

Impact of management professionalization on competitiveness of agricultural and food companies

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Abstract

In the presented article the author considers the impact of management professionalization level on the competitiveness of companies in the agricultural and food industry which belong to the WIG-Food subindex of the Warsaw Stock Exchange. The research of implementation of particular management functions depicts the current scope of use of these functions in such specific companies whose mission includes not only achieving excellent financial results but is also conducive for ensuring the broadly defined food safety. The thesis discussed in the article is that, for companies, professionalization of management functions is the activity aimed at using all kinds of arising opportunities and desired tendencies and ensuring survival and development. An attempt was also made to demonstrate that management professionalization is an extremely important task for agricultural and food companies leading to the concentration of activities which support effectiveness.

Introduction

Agricultural and food companies today form the basic element of food industry and indispensable source of food production in the agribusiness sector. The transformation period and adaptation process of agricultural and food companies to the standards of the European Union thoroughly changed the image of the Polish food industry. Even in the pre-accession period we had been wondering if food industry was able to fully meet the requirements of the EU and develop dynamically. Food industry is after all one of the most important sectors of food economy and its adaptation to the effective functioning at the common European market depends on continuous modernization and changes taking place. The most important ones took place in the pre-accession period, namely between 1998 and 2003 and these were (Urban, 2004): thorough chang-

es of ownership structures; formation of diverse and smooth business breakdown structure conducive to competition enabling the reconstruction of market regulation mechanisms; reconstruction of production structures resulting in the development of the offer of goods and its assortment abundance; progress in mixed production effectiveness related to work efficiency and energy consumption; acceleration in the modernization of manufacturing potential of the sector, restructuring of companies, supply of know how in the sphere of management, organization, marketing, quality systems, etc. Foreign investments, privatization process of companies were quite important for the reorganization of agricultural and food industry, which, in the face of expanding globalization, supported their development. Before the integration price and cost advantages over the EU food producers, which were later used, constituted a big opportunity. The scope of impact and the level of management professionalization on their competitiveness still remain an unsolved problem in the functioning of agricultural and food companies. It should be also settled if management professionalization of these companies does not limit the managers' motivation to act as well as their creativity. For companies management professionalization is the activity aimed at using all kinds of opportunities arising and desired tendencies in the area of implemented management functions. In order to verify this hypothesis the analysis was conducted in the article of management function implementation in agricultural and food companies belonging to the WIG-Food index of the Warsaw Stock Exchange. An attempt was made to demonstrate that management professionalization is an extremely significant tendency for agricultural and food companies leading to the concentration of activities supporting the effectiveness. Management professionalization is also about strengthening and development of human capital, employing personnel management specialists, implementing personnel function, tasks related to personnel selection, training programmes, motivation, assessment and development of employees, which were implemented by both the middle and senior management of a company¹. In agricultural and food companies the necessity to create the concept of personnel policy was observed both at the strategic and operational level.

Research purpose and methodology

Agricultural and food companies are constantly looking for new solutions in the area of the long-term strategic and research – development policy they carry out to ensure management professionalization which is to result in high positioning of a company in the international arena in the future and ensure high effectiveness of functioning in Poland. At present the companies of agricultural and food industry attempt to search for export opportunities, to win over new business

¹ *Profesjonalizacja zarządzania zasobami ludzkimi*, <http://www.szkolenia.kolobrzeg.pl/>, accessed on April 20th, 2011.

partners, to create the concept of effective foreign investments and to strengthen human capital they have (Firlej, 2010). Companies belonging to the WIG-Food index of the Warsaw Stock Exchange were purposefully adopted to constitute the research area. One of many reasons and absolutely the most important one supporting such choice was the assumption that these companies, as capital market participants, aim at professionalization of functioning by means of participation in the capital market. Others are related to the necessity to maintain transparency in undertaken activities, the requirement of submitting periodic financial statements and using principles of corporate order by entities quoted on the share market. On the basis of the analysis of the economic and financial results of these companies it can be stated that they made use of favourable conditions after Poland's accession to the European Union and recorded spectacular growth of export activity (Firlej, 2008). The research purpose of this article was to explore the attempts of management professionalization in the area of implementation of particular management functions in the companies belonging to the WIG-Food index. The functions are as follows: planning, organizing, motivating and controlling. The detailed purposes include: presentation of the present economic situation of companies, description of adaptation strategies they use and identification of the most beneficial elements of the strategy in the aspect of the previous activities, attempt to determine the competitive position of Polish agricultural and food companies in the international arena and the methods they use to strengthen this position and use of resources intended for this purpose. The research was conducted on the basis of information, reports and financial results published by companies between 2004 and 2010. The WIG-Food index of the Warsaw Stock Exchange currently includes 18 companies². Most companies belonging to the WIG-Food index carry out activities on the international market, which is a result of constant internationalization, necessity to penetrate and gain new markets and makes constant modernization and professionalization of activities absolutely necessary. The research was conducted by means of retrospective analysis and the period covered by the research was the initial (lasting 7 years) phase of full membership of our country in the European Union being the most conducive to the development of food economy in recent years. In some cases the pre-accession background of functioning of the companies during the transformation of the Polish economy was also discussed, in such a way the importance of previous preparations in this area was emphasized.

