential and competitive strategy.⁶⁶

Competitive position

1. Recommendations related to competitive position boil down to undertaking and/or developing expansion into EU markets on the basis of available (or potential) advantages resulting from the location of companies in Poland.

⁶⁶ Cf Gorynia [2002, Chapter 3].

Expansion should be conducive to exploiting the economies of scale in the form of lower unit costs. A means for achieving these economies could be consolidation of existing companies into larger units capable of gaining considerable market share and predisposed to attain a good financial position, which is a *sine qua non* for company development in the long term. The implementation of this recommendation is dependent on the competition policy employed, particularly on anti-monopoly legislation, whose implementation should be balanced, prudent, sober, wise and free from demagoguery.

2. Another recommendation for improving or defending a satisfactory competitive position is to make efforts to ensure a niche competitive position of the company. The idea is widely discussed in the literature on corporate competitive strategy. It boils down to a recommendation proposing that the company should try to find a niche in the market, where it can enjoy a virtual monopoly. This is equivalent to having a large market share and being in a position conducive to achieving a good financial standing. Some authors are of the opinion that occupying a niche position requires that we employ a strategy different from the two standard ones (i.e., cost strategy and differentiation strategy) [Porter 1992, pp. 50–55]. Porter also mentions a third basic type of strategy: focusing on a given market segment (focus). While the first two strategies assume that the company operates in the whole industry market, this strategy assumes a deliberate focus on a selected segment: a market niche. It seems, however, that the strategy of concentration can be seen as a special variant of differentiation or cost advantage: the company develops its strategy so that it can gain a differential or cost advantage only in the eyes of a limited group of customers (market segment). The above distinction between three types of strategy is of great significance here owing to the fact that each type of strategy leads to different consequences in terms of the result of the competition process, i.e., the competitive position occupied or achieved through the competition process. This is because we can put forward three hypotheses:
 - an effective strategy of cost leadership is conducive to gaining a large market share,
 - an effective differentiation strategy should make it possible to achieve a good financial standing,
 - an effective strategy of focusing on a given market segment is conducive to both gaining a large market share and achieving a good financial standing.

The third type of strategy, therefore, has significant advantages; what is more, it seems to be a type of strategy whose adoption by a new Polish competi-

tor entering the EU market is quite realistic, as it does not require (relatively) considerable investment.

Competitive potential

A recommendation which can be put forward on the basis of our research is to perform systematic and thorough analyses of particular companies' competitive situation (competitive position, competitive potential and competitive strategy – competitive instruments), especially in comparison with the industry in which the companies operate. It is advisable to diagnose and monitor hard data and views on the importance of particular factors of competitive potential among the company's key employees, and then confront these views with the results for the whole industry or for its selected representatives.

When taking practical action to build competitive potential, it is necessary to stick to the rule that we should prioritise the moves to be made. First, attention should be given to those factors of competitive potential which are seen as important and in terms of which the distance between a given company and its rivals is the largest. The second priority should be given to important factors with a small gap and less important factors with a large gap. The least attention should be given to unimportant factors with a small gap.

Competitive strategy (competitive instruments)

An optimum configuration of the company's resources creates competitive potential (competitiveness potential). However, simply having a good competitive potential is not enough. To use it in a competitive market, one needs to use appropriate competitive instruments, that is, implement a particular competitive strategy. Companies have a choice of three, or in fact two, "pure" types of competitive strategy:

- a strategy of cost leadership,
- a differentiation strategy,
- a strategy of focusing on a specific market segment (this is believed to be a special case of the first or the second type of strategy).

Identifying the basic characteristics of the two "pure" types of competitive strategy may be one of the foundations on which to develop recommendations about an effective strategy for Polish companies in connection with the introduction of the euro.

An analysis of the leading characteristics of the two basic types of competitive strategy points to the need for a relatively clear "declaration" on the part of a company competing in a given market about its chosen strategy. For it is believed that only those companies achieve market success which have focused

on one of the basic competitive strategies. With only a few exceptions, indecision creates a risk of getting stuck between strategies and usually ends in failure. The strategic “indeterminacy” of Polish companies competing in EU markets may considerably restrict the improvement of their competitiveness. This leads to the recommendation that the focus of competitive strategies be shifted from competing on price to competing on differentiation.

