

# “Human Resources Architecture of European Union New Member Country - Case of Poland”

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# SECTION 1 | **Macroeconomic Processes and Regional Economies Management**

## **Human Resources Architecture of European Union New Member Country: Case of Poland**

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### **Abstract**

The following paper describes human resources architecture identified in the companies operating in Poland. It presents the results of empirical research conducted in the years 2000 and 2002. The HR architecture was presented here and it was done by describing its components, especially – human resources policy with its components such as employment, motivating, training and development of personnel. HR architecture was presented from the perspective of two types of organizations: those, which were purposely chosen and included in the sample and those, which decided voluntarily to take part in the research.

**Key words:** human resource architecture, employment, motivating, development.

### **Introduction**

The following paper presents general HR architecture, which was identified during the empirical research conducted in the companies operating in Poland. By “HR policy architecture” we mean the internal composition of the elements, each of which concerns organization’s employees (Bolesta-Kukułka, 1999; Król, 2002). When we expand this definition, we can state that the architecture is a configuration of a function, subjects and tools of HR management. These should be oriented at creation and delivery of value-for the customers, employees, shareholders (investors), and the community (social responsibilities of the company). Although this paper concerns all three elements of the architecture, it concentrates primarily on description of human resources policy function. This is perceived as a resultant of three sub-functions such as: personnel employment motivating, training and development.

The main source of information was the research study conducted in the year 2000 by Instytut Pracy i Spraw Socjalnych (IPiSS; Institute for Labour and Social Affairs). 92 companies from different sectors took part in it. They differed both in size of their employment, turnover, ownership of majority stake, location and region of operations. The sampling procedure started with the rankings of Poland’s best 500 companies, which are published annually by a national weekly ‘Polityka’. The additional source of information was the research study that accompanied annual national competition “Human Resources Management Leader” (the 3<sup>rd</sup> edition, 2002), which was organized by the same institution. The aim of the competition was to appoint the leaders in the area of human resources investment and to promote the best human resources management practices, which were implemented in the companies operating in Poland. The research study was conducted on the sample of 32 companies from the whole country. The limited size of the sample implied that the results were somehow of ‘supplementary’ nature. However they could deliver a sort of background for the comparison of the human resources management practices used by the companies, which were perceived as the leaders in this area, and by the companies, which were perceived as the best from the economic perspective. To distinguish between these two groups of the entities surveyed, the companies that took part in the competition would be referred to as “HR management leaders”, while the companies surveyed in other study would be referred to as “companies surveyed by the research study conducted by IPiSS”.

Hypothetically we can state that the leaders of HR management achieve the best results from economic / business perspective. According to this, the smaller sample (32 companies) would be included in bigger one (92 companies) and the practices of HR management utilized by the companies would be the same or very similar. The reality is though different.

## **Employment**

Employing people is a basic activity in the area of HR management. It aims to assure the optimal level and structure of employment in respect to the company's objectives. Planning the right number and qualifications of the employees required by a company becomes though 'basic step'.

The research conducted by IPiSS (see APPENDIX A) indicated that more than half of the companies surveyed (69,3%) planned their employment needs. However, a significant number of the companies surveyed did not engage in such activities (Pocztowski, Miś, Sepeta & Purgał, 2001). Making decisions related to personnel recruitment will require more involvement from HR departments or units. It was indicated by the results of the survey - 39,6% of the respondents perceived the recruitment process as very important, and 32,7% declared that it was very important from the perspective of achieving the objectives of the company (Pocztowski et al., 2001: 28).

Despite the economic downturn and general views of the society, which may be exemplified by a statement like: 'firing employees rather than employing them', the employment policy of the HR management leaders seemed to contradict to it (see APPENDIX B). These companies proved to behave in the opposite way than expected and recruited considerable numbers of employees. In the year 2001 eight of the surveyed companies employed from 21 to 50 employees. Another eight of them employed from 51 to 100 employees, five – from 101 to 500, and three – more than 500 (Urbaniak & Bohdziewicz, 2002: 40). We have to remember that the sample consisted of the companies that aspired to be the 'leader of HR management' so the tendencies present in these organizations should not be generalized and treated only as reflection of the real situation in Poland.