² The WIG-Food index on March 1st, 2010 consisted of the following companies: Ambra S.A. in Warsaw, Astarta Holding NV based in Amsterdam, Elstar Oils S.A. in Elbląg, Graal S.A. in Wejherowo, Indykpol S.A. in Olsztyn, Kernel Holding S.A. based in Luxembourg, Kofola S.A. in Warsaw, Makarony Polskie S.A. in Rzeszów, Mispol S.A. in Suwałki, Pamapol S.A. in Rusiec, Polski Koncern Mięsny Duda in Warsaw, Przedsiębiorstwo Cukiernicze „Jutrzenka” S.A. in Bydgoszcz, Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. in Łomża, SEKO S.A. in Chojnice, Wawel S.A. in Kraków, Belvedere S.A. in Beaune in France, Wilbo S.A. in Władysławowo, and Zakłady Przemysłu Cukierniczego „Mieszko” in Warsaw.

Planning

Planning – being a management function, consists in determining the major objectives of an organization in the future, choosing means of achieving them³ and it is an element of management which determines undertaking of bringing about phenomena which in reality could not occur spontaneously. Production planning and controlling in a company, according to M. Trocki, is a set of activities which includes the specification of production tasks – concerning the type and the quantity of production results, run dates as well as quality and costs, ensuring material and organizational – technical conditions for performing them and monitoring production process and correcting it depending on disruptions which occur⁴. It seems extremely important to take account of particular planning stages which substantially determine their future in current activities of companies⁵:

- entrepreneurship stage – in this stage managers hardly use the planning function, instead they react to few problems that appear,
- administrative gap stage – formalized planning begins to develop, especially in order to increase effectiveness,
- expectation gap stage – the plans evaluating visions of further functioning of a company are developed,
- strategic development stage – managers deal with problems of growth, look for methods of expansion and diversification of activities of a stabilized company.

In the case of companies belonging to the WIG-Food index it can be assumed that in the present situation they are in the strategic development stage. Since the quotation of their shares on the Warsaw Stock Exchange, and many times long before that took place, managers of these companies have been obliged to develop new solutions which would be conducive for generating profit in a short period of time and as a result to the growth of value of a company. These companies are usually stabilized, however they are still searching for modern methods conducive to expansion and diversification of activities.

³ *Leksykon zarządzania*, Difin, Warsaw 2004, p. 140.

⁴ *Ibidem*, p. 407, accessed on April 2nd, 2011.

⁵ Planning, <http://www.planowanie.tk/>, accessed on: April 2nd, 2011.

Table 1. The most important strategic activities implemented by selected companies from WIG-Food index

Company	Activities supporting implementation of company strategies in practice
Elstar Oils S.A. in Elbląg	The main principle of Elstar Oils S.A. strategy is aiming at developing and strengthening its position as a significant manufacturer of refined and vegetable oils for B2B sector recipients. The Company objective is developing products for food processing industry recipients and creating a new production segment which are rapeseed biocomponents for the liquid fuel industry ⁶ .
Graal S.A. in Wejherowo	The Company is interested in creating its own brands, introducing and using the most advanced production lines, maintaining very high quality standards. The strategic goal of Graal S.A. is to achieve the leading position on the canned fish market in Poland, inter alia, by means of acquisitions of other entities and constant improvement of the manufactured products and service quality ⁷ .
Indykpol S.A. in Olsztyn	The Company, being the largest manufacturer of meat and turkey products in Poland with the leading position of the Group of Companies, is going to take the leading position in the export of meat and turkey products. The development strategy assumes constant growth of production potential and creating a vertically integrated organization ⁸ .
Makarony Polskie S.A. in Rzeszów	Makarony Polskie S.A. is one of the largest and most dynamically developing manufacturers of pasta in Poland. It has rich traditions and many years of experience ⁹ . The goal the group has set itself for this year – is to achieve an 8% margin EBITDA (operating profit plus depreciation) ¹⁰ .
Wawel S.A. in Kraków	In 2006 the Wawel S.A. investment project in Dobczyce, related to the implementation of strategic plans of the company including the relocation of production to a new plant was completed, as a result a modern plant meeting all standards required during the production of food was built ¹¹ . In 2011 Wawel is planning investments at the level of 25 million PLN. The company is currently completing the expansion of the factory in Dobczyce. After the completion of works, the manufacturing capacities of the plant will increase by further 15–20%, which will make it possible to develop production within the next 2–3 years ¹² .