A second recommendation following from a careful examination of the two types of competitive strategy boils down to the observation that the possibility of achieving some of the competitive advantages offered by these strategies creates the need to go beyond the traditional, and hitherto almost the only, form of Polish companies’ expansion into EU markets; that is, beyond direct or indirect export. The present study has found that Polish companies’ interest in other forms of internationalising their activities than export is moderate. In company internationalisation theory, the development of export is considered to be an obvious first stage of expansion into foreign markets. Limiting oneself, in the long term, only to export may be proof of managers’ myopia. Managers often believe that cultivating and repeating possible early successes achieved through this method of international expansion should lead only to further export development. Just as frequent is lack of awareness of opportunities, and sometimes also lack of the resources to undertake more advanced forms of internationalisation, especially foreign direct investment. Facing the prospect of entry into the euro zone, Polish companies which have not yet established relations with business partners from EU markets because of fear of exchange-rate risk should consider possible methods of internationalisation in relation to these markets. From the viewpoint of exchange-rate risk, joining the euro zone will be favourable for both exporters and importers. Looking at the company internationalisation issue and trying to find a justification for joining the euro zone, it should be emphasised that staying out of it may undermine Polish exporters’ position when the zone is joined by other countries of Central and Eastern Europe [Adamiec 2010, p. 10]. Examples include the experiences of countries which remained outside the euro zone at the time of its formation, namely Denmark, Sweden and the United Kingdom. They are proof of the declining role of export as a driving force for economic growth and of the deteriorating foreign trade balance. The consequences the countries’ staying out of EMU has for their trade increase together with the share of the euro zone in trade. This problem faced by Polish exporters will gain significance as particular Central and Eastern European countries join the euro zone, because Polish companies’ offer may become less competitive than the offer of those CEE countries which will be using the single currency.

2.2. Detailed recommendations

A starting point for recommendations for companies should be the diagnosis concerning the relationship between three-dimensional competitiveness (competitive position, competitive potential, competitive strategy) and the aspects of Poland's entry into the euro zone investigated here.⁶⁷ As mentioned earlier, our research led to the following conclusions:

- The respondents are fairly convinced that Poland's adoption of the euro will help to increase their companies' general level of competitiveness. The main anticipated benefits of introducing the euro are reduced foreign-exchange risk, reduced transaction costs, facilitated trade settlements and lower supply costs resulting from greater market transparency. The risks identified include primarily concerns about higher prices in relation to earnings (reduced purchasing power) and an unfavourable conversion rate of the zloty to the euro.
- As for the influence of joining the euro on competitive position, the respondents were relatively optimistic: in their view, the indicators of their companies' market share and sales profitability, both in the domestic and the EU markets, will improve after the adoption of the euro.
- As far as competitive potential is concerned, the companies surveyed rate their potential a little more highly than their key rivals', both at the time of the study and after entry into the euro zone. The potential was assessed in terms of selected financial and cost-related elements. At the same time, it was concluded that the levels of changes associated with the adoption of the euro in terms of the investigated elements of competitive potential and the costs of these changes will be moderate.
- As regards the impact of joining the euro on the competitive strategies (instruments) used, the companies under study had difficulty determining what changes in their competitive strategies Poland's accession to the euro area will effect. As mentioned when discussing the empirical research results, this may suggest that the business entities under analysis are not fully aware that Poland's accession to the monetary union will considerably change their situation; alternatively, this may indicate that the companies cannot anticipate the consequences of this changed situation for their competitive strategy.

The above conclusions derived from our empirical research demonstrate that the overall picture of relationships between joining the euro and Polish companies' level of competitiveness is not uniform; on the contrary, it is complex

⁶⁷ See the second part – empirical research results.

and diverse. On the one hand, we can notice a relatively optimistic and open attitude to change, which seems to be inevitable. Companies are enthusiastic about the introduction of the euro, associating with it specific benefits which they can name and assess. One might even say that companies' sympathy for and positive perception of introducing the euro are a kind of social capital, whose existence should be seen as an extremely valuable factor enhancing the chance that Operation Euro will be a success. On the other hand, however, it seems that preparations for the operation are not very advanced. The generally positive attitude towards the introduction of the euro is not accompanied by a mature reflection on specific steps which companies will make to take advantage of all the opportunities and benefits presenting themselves, to eliminate or neutralise risks, to fully exploit their assets, and to minimise their weaknesses.