When searching for the right employees the majority of the companies surveyed by IPiSS utilized most popular, traditional recruitment forms, which were classified in the local and national press. These communication channels were used by 76,1% of the respondents. Other forms of recruitment were not very popular. Only 38,9% of the companies surveyed used support from employment agencies (governmental) and 27% used services of professional employment consultancies. More companies turned to their employees to solve employment's problems directly within the organization. They expected recommending for the free post a member of family or a colleague. Such practices were present in 52,9% of the companies surveyed. When it comes to alternative forms of recruitment, the respondents recalled various campaigns undertaken by their companies, such as information campaigns run in secondary schools and universities (18,9%) or 'open days' (5,9%) (Pocztowski et al., 2001: 31). Only few of the companies surveyed declared that they searched for the candidates in professional associations or unions (2,1%). The search for the candidates concentrated most often on the internal labour market. This source was utilized by 55,1% of the companies surveyed and only 7,2% of them preferred the external market. Such utilization of the first one suggested that the management of the companies surveyed executed the strategy of personnel development. However, it seemed a bit disturbing that a large group of the respondents did not declare any preference towards some sort of employment source (37,7%) (Pocztowski et al., 2001: 33). It may indicate that human resource policy, and especially employment function was executed in these companies in somehow blindfold manner.

The similar forms of recruitment were used by the "HR management leaders". Classified in the press (in 31 of the companies surveyed), internal announcements (28 declarations) and announcements in the Internet (27 declarations) were the most popular methods used. Among the other recruitment methods the recommendations of already employed personnel were also of big importance (26 of the companies surveyed). The difference was observed in the case of use of professional human resources consultancies (22 declarations), however it was not a significant one. The scope of the services used was diversified: from asking for help in preparation of competencies' profile of the person requested to complete recruitment process service. Similar to the first

research sample, the leaders of HR management used internal announcements, which might indicate execution of personnel development policy. Yet the analysis of the diversity of the recruitment methods indicated domination of the methods that were oriented at internal labour market.

Thus we can conclude that the companies developed their own human resources capital supplying it at the same time with new employees, who had new or unique skills.

The HR management leaders were little interested in such recruitment methods like: organization of "open days" or participation in "work fairs". It has to be emphasized that in case of the recruitment methods comparison, the companies with foreign capital compared favourably with those with Polish one. The companies with foreign capital dominate 'fully Polish capital' companies in case of the Internet and intranet utilization, or professional HR consultancies' services utilization (Urbaniak & Bohdziewicz, 2002: 42).

The survey conducted by IPISS indicated a high diversity of activities connected with the recruitment process in the area of employees selection techniques. The most popular were interviews with a direct superior (in 86 of the companies surveyed), pre-selection (first reading of application letter) (in 64 of the companies surveyed) and an interview (of a selective nature, conducted by a HR department employee) (in 73 of the companies surveyed). Various types of tests were rarely used. These could be personality tests (24), competency tests (12) and efficiency tests (3). No company used graphology analysis (Pocztowski et al., 2001: 34).

The HR management leaders' activities in the area of employees' selection techniques were very similar. The techniques mentioned above were also very popular in these companies. These techniques were: interviews (in 30 of the companies) and analysis of documents (in 29 of the companies surveyed). However, the most popular method proved to be references' / credentials' analysis (27), practical test (20) and various tests used to survey such characteristics as intelligence, skills, etc. (19). The companies with foreign capital presented more favourably in case of selection techniques than the companies with the Polish capital only. Both types of the companies utilized interviews and analysis of documents, but there was a difference in utilization of practical and other tests (Urbaniak & Bohdziewicz, 2002: 49).

To finish the description of the employment process we have to mention that in most of the companies surveyed by IPISS the decision on employment was taken by a company's director or by the board (49,8% of declarations), or by the manager, who was the direct superior to the future employee (47,4%). The HR department managers or employees had less authority (11,6%) (Pocztowski et al., 2001: 35).

The employment process conducted in the companies surveyed finished with contracts of indefinite employment (95%), which dominated in the old economy and with contracts of definite employment (89,1%). At the moment the flexible forms of employment, which are popular in the countries implementing knowledge-based economy are gaining importance. Although the traditional contracts are still much more popular, the growing number of flexible forms indicated more serious interest of the employers in such forms of employment. As an example: commission agreement and managerial contracts were used in 30,7% of all the cases (Pocztowski et al., 2001: 30).

The same regularity was indicated by the survey of the HR management leaders. The classic (traditional) forms of employment prevailed in these companies. Usually only one tenth of the personnel was working in a flexible employment form (13 declarations). Only few of the companies surveyed decided to utilize these forms more intensely and applied them to 70% of their staff (a company from IT sector and a different company with foreign capital). The most popular flexible forms of employment and labour organization were: agreements of civil law (28 declarations), part-time employment (24) and flexible working hours (12). Employment leasing (leasing agreement where the lessees are employees), work service agencies and new and not very popular form of telework were rarely used (Urbaniak & Bohdziewicz, 2002: 21).