⁶ Elstar Oils, Perspektywy rozwoju, <http://www.elstaroils.pl/articles/view/203:perspektywy-rozwoju>, accessed on May 4th, 2011.

⁷ <http://www.graal.pl/>, accessed on May 4th, 2011.

⁸ <http://www.indykpolska.pl/>, accessed on May 4th, 2011.

⁹ <http://www.makarony.pl/firma.html>, accessed on March 5th, 2011.

¹⁰ The Warsaw Stock Exchange: The company of the day: Makarony Polskie, http://www.inwestycje.pl/gpw/analizy/gpw__spolka_dnia__maka-rony_polskie;75610;0.html, accessed on March 5th, 2011.

¹¹ <http://www.wawel.com.pl/pl>, accessed on May 5th, 2011.

¹² Wawel S.A. summarizes 2010, <http://www.wawel.com.pl/pl/biuroprasowe/informacje/>, accessed on May 5th, 2011.

Seko S.A. in Chojnice	The Company, being one of the leading processing fish companies in Poland, is planning to allocate funds obtained from the issue of shares for acquisitions of companies from the fishing sector, construction of a new marinade processing production plant, development of sales network and sales department ¹³ . In the first quarter of 2011 the Company completed the implementation of the planned investment project called „Rozbudowa zakładu przetwórci ryb” (Expansion of fish processing plant), conducted the initial start-ups of production lines and started the production in the new part of the production plant. New production lines are equipped with the most advanced devices and are highly automated. New lines are used to manufacture products which, until now, have been offered by the Company ¹⁴ .
Wilbo S.A. in Gdynia	The Company has been functioning since 1987 and it has been listed as a joint-stock company on the Warsaw Stock Exchange since 1998. The plans of the company concern pursuing the policy aimed at strengthening the brands on the market and continuous search for new development opportunities. In 2011 the company is going to broaden a range of products and enrich its assortment ¹⁵ .
ZPC Mieszko S.A. in Warsaw	Since the foundation Mieszko has been one of the most well-known confectionery manufacturers in Poland. Mieszko S.A. is a modern and dynamically developing company carefully monitoring the market and reacting to the changes that occur. Planned development and continuous training constitute the strategic goal of the company. The Company is planning to introduce modern solutions in the field of production modernization and expansion of the assortment ¹⁶ .
Pamapol S.A. in Rusiec	Pamapol was founded in 1993. Pamapol S.A. made its debut on the Warsaw Stock Exchange in June, 2006. The activities planned at that time, which consisted in obtaining capital, contributed to the implementation of strategy consisting in the expansion of Pamapol S.A. the Group of Companies. In such a way Pamapol S.A., the dominant company, was created and it is planning next investments. The current plans of the company concern the dynamic increase of the scale of activities and improvement in effectiveness of using the assets ¹⁷ .
Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. in Łomża	The Company, being one of the most important agricultural and food processing plants in Poland, is the largest potato processing plant in Poland. The company is planning to increase the export of the products to world markets such as: Asia, North and South America and the European Union countries. In addition, the company is going to continue pursuing the expansive sales policy. Currently the company uses the most advanced technologies and machinery of reputable and the best world manufacturers and it is planning to modernize it constantly ¹⁸ .

Source: own work on the basis of the analysis of financial statements of companies

¹³ <http://www.sekosa.pl>, accessed on May 5th, 2011.

¹⁴ Additional information to the quarterly report of SEKO S.A. for the 1st quarter of 2011. <http://grafika.parkiet.com/>, accessed on May 5th, 2011.

¹⁵ <http://www.wilbo.pl/>, accessed on May 5th, 2011.

¹⁶ <http://www.mieszko.com.pl/>, accessed on May 5th, 2011.

¹⁷ <http://www.pamapol.com.pl/pl>, accessed on May 6th, 2011.

¹⁸ <http://www.pepees.pl/>, accessed on May 6th, 2011.

For many years it has been observed that companies from the WIG-Food index have been reluctant to disclose the concepts of strategic development, which does not contribute to the increase of achieved profits and their development. Agricultural and food companies belonging to the WIG-Food index are companies using various strategies which constitute the type of planned activities and their implementation in practice (table 1). The main strategies used are:

- strategy of activity on the internal market,
- strategy of marketing in the foreign trade,
- strategy of international marketing (multinational, local),
- strategy of sub-global marketing (modular),
- strategy of global marketing, monolithic.