Recommendations for companies can start with an obvious statement formulated in the field of strategic management: companies should undertake activities which will allow them to exploit their strengths and minimise their weaknesses, or to transform their weaknesses into strengths in order to be superior to their market rivals. Being superior to a competitor means having competitive advantage. The popular and simple concept of strengths and weaknesses, taken from one of the most widely used methods in corporate strategic analysis, is universal enough to be applied to the three investigated dimensions of company competitiveness: to its competitive potential, competitive strategy and competitive position.

This is why, in order to fully exploit the opportunities arising from Poland's accession to the euro zone and to effectively avoid the resultant risks, it is essential that companies acquire the skills of translating anticipated opportunities and risks associated with the introduction of the euro into their actual operation and take them into account when developing competitive potential as well as competitive and internationalisation strategies. Entrepreneurs' unsatisfactory knowledge in this area should be improved by having public debate, providing information about the implications of Poland's accession to the euro zone, and citing ample examples of direct and indirect consequences for, as well as benefits of and risks to, companies' strategic position. Beneficial effects in this respect should also be produced by observing the behaviour, development directions and experiences of business entities based or operating in the markets of euro-zone member states.⁶⁸ These activities, and the diffusion of their effects, could be intensified if they were joined by organisations of economic self-government. Nevertheless, to achieve these objectives effectively and efficiently, it will be

⁶⁸ Particularly valuable are the experiences of companies operating in countries which recently joined, or will soon join, the euro zone, e.g. Slovenia, Slovakia and Estonia.

necessary to support the above activities with efforts aimed at increasing entrepreneurs' knowledge of strategic management.

The concept of strategic management stems from theory of organisation and management, economics, as well as systems theory and cybernetics. It is a response to changed conditions under which business entities operate, a change triggered by the development and increasing complexity of organisations' environment and internal determinants. According to the definition proposed by Pierścionek, strategic management is management through strategy as a rational, comprehensive and objectively determined set of managers' actions. This is a concept of corporate management orientated towards the future and based on analyses of future business conditions and the resultant visions of the organisation and consistent missions, goals and action systems [Pierścionek 2003, p. 14]. This concept helps to notice and understand the company's complex interior and environment, and makes it easier to conduct analyses and take action appropriate to the situation at hand and to the objectives set. By using it, companies should be able to counteract negative external trends, take advantage of opportunities presenting themselves in the turbulent environment, and find effective competitive advantages which ensure that the company survives and achieves its complex objectives [Moszkowicz 2005]. In practice, strategic management – since its implementation requires relatively large amounts of financial and time investment – is as a rule performed in large and very large companies. Companies which intentionally apply the idea of strategic management have developed a strategy in the form of an action plan (for all or selected strategic decision areas) or specific rules of company behaviour on the basis of in-depth analyses of the development of the organisation's environment, resources and skills [Pierścionek 2003, p. 18].⁶⁹

Before making the recommendations for companies more specific, it should be emphasised that our purpose is to identify those activities and operational aspects of the company which will enable it to gain competitive advantage and become part of the economic landscape which will emerge after Poland's entry into the euro zone. This idea corresponds to the theses presented by the theory of the company as an open system. Integrating Poland into the monetary union is actually a matter of time, and Polish companies should be aware that their competitiveness as open systems depends on an internal fit between their constituent subsystems and on a simultaneous adaptation to the environment, which is their suprasystem (a system of a higher order). This adaptation is also explicitly mentioned in situational management, according to which it should manifest itself in the organisational structure, in the technology used, but also in staff relations.

⁶⁹ For more details on the concept of strategic management, see, among others: Strategor [2001], Moszkowicz [2005], Johnson, Scholes, Whittington [2008], Hitt, Ireland, Hoskisson [2010].