When discussing the employment process we have to remember that on the macro level, as we mean national, the frequency of recruitment decreased. We deal now with a negative phenomenon of dismissals, which can be called derecruitment process. In the years 1998-2000 a half of the companies surveyed by IPISS dismissed employees (59,4%). To cope with over-employment the companies used earlier retirement (79,1%) and stopped employing new personnel (70% of the companies) (Pocztowski et al., 2001: 39).

Some of the companies offered some help for the fired employees (47,5%). It could be directing them to other companies (25,7%), financial help (22,8%), retraining (external – 10,9% and internal training – 8,9%), psychological help (6,9%). Yet the abovementioned activities were sporadic, and were ad hoc rather than complex, real outplacement-like activities (Pocztowski et al., 2001: 43).

## **Motivating**

In the difficult economic situation, when the demand for employment exceeds its supply the employers usually take advantage of their strong position. It is reflected in their passive attitude towards people and problems associated with them. The personnel issues very often are neglected. This negligence can be found in the area of personnel motivating activities. In Poland motivating is executed more often by rewarding system. All the other forms of motivating have become supplementary or residual. We have to be aware of the fact that even a salary does not meet its motivating objectives, at least in case of these groups of employees, which can be most easily acquired from the labour market. The salaries offered for the newly employed are low, the pay of senior employees remains at the same level. Very often the salary is reduced with an employee's consent. Such a "consent" is an agreement to have the salary reduced and it is rather forced by the top management than a manifestation of personnel's loyalty to a company. If an employee disagrees to accept the changes in his or her contract, then the contract will be terminated. These activities concern usually these groups of employees who earn well. We found such expectation of the employers that the employment solely would be enough to motivate their employees to work a bit worrying.

The research conducted by IPiSS indicated that the amount of the salary paid by the companies surveyed was most often linked with the results of an individual's work (75,2% of the positive declarations), with the results achieved by an company (69,3%), competencies' evaluation (62,4%), evaluation of work ( 59,4%), education completed (52,5%), job seniority (49,5%) and the results achieved by units of an organization (39,7%) (Pocztowski et al., 2001: 53).

The salary in the HR management leaders changed in a slightly different way. Its amount was related to the results of an individual's work (in 27 of the companies surveyed), to an evaluation of an employee competencies (in 20) and results achieved by the whole company (in 17 of the companies surveyed). Such determinants influencing the pay's amount (as well as rises) as results of organizational unit's work and inflation rate were less important (Urbaniak & Bohdziewicz, 2002: 75).

From the knowledge management's perspective the dependence of pay's amount on individual results is not positive. Two separate surveys, conducted on different samples, indicated that this criterion was the most significant. Such activities intensified only morbid rivalry and competition among employees instead of integrating them, inducing to share knowledge and experiences, to cooperate, to help each other and were harmful for orienting them at corporate objectives' achievement. Such effects as listed above can be achieved by relating salary's amount to results of a teamwork. It would be advisable to introduce such activities that would change the picture in that sense that the number of declarations that point the relation of salary's amount to individual results would decrease in favour of these declarations that indicate the relation of salary's amount to results of a teamwork. Relating salary's amount to results achieved by the whole organization can be regarded as positive. Such activities influence the employees in similar way as giving them company's stock or equity options, which enforces their attachment to company, involvement and interest in company's affairs. However we have to mention that relating salary's amount to results achieved by the whole company may lead to passive attitude of some groups of employees and 'parasiting' on the results achieved by others. Thus the basic criterion influencing salary's amount should be results achieved by groups (teams). The fact that the companies appreciated education and competencies, and thereby motivated the employees to upgrade their skills and qualifications, should be regarded as positive, especially in the era of knowledge, when it proves to be very important.

In the modern companies there are tendencies to move from high fixed part of the salaries to flexible elements observed. Although high share of the fixed element in the salary gives the employees sense of security and material safety, it is not good from the company's perspective, while such types of salaries do not motivate the personnel. In order to enforce the motivating effects of salary, the last one may be made more flexible, i.e. the fixed element may be reduced and variable elements may be introduced. Therefore each employee has direct influence on his or her pay. The adequately selected variable elements allow the company to direct the employees' efforts at the most important issues. The introduction of flexible elements of salary in the company stimulates the employees to put more effort in their work, be more involved, promotes the best employees and allows cost reduction (no results – the pay is lower). It seemed that such opportunities were well utilized by the companies. The research conducted by IPiSS indicated that the internal structure of salaries was well developed. The salary most often consisted of the basic salary (in 93,1% of the companies surveyed) and bonuses (74%), prizes (51,5%), additions (45,5%), stocks