The surveyed companies, for the most part, plan the development on the basis of the increase in commitment on local and international markets and the continuous increase in the internationalization level. Managers of these companies are interested in implementing the methods of international, multinational and global marketing (Gwiazda, 1999) which make the level of their commitment increase on foreign markets. Many companies are interested in increasing the export of their products, cooperating with the countries of Eastern Europe and the Asian markets. The willingness to take over other entities or to implement next investment projects e.g. *greenfield* (as a form of direct foreign investments) can be observed in the plans of many companies.

Organizing

Organizing is about combining different elements of an organization to make a whole which can achieve its goals. The organizing process consists in creating organizational structures where employees can cooperate in implementing strategies of organization¹⁹. In the Encyclopaedia of Management, the organizing process has been defined as ordering, assigning, coordinating activities and resources of particular members of an organization, establishing cooperation within a specific structure of relationships and introducing specific order. Summing up, such management will make it possible to implement the specific plan in the best possible way and as a result of organizing structures of material and social systems are developed and their conscious allocation, taking account of approved goals and criteria, results in the exclusion of activities which are not intensive and effective²⁰. Organizing process also concerns the recruitment of new personnel, modernization of relationship structure and job position planning. Delegation, namely the correct allocation of power, duties and rights of other employees and

¹⁹ *Leksykon...*, op.cit., p. 140.

²⁰ *Management functions*, http://mfiles.pl/pl/index.php/Funkcje_zarzadzania, accessed on May 5th, 2011.

the coordination of departments is also important. The implementation of organizing function in the companies belonging to the WIG-Food index was analyzed in eight companies (table 2).

Table 2. The most important activities related to implementation of organizing function by companies belonging to WIG-Food index

Company	Activities supporting implementation of organizing function of companies in practice
AMBRA S.A. in Warsaw	AMBRA S.A., a trading company in Warsaw, earns more than two-thirds of revenues in Poland and the export to the Czech Republic and Romania constitutes the rest. It concentrates its activities on two main markets: commercial market and market of fine wines. Proper organizing of the sales system is to improve the profitability and to influence the implementation of synergy with regard to the service of markets, distribution, production and purchase, which is to be supported by restructuring activities and concentration on the main assortment and brands. The company is also to close down unprofitable plants and aim for production concentration ²¹ .
Astarta Holding N.V. in Amsterdam	Astarta Holding N.V. is the dominant company of the group of companies founded in accordance with the Dutch law, among these companies Ukrainian Astarta-Kyiv sp. z o.o. serves a function as a holding company controlling 6 sugar factories, 5 agricultural companies, a fruit and vegetable processing plant and a feed mixing plant ²² . Astarta Holding N.V. Group diversifies its production, practises crop rotation, it is also engaged in farming and sale of grain as well as breeding cattle and it was founded by means of acquisitions and reorganization of subsequent sugar factories, agricultural companies and farms. It also has its own warehouses where the grain is stored ²³ .
Polski Koncern Mięsny DUDA S.A. in Warsaw	The company, within its reorganization, is looking for business partners on the market and in particular it is interested in the Asian market and the formation of groups of companies using synergy in action. The company implements diversified investments and pursues strategies of industry consolidation (using possible opportunities with regard to mergers and acquisitions). Organizing process is conducive to the development of activities in the field of distribution and processing and to activities aiming for the implementation of the main goal which is strengthening the leading position on the Polish meat market and strengthening the position on the European market. In addition, it intensively develops distribution network in Poland, develops its own brands, it is in the course of construction of a large centre for its own as well as service needs and develops investments in Ukraine ²⁴ .

²¹ Ambra, <http://www.ambra.com.pl/> accessed on March 1st, 2010.

²² Oferta akcji zwykłych o wartości nominalnej 0,01 EUR każda (pol.) (The offer of ordinary shares at the nominal value of 0.01 EUR each). Astarta Holding N.V., accessed on March 4th, 2010.

²³ Astarta – Kiev, <http://www.astartakiev.com/>, accessed on March 2nd, 2010.

²⁴ Duda, Polski Koncern Mięsny, <http://www.pkmduda.pl/>, accessed on March 3rd, 2010.