The resource theory, in turn, holds that as the time horizon increases, the significance of internal sources of competitive advantage increases, too, which suggests the increasing importance of a company's resources and skills and the decreasing role of external factors in developing an advantage over its rivals. To begin with, it is worth checking whether or not Poland's entry into the euro zone will undermine the strategic importance of its resources: whether or not they will continue to be valuable, rare, and effectively organised. Particular care should undoubtedly be given to the following resource areas [Tarnawa 2004, <http://archiwum...>]:

- first, IT systems: Companies have to examine their systems of accounting, electronic payment, invoicing and payment, and payroll to ensure their compatibility with the rules relating to settlements in euros. Invoicing and payment systems are likely to be upgraded,
- second, staff. It is important to train staff, especially people in direct contact with the consumer, so that each employee can answer customers' questions and maintain a good corporate image,
- third, information resources for partners. If the company intends to settle transactions in euros, it should inform its partners, suppliers and distributors about it.

Poland's entry into the euro zone will increase Polish companies' price transparency, which may have a significant impact on their competitiveness. On the one hand, this may increase the attractiveness of Polish products and services in the markets of monetary-union member states. On the other, this will increase competition in the Polish market. That is why business entities' activities, both before and after accession to the euro zone, should be aimed at reducing prime costs and/or improving the quality and innovation of their offer, as well as anticipating and satisfying the expectations of increasingly demanding partners from the European Union and outside it [Chojnacki 2005]. To fully benefit from participation in the single-currency market, companies will have to take action to efficiently acquire information about foreign markets and companies operating in them, and find reliable business partners among them.

Increasing the scope and intensity of competition creates the need to extend the resources of collected and analysed information. This requires precisely defining the area and structure of collected data, coordinating updates, ensuring information comparability, and efficiently processing and storing the information. To perform these functions, the company needs to determine not only information categories but also the range of indicators which, in the long run, will serve as tools for monitoring its own and competitors' effectiveness. The data thus collected should undergo a systematic comparative analysis, whose scale and course will be adjusted to the company's needs and decision-making methods [Duliniec

2004, pp. 147, 171–172]. Observing demand trends, competition and conditions prevailing in particular areas of the macro-environment in selected countries enables the company to identify existing and potential opportunities and threats in particular markets. An efficient system of collecting, analysing and storing information makes it possible to [Winer 2004, p. 56]

- prepare sales forecasts for the current and the future offer,
- identify new promising market segments,
- assess the effectiveness of marketing activities,
- anticipate consumers' moves,
- anticipate consumer behaviour.

Improvements in obtaining, processing and archiving market data, and in confronting them with companies' internal information, should increase the appropriateness of business entities' activities to existing market conditions, reduce companies' reaction time to changes taking place in the environment, and consequently enhance Polish companies' competitiveness.

Not without significance will be the quality of Polish entities' human capital. In the long term, increased competition in the Polish market should cause a diffusion of modern technologies imported from abroad, and increase the innovativeness and attractiveness of Polish companies' offer, not just in EU markets but also in markets outside the euro zone. The scale of the phenomenon's positive impact will depend, among other things, on the capacity to absorb new technologies and the attitudes adopted by human capital responsible for company innovativeness [Bielewicz 2009, pp. 160–161]. This is why it will be very important for Polish companies to perceive the positive external effects of foreign companies' entry into the industry in Poland, to identify and use potential mechanisms of their influence on local entities' competitive strengths [Gorynia 2005, pp. 256], and to be able to absorb them from new foreign markets which will become the target of Polish economic entities' expansion. An undoubtedly significant part in the learning process and in the diffusion of knowledge will be played by the company's human capital involved in direct interactions with other players in the market. Talent management is a key process in the area of people management also in the case of Polish companies. Nevertheless, owing to numerous local entities' limited resources, it would be unrealistic to expect all entrepreneurs to adopt a systemic approach in this area or create a breeding ground for new talent. Meanwhile, an unexpected loss of key and irreplaceable employees may dramatically impede the company's development. It is important, therefore, to effectively and efficiently manage human capital and to prevent the outflow of knowledge from the company to foreign entities.

