

The Change Lab

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Change has traditionally been one of the fundamental interests of management research and management practice. The debate between proponents of “revolutionary” and “evolutionary” change remains open. Rather unexpectedly, history has offered us a unique opportunity to study management change of the post-Communist transition economies

Survival competences were the first to be tested at the very beginning of the transition, when unprepared companies found themselves deprived of government protection and subsidies and at the same time exposed to unregulated “wild capitalist” competition. Privatization could only theoretically solve the problems this entailed, since foreign buyers were not yet ready to make an entry, and both capital and more sophisticated managerial skills were extremely scarce resources. Under such conditions ‘street smarts’ and ‘instinctive entrepreneurship’ (which had fortunately not been lost under the ‘Polish version’ of Communism) were crucial to survival. Political skills and connections still remain important in lobbying for government support and in securing workers’ and unions’ cooperation to accept the inevitable lay-offs as soon as possible. Maintaining sales and remaining close to the customer base were of key importance for companies to protect their liquidity and to “keep their head above water.”

From survival to competition strategy

Companies which managed to stay alive through the first shock period quickly discovered that they had to gain and sustain the ability to compete under normalizing market conditions, to attain the minimum acceptable level of performance and to open the way for privatization. This required conventional western management skills in such areas as product development, operations management, marketing, logistics, purchasing, finance and service. Initially such skills were not readily

available on the market. But this gap became filled relatively rapidly because of the unprecedented explosion of management education and management development, as well as the inflow of direct foreign investment, foreign management and foreign consultants.

As competition intensified, with more sophisticated foreign entrants joining the game, operational excellence in functional areas was not sufficient to maintain a competitive edge. Process restructuring had to come into play. This involves process mapping skills, customer and supplier management capabilities, and a knowledge of best practices (benchmarking). Standard management

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Since 1989 a new class of Polish managers has appeared, able to compete with their Western counterparts

education does not provide an answer to the process restructuring challenge. The answer lies in the diffusion of innovation mechanisms, such as:

- the free flow of managerial personnel between foreign and Polish companies,
- specialized, tailor-made, in-house management development programs,
- the influence of consultants,
- copying competitors' practices,
- the failure of companies that fail to innovate.

These mechanisms are yielding results in the best-run companies. Others are still lagging behind.

New management culture

After 15 years of transition, Poland has become the home base of some very serious players on the European, or at least Central and Eastern European scale. Champion companies can be found in such industries as: automotive (FIAT Auto Poland; GM Poland), furniture, building materials (Atlas), computer services (Prokom, Computerland), food and beverages, and sports clothing (Alpinus). Such companies are under twofold pressure, from the transition process and from the most competitive global markets. To face such a challenge, the leaders embrace a management philosophy called "continuous improvement" which is nothing other than constant, smooth adjustment to rapidly and unpredictably changing conditions (in other words, flexibility pushed to the extreme. This encompasses organizational strategy (what to improve?), choice of environment (where to compete?) and choice of competitive advantage (how to compete?).

Such flexibility requires transformational leadership skills (the ability to lead through permanent change), high quality teamwork and an ability to form, manage and exit alliances. This kind of management potential can be only developed internally, although possibly with some expert coaching assistance.

Management culture change is driven by high performance pressure. The old culture inherited from "socialist management" is rightly perceived as inhibiting high performance in a high-uncertainty and high-risk environment. The old culture was functional in the old system: it efficiently protected individuals from the abuses of Communism because it provided and legitimized "all the tricks in the book" that helped people (and managers in particular) to beat the system and to survive. By the same token, the new culture is emerging relatively quickly because it provides individuals with "vehicles of success" in the market environment.

The identity transfer of Polish managers is an underlying process of cultural change. It implicates a change of role definition, as perceived by managers themselves, as well as by wider social groups. Identity transfer takes place in the space of social consciousness tormented by



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In 2002 the number of students in various management-related fields (such as economics, administration, finance, and law) reached about half a million in Poland

systemic change, bringing individuals previously unknown opportunities but also the threats of unemployment and insecurity, constant political conflicts, and the strong influence of highly pluralistic and competing media. The social perception of management is then highly heterogeneous if not completely contradictory, comprised of conflicting opinions and attitudes. Management is perceived to be a highly desirable career path on the one hand, but something morally doubtful, if not completely evil on the other.

Three research-based hypotheses can be drawn from the analysis of management change in Poland:

1. Organizations in general, and companies in particular, cope with uncertainty (generated by rapid and profound change) by means of improvisation and adjustments of culture (including symbols, ideology, mythology, and behavioral patterns).

2. The relationship between institutional and behavioral change is defined by culture, and is thus highly unpredictable. It should be considered to be another factor contributing to "generalized uncertainty."

3. The standard western management education model is not likely to develop the skills needed in high-uncertainty business environments. The process of building up management skills in transition economies can provide guidelines for a much needed change in management education worldwide.

These hypotheses will be put to the test by future economic developments and by further research work on the process of management changes. ■

Further reading:

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- Hatch M. J., Kostera M., Koźminski A. K. (2004) *Three Faces of Leadership* Oxford: Blackwell (forthcoming).