Jutrzenka Holding S.A. in Opatówek	The company is in the course of the implementation of expansion strategy to foreign markets and follows new trends constantly introducing product innovations. It undertakes a number of activities to develop its distribution network and to intensify sales on the EU market and to use the access to new sources of raw materials. The reorganization process assumes increase in the export of products to the countries of Central-Eastern Europe, the United States, Canada and the Near East. Implementation of organizing function in the company also concerns the purchase of Celmar Trading S.R.L. in Bucharest completed by Ziolopec at the end of 2005 and the foundation of a trading company in the Ukraine called Kolanski Trade Ukraine in 2006 ²⁵ .
Kernel S.A. in Kiev	The activities of the company in the middle of the nineties started with the export of agricultural products produced in the Ukraine and the purchase of silos to support the activities related to gaining grain. In 2002 the activities were expanded with another market segment by means of the purchase of sunflower seeds press in Poltava, as a result the Group ceased to be a trading company only and it became the manufacturer of agricultural products as well. At the same time Kernel S.A. started building a bank of agricultural land entering into long-term lease agreements of land located usually near the silos belonging to the Group. In 2004, using the continuing good economic situation in the Ukraine, the company decided to expand its activities with retail market and market of brand oils. For this purpose it purchased the „Szczedry Dar” brand along with the plants located in the eastern part of Ukraine near Luhansk. The plant consists of a press, refinery and bottling plant. In 2006 the sector of edible oils was in the phase of consolidation and Kernel S.A. used the opportunity of significant acquisition purchasing „Stożar”, the brand of bottled oils, along with the production assets of Evrotek – the main domestic competitor in the industry of food oils having the dominant market position in the Kharkiv area. As a result the Group managed to achieve the significant increase in sales and to become the leading producer and seller of sunflower oil in the Ukraine. In 2008 it purchased the second largest Ukrainian grain handling terminal in the Ilichevsk port. The purchase of terminal was, for Kernel S.A., one of the stages of expanding the marketing opportunities and creating the largest integrated supply chain in Ukraine: from agricultural cultivation and purchases of agricultural production from producers to handling exported grain in the port ²⁶ .
Mispol S.A. in Suwałki	The Mispol S.A. Group produces and distributes canned meat, pâtés, instant dishes and food for dogs and cats. Products are offered in Poland, in many EU countries, countries of the former CIS, the Balkan countries and in Israel. The Mispol S.A. Group of Companies includes the following production plants: in Poland (two in Suwałki including one in a special economic zone and two in Białystok), one in Belarus (in Grodno – a special economic zone and tax-free zone) and three modern plants in the Czech Republic. The Mispol S.A. group of companies has four production plants in Poland – two in Suwałki including one located in a Suwałki special economic zone and two production plants in Białystok. In addition, it has a plant in Grodno, Belarus in a special economic zone and three modern plants in the Czech Republic ²⁷ .

²⁵ Jutrzenka Holding S.A., <http://www.jutrzenka.com.pl/>, accessed on March 4th, 2010.

²⁶ Kernel Holding S.A., http://www.money.pl/gielda/spolki_gpw/kernel;holding;sa,KER,o_firmie.html, accessed on March 5th, 2011.

²⁷ Mispol S.A., <http://www.mispol.com.pl/>, accessed on March 6th, 2011.

Kofola S.A. in Warsaw	The Kofola Group is one of the most important manufacturers of soft drinks in Central Europe operating in the Czech Republic, Slovakia, Poland, as well as Russia (focusing on the Region of Moscow) ²⁸ . In 2008 the merger of Kofola a.s. and Hoop S.A. took place, as a result the company KOFOLA-HOOP S.A. came into being. Kofola S.A. is one of the largest manufacturers of soft drinks in the countries of the Visegrád Group and in Central-Eastern Europe. The investment plans of the company include organization and achievement of vision of becoming the second largest player on the market of soft drinks in Central Europe and formation of the basis for achieving a similar position in Russia.
Belvedere S.A. Beaune in France	Belvedere S.A. is a French company forming the holding company of producers of alcoholic beverages which the renowned Polish company Sobieski Sp. z o.o. also belongs to. The sales system of the Belvedere Group is divided into the markets of Europe, Asia and both Americas. It concentrates its activities on production, distribution, marketing and logistics in the sale of strong alcoholic beverages as well as Bulgarian wines. Permanent and dynamic growth contributed to the achievement of planned development stages and the increase in its shares on the market of alcoholic beverages. The company has one of the largest and the most effective sales structures. The company achieves 60% of total sales in Poland and the remaining 40% of production is exported to most European countries as well as the USA, Canada and Brazil. The group has production plants, inter alia, in Lithuania and Ukraine and the Sobieski vodka is also bottled in Brazil ²⁹ .

Source: own work on the basis of the analysis of financial statements of companies

Analysing the activities undertaken by companies belonging to the WIG-Food index in the field of implementation of organizing function, it can be observed that the most important activities in the initial period of functioning included the ones which concerned formation and construction and later the ones concerning modernization and restructuring transformations. The formation of group of companies using synergy in action was also an example of these activities. The improvement in functioning of companies depended on the type of the generated production and the industry which they functioned in. Proper organization of the production and sales system significantly contributed to the creation of synergy and activity coordination in the service of markets, improved current profitability, profits earned and value of a company. System of improvement of organizing function also consisted in reorganization of production process and application of modern and current production methods. Successively conducted activities in this area strengthened the position of the company on the market not only in Poland

²⁸ Kofola S.A., <http://www.kofola.pl/spolka/informacje-ogolne>, accessed on March 5th, 2011.