The radical change in the company's environment also makes one wonder whether the company's activities to date will continue to be internally consistent

and will really shape this environment effectively. Companies should first take special care of the financial sphere of competitive potential and the sphere of human resources. In the first case, the purpose is to ascertain how entry into the euro zone will affect the financial resources and related skills, i.e., competencies in the area of finance. Many publications demonstrate that integrating Poland into the monetary union will reduce transaction costs. Seeking to hedge against exchange-rate risk, Polish entities acquired currency options, on which they made huge losses. The phenomenon vastly increased investment loans raised by companies in foreign currencies. Neutralisation of exchange-rate risk, which will affect transactions with partners from the monetary union, may allow for starting the discussion where and how to invest any spare funds, or how to deal with losses and how to function if one can no longer build competitiveness on the basis of a weak zloty. Poland's accession to the euro zone will force changes in Polish companies' accounting and settlement systems. Possible modifications in this area may generate some financial costs as well as costs related to employees' mentally switching to transactions in euros. Managers would be advised to consider to what extent changes in their accounting and settlement systems will be necessary and attempt to estimate the cost of these changes. Increasing the efficiency and thus the competitiveness of Polish companies may be particularly difficult in the face of additional costs which companies will have to bear (among other things, costs of adapting information and accounting systems, and of staff training) before Poland joins the euro area. One positive thing is that in carrying this financial burden companies will be able to use the support of structural funds.⁷⁰ According to Deloitte, a professional services company, smaller manufacturing, service and trading firms should start preparations for introducing the euro about nine months before the period of dual display of prices [PAP 2008b]. If companies choose to finance some investments from EU funds, they will need additional time to plan and take appropriate action.

The adjustments needed to take full advantage of the opportunities offered to entrepreneurs thanks to entry into the euro zone should also include extending the company's field of activity in the future, increasing the company's efficiency and developing its human resources. It will be essential, therefore, that economic entities begin preparations well in advance. If properly planned, designed and implemented, the changes should ensure the effectiveness and efficiency of the solutions used and continuity of the company's operations. On the other hand, an inadequate action plan, or the lack thereof, will increase the likelihood of failure.

⁷⁰ As part of the Innovative Economy Programme it is possible to finance, among other things, adjustments to technologies, infrastructure and IT solutions. The Human Capital Programme can be used to fund, among others, adjustments to technologies, infrastructure, training solutions, consultancy in the preparation and adaptation of corporate procedures, and marketing activities.

The theoretical concepts relating to issues of change implementation in an organisation are strategic planning and change management.

Reasons why changes in organisations are delayed include employees' concern over upsetting the status quo and the resultant fear of suffering a personal loss (this might involve, for instance, having to learn how new software works or having to take on new responsibilities). The causes of resistance to change also include uncertainty (fear of the unknown), an inability to understand the nature of changes and their implications (information asymmetry), and the belief that the changes being introduced are not in the interest of the organisation [Boldman, Deal 1999; Kotter 1995; Kotter, Schlesinger 2008, pp. 132–134].

Measures designed to reduce the stakeholders' resistance to proposed changes include [Gorynia 2002, pp. 270–271; Kotter, Schlesinger 2008, pp. 134–139]:

- providing information about the planned project and securing support for the changes being introduced,
- creating a team responsible for implementing the project,
- including the largest possible number of employees in the decision-making and implementation process,
- using external consultants to encourage ideas, to analyse and evaluate the concepts proposed, and to provide consultation at the implementation stage.

To develop recommendations at the level of specific actions to be taken by companies, it is additionally advisable to identify employees' skills of using the euro in settlements with both the company's customers and its suppliers. The purpose is to make sure that the introduction of the euro does not have an adverse effect on the level of customer satisfaction, an effect which might result from an employee's incompetence or disruptions in information flow and communication. An operational problem for companies could be, for instance, to prepare all the price lists in euros. In 2002, when the then European Union introduced euro banknotes and coins, prices increased, among others, in the catering industry, especially in restaurants and cafes. It was pointed out that the increase coincided with an increase in food prices caused by adverse weather conditions, and was in fact temporary [European Central Bank 2002]. In their article, Adriani et al [2009, p. 113] put forward several explanations for the situation, two of which could be quoted with Polish companies in mind. A price increase may result from the rounding up of prices; after the introduction of the euro, the prices of all goods in the current national currency must be rounded off to the whole cent; it probably happened that, in the case of the restaurants surveyed, the prices were rounded up. The problem of prices being rounded up applies to every industry. Therefore, if the company tries to satisfy its customers or, in extreme cases, even tries not to lose them, it should rethink its price "strategy" during the introduction of the euro. As for the catering industry, in the restaurant or cafe