²⁹ About the Company, <http://www.sobieskivodka.pl/ofirmie.html>, accessed on May 5th, 2011.

but also abroad. Financial results of the companies also clearly improved – it concerned the companies which, entering the capital market, were forced to carry out activities in the area of production and management systems reorganization. Acquisitions and mergers of companies, conducted many times, also constituted an element strengthening a company position, as a result the increase in concentration level and the increase in the market power of the companies were taken care of. It also enabled the companies to adapt themselves to the level of current costs and prices of the dominant company in a given industry and their consolidation. Within the implementation of organizing function, the companies searched for business partners on many markets and performed transformations under the applied strategies. The companies also took care of the extension of marketing opportunities, creation of integrated supply chains and use of opportunities arising from the plants' location in special economic zones.

Motivating

Motivating means providing specific incentives for employees which cause desired actions and it is aimed at making employees act in accordance with the expectations of a manager³⁰. From the functional perspective – it is one of the basic managerial functions consisting in forming the desired employee behaviour in order to perform specific tasks by means of the process of deliberate and intentional influence on their behaviour. In the motivational activities incentives in the form of material and intangible tools may be used. Material tools: basic remuneration, bonuses and rewards, security and retirement benefits and material benefits e.g. providing an employee with a company car or an opportunity of using sport facilities and other benefits. The most important intangible tools are: the status of a position, enabling an employee to develop, esteem, good effects of work, ensuring safety for employees or the image of an organization. The main factors motivating people to work were divided in 1957 by T. Herzberg into two groups: external factors (hygiene) and internal ones (motivational factors). Currently, it is assumed that motivational conditions are a set of circumstances determining the situation at work and making it free of problems and unpleasant situations for an employee. The following conditions can be distinguished among them:

- economic conditions (pay level and job security),
- social conditions (interpersonal relationships, culture),
- physical conditions (hazards, technical conditions),
- organizational order³¹.

In order to examine the implementation of the motivating function in companies belonging to the WIG-Food index the analysis of motivational conditions was carried out which influence the whole of functioning of companies of agricultural

³⁰ *Leksykon...*, op.cit., p. 140 and 351–352.

³¹ *Ibidem*, p. 352.

and food industry in the conditions of the market economy. As a result of the interviews which were conducted it was stated that in the area of company business activity the influence of many motivational stimulants can be distinguished which influence the motivation of employees during operating activities in a positive way, enhance the organizational culture in a company and are often an inspiration for making changes concerning technical conditions at work or transformation of organizational order. The research on employee motivation to work itself, namely the actual specification of economic conditions concerning the current pay level and job security proved that when comprehensive instruments of motivation systems in companies of agricultural and food industry are developed the following aspects should be taken into consideration:

- forming the pay level and effective remuneration system helps to use qualifications and skills of employees in an organized manner, which influences the management of available resources,
- employee shares and shares for the board members constitute a motivation factor supporting effective company management, they are conducive for using its strengths and market opportunities arising for both operating employees and the managers,
- thanks to an adequately high pay level and job security ensured in the long period there is motivation in a company in the field of gaining and gathering intellectual capital which shapes the present goodwill of companies, positions them not only on the domestic but also international market and influences their competitiveness,
- in many cases representatives of companies, when asked about the significant motivation factors, mentioned the existing opportunity of being employed in a quoted company perceived well on the labour market, performing work which complies with the standards of occupational health and safety and using modern and safe devices in production processes.

In the researched companies, an attempt was made to meet the social conditions to the greatest extent, with regard to interpersonal relationships being formed and current culture. After conducting the analysis of the needs, the company boards of directors conducted a significant quantity of training courses consisting in workshops. For this purpose appropriate and individual projects were created and were used for meeting the needs of particular companies reducing the risk of the appearance and expansion of interpersonal conflicts. The training concerned the increase in innovation, human resource management (projects of investment in personnel), e-business support, development of food products, Polish export support, implementation of occupational health and safety standards, environmental protection and increase in competitiveness of companies of food industry. The employees are subject to periodical assessment, which undoubtedly determines and reinforces the scope of their competences, areas of development and need for training and reduces the risk related to the rotation of employees.

The research on companies, in the field of motivating employees by meeting physical conditions and creating organizational order, produced interesting results. Generally, employees perceive working conditions with which they are provided as correct in terms of safety and they do not recognize the need for strengthening them. Making production processes technical is considered to be at the highest possible level in all companies and according to the binding EU and world standards.

Organizational order, even though it is often skipped by the employees themselves when they evaluate motivation factors, also plays a direct role among the employees of researched companies. The employees value the introduction of novelties and continuous search for more and more modern solutions in this respect. They perceive mergers with other economic entities and their acquisitions in a very positive way making it clear that this must be an intentional activity, economically justified, and it does not create inequality between them. The examples of the companies belonging to the index which recently have made successful mergers and acquisitions: Jutrzenka Holding S.A. in Opatówek, Graal S.A. in Wejherowo, Kofola S.A. in Warsaw and Belvedere S.A. Beaune in France.

Controlling

Controlling is a process ensuring the correspondence of the planned activity in reality consisting in comparing the designated tasks with the obtained results. The implementation of controlling function in companies consists in the control of production quality, control of the projects and investment tasks being implemented and strategic control³². Each of these activities is equally important to ensure the proper functioning of a company today and in a long – term perspective. In the case of companies quoted on the Warsaw Stock Exchange financial control which includes the analysis of financial statements, index analysis and financial review seems to be extremely important. Conducting financial control provides the managers of companies with useful information which is communicated to their owners and the entities concerned (Griffin, 2000). In the researched companies obligatory periodic controls are conducted in the area of quality of produced goods which are subject to the Polish and EU standards. All of the researched companies implemented the principles of the HACCP system and ISO 22 000 standards. The use of the principles of the HACCP system made it possible to: identify hazards and describe preventive measures, identify critical control points, identify critical limits, specify monitoring system, specify corrective actions, establish record keeping and system verification procedures. The introduction of ISO 22 000 makes it possible to: conduct analyses of hazards with regard to all measures of control, ensure better procedures of diligence tests, establish more dynamic communication in the issues related

³² *Leksykon...*, op.cit., p. 140 and 221–225.

to food safety between suppliers, clients and other parties³³. The control of projects and investment tasks and strategic control are in the range of using good practices of companies quoted on the Warsaw Stock Exchange. In 2010, the document *Dobre praktyki spółek notowanych na GPW (Best Practices of Companies Quoted on the Warsaw Stock Exchange)* was published, which included the goals of Good Practices of Companies such as: strengthening transparency of quoted companies, improvement in the quality of communication between companies and investors, strengthening protection of shareholders' rights also in the materials not regulated by the law and, at the same time, not placing burdens on quoted companies, which are not balanced with the benefits resulting from the market needs. Therefore, the Best Practices pertain only to the domains where the use of the practices may positively influence the market valuation of companies and as a result reduce the cost of gaining capital³⁴. The information concerning the importance of corporate governance in the development of exchange market and the principles of creating and using good practices can be found in the preamble of the document. Suggested recommendations and good practices can be divided into 4 groups:

- I. Recommendations concerning good practices of quoted companies.
- II. Good practices implemented by the boards of directors of quoted companies.
- III. Good practices used by the members of supervisory boards.
- IV. Good practices used by shareholders (Firlej, 2011).

An unquestionable advantage of the obligatory compliance with good practices by food companies belonging to the WIG-Food index is the requirement that a periodical control of the compliance be conducted, which the researched companies make in the statements issued for that particular purpose and using the mechanisms of corporate supervision they become more transparent in the field of functioning. Good practices constitute an important factor limiting corruption, perform the informative function for numerous international organizations associating many potential institutional investors as well as for entrepreneurs themselves and their managers. The concept of corporate supervision in companies, in quoted companies in particular, may refer to control mechanisms which are related to the

³³ HACCP namely Hazard Analysis and Critical Points Control is aimed at providing health safety of food products intended for consumers. The ISO 22 000 standard is directed at producers of food, additives, wholesalers and food retailers, <http://www.poradnik-praca.pl/>, accessed on May 7th, 2011.

³⁴ *The Warsaw Stock Exchange updates the principles of Best Practices of Companies Quoted on the Warsaw Stock Exchange*, <http://www.corp-gov.gpw.pl/>, accessed on October 10th, 2010. The www.corp-gov.gpw.pl webpage is the official website of the Warsaw Stock Exchange devoted to the issues of corporate governance of companies quoted on the Main List of the Warsaw Stock Exchange and on NewConnect. On this webpage there are all materials concerning the implementation of the principles of Best Practices and the information about current events undertaken by the Stock Exchange and its EduPartners related to the corporate governance. This website also performs the function of communication tool between the Stock Exchange and the Companies.