sector care is needed when preparing menus with prices in euros. According to some authors, price increases in this market segment can be explained by attempts to maximally postpone converting menu prices into euros [Hobijin, Tambalotti, Ravenna 2006, pp. 1103–1131]. Postponing the operation led to a simultaneous adjustment of menus to settlements in euros, which resulted in price increases. To reduce, at least to a limited extent, the likelihood of price increases triggered by switching from the zloty to the euro, managers should also free themselves of inflationary expectations. If such expectations are held by managers in most companies, it is quite safe to predict that their prophecy will fulfil itself. Being aware of price increases caused by entry into the euro zone and seeking to neutralise the effects of the fact for their own company, managers will raise the prices of their products. Pricing behaviour will thus be unintentionally coordinated, which will result in equilibrium in industries being achieved with a higher price level [Fehr, Tyran 2007, pp. 246–268].

To ensure competitiveness under new macroeconomic conditions, it is extremely important for company management to be able to learn and develop certain standards or procedures in the company. Managers need to be aware that joining the euro zone may change some of the existing standards and create the need to develop new procedures. Company management's openness to learning processes was mentioned by Penrose [1959] as a factor behind company growth. Evolutionists have gone even further, talking of behaviour routines rather than standards as factors of competitive advantage. Some of the routines and patterns of organisational behaviour will probably need to change on account of the introduction of the euro.

Poland's entry into the euro zone will deprive Polish companies of one of their ostensible (though highly emphasised by some managers) trump cards in the competition game: a competitive advantage based on a weak exchange rate of the zloty. The most popular typology of competitive strategies by Porter shows that one of the basic strategies is competing on costs. Unfortunately, many entrepreneurs and managers identify the strategy with competing on low product prices, but without a base of low costs. Adopting the reasoning of proponents of competing on low prices shows that it is a weak exchange rate of the zloty that enables companies to increase exports. Dadak [2009, p. 41] writes that it is thanks to a weakened zloty and decreased demand, caused by the financial crisis, that in the first quarter of 2009 Poland ran a trade surplus. This can be interpreted as a success of Polish exporters, who made profits on a weakened Polish currency. In light of the above, companies should be encouraged to lobby for the latest possible entry into the euro zone and persist at any cost with the strategy of competing on price. This is, however, an oversimplification of the reality. Nowak and Ryc [2010, p. 10] argue that in 2009 exports fell markedly in terms of foreign

exchange, and favorable changes in the volume of net exports resulted, to a large extent, from an even greater fall in imports. At the microeconomic level, this was associated with reduced consumption and investment.

A strategy of low prices unsupported by low costs cannot ensure sustainable competitive advantage. For companies purchasing supplies abroad, remaining outside the euro zone means increased costs and difficulty in selling their products if the proportion of foreign to domestic components is in favour of the former. Companies could consider the recommendation to give up basing their competitive advantage on the weakening of the Polish zloty. It is worth adding that Operation Euro itself will increase costs (e.g., modernising the accounting software system, preparing new price catalogues, staff training).⁷¹ It should also be remembered that even if a company benefits from a depreciated domestic currency by exporting products based on domestic components and from a reduced demand for more expensive imported goods, the company may suffer from a decline in consumers' purchasing power. Consumers who have taken out loans in foreign currencies bear higher costs to repay such loans and have to limit their household expenses. A weaker zloty is an obstacle to the cost leadership strategy of companies which, to a greater or lesser extent, purchase supplies abroad. It should be recommended that Polish companies try to be oriented towards competing on differentiation. Competitive advantage should be based either on low costs resulting from the way the company itself works, which may result in low prices, or on standing out in terms of competitive instruments other than price.

3. Recommendations for economic self-government⁷²

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The need to develop recommendations for economic self-government can be derived from the views of contemporary mesoeconomics. Mesoeconomics holds that today's economic systems are remote from theoretical constructs referred to as the ideal or perfect market. From this perspective, the economy cannot be reduced to a set of atomised entities united by only one bond which is the price system. The price system is an important factor which regulates and coordinates the behaviour of companies and consumers. However, it is not the only factor. In

⁷¹ Another cost-generating factor is modifications in cash registers so that they show prices in euros and print receipts with the euro symbol (€). Credit and debit card terminals will also need to be adapted to accept payments in euros.

⁷² The present section is based on parts of the following studies: Gorynia [1995], Gorynia (ed.) [2005], Jankowska [2005] and Gorynia, Jankowska [2008].