impact of the whole economy on the sector of companies as well as to a broadly defined management sphere. *Good governance* principles used in a company most often regulate internal relationships between shareholders and internal bodies of companies. At this point a simple relationship should be observed: the larger the organizational unit, the higher the requirements concerning the rigours and transparency of the corporate supervision system. Elstar Oils S.A in Elbląg is an example of such company in the WIG-Food index. The home page of the company website informs us that „(...) *the fundamental principle of Company activity is that the needs significant for both its shareholders, the company as well as the society should be combined in business strategy*”³⁵, which clearly indicates the observance of principles. The Company provides its shareholders with protection of their interests through the implementation of the main goal of its activities which is defined as the maximization of company value. The way the company takes care of the implementation of „Best Practices” is expressed in the maintenance of environmentally-friendly approach to business as well as transparent corporate relationships, clear ownership structure and observance of minority shareholder rights. The Company Board of Directors perform its tasks in considerable cooperation with many participants of the capital market and taking care of information clarity. The Company Board of Directors presented its activities concerning the implementation of „Best Practices” on April 30th, 2009 in the statement related to the application of the principles of corporate governance and stated that in 2008 and 2009 the principles of corporate governance stated in the previous statements were met. In the statement, the company board of directors referred in detail to the fact of not meeting fully the detailed requirements defined as „Best Practices of the Companies Quoted on the Warsaw Stock Exchange”. Analysing the statements of researched food companies it can be observed that additional control system created in this way may contribute to better financial results, maintaining market position and effective use of the assets by companies. In the researched companies poor effectiveness of controlling the managers was also observed, who despite a number of mistakes made in the past, still receive high remuneration and pursue their plans. Unfortunately, as a consequence it will influence the difficult situation of the companies which will have to meet their increasingly higher requirements year after year. It will also restrict the development opportunities of companies which, in the restructuring era, are at risk of losing financial liquidity, which as a result leads to their bankruptcy.

Summary

Functioning of agricultural and food companies belonging to the WIG-Food index on the Warsaw Stock Exchange is determined by many macro and

³⁵ Elstar Oils S.A., <http://www.elstaroils.pl/articles/view/220:ad-korporacyjny>, accessed on October 10th, 2010.

microeconomic factors. Microeconomic factors in a special way influence the implementation of the management function, which is a result of adopted organizational structures and management systems. The conducted research and factual and financial analysis indicate that the management professionalization of these companies does not limit their managers' motivation to act and their creativity. On the contrary, it supports this phenomenon. Permanent professionalization of activities is supposed to support the activities related to company management and, in the future, influence the increase in profits and value of a company. Previous improvement of the management function in the researched agricultural and food companies contributed to the implementation of many processes which resulted in taking the appropriate position on the domestic and the international market.

The planning function – its implementation enabled the companies to create new solutions conducive for generating profit in the long period and leading to the growth of company value and it helps with the search for modern methods conducive to expansion and diversification of activities. Agricultural and food companies are planning the implementation of investment projects in the long term supporting their development by preparation and implementation of their concepts which, being specific strategies, are reflected in practice. The development of the researched companies is based on diversification and increase in activities on local and international markets and increase in the internationalization level.

The organizing function – contributed to the creation of optimum organizational structures in agricultural and food companies, which enable them to pursue adopted plans and effectively achieve the goals in an ordered manner. Implementation of the organizing function in companies belonging to the WIG-Food index concerned designing production processes at the time when the companies were established and modernization and restructuring transformations in the phase of growth. Care was also taken of correct coordination of tasks and use of synergy effects in action, which resulted in the improvement of the market service and increased current company profitability. During the implementation of this function, manufacturing processes were reorganized in many companies, modern production methods and management systems were introduced. Acquisitions and mergers of companies also constituted a supportive element, thanks to which the concentration level and market power of companies increased. Company marketing opportunities were expanded through the creation of integrated supply chains and the opportunities of situating production in special economic zones were used.

The motivating function – taking this function into account in the current operation of agricultural and food companies justified their activities in the area of creating incentives encouraging people to apply for a job in these companies and of permanent professionalization of those activities. Managers of the researched companies clearly required their employees to display the desired behaviour, con-

sciously and intentionally coordinating their behaviour. Among the motivational activities, the material ones were considered most important, these activities to the greatest extent influence the behaviour of employees and motivate them to work more effectively. Employees consider the increase in basic remuneration to be the greatest incentive to work although they more and more often notice the role of bonuses, rewards and additional benefits. The researched companies also took care of correct shaping of interpersonal relationships and current culture. Depending on the needs, training courses and workshops were conducted which improved the qualifications and skills of employees.

The controlling function – the implementation of this function in agricultural and food companies belonging to the index mostly concerned ensuring the compliance of planned activities with the achieved ones. It contributed to ensuring proper functioning of a company in the future. The most important tools which were used for controlling activities include constant financial control including the analysis of financial statements, index analysis and financial review. Additionally, obligatorily periodic controls in the area of quality of produced goods were conducted, care was taken to implement „Best Practices” required by the Warsaw Stock Exchange and the work of the managers was controlled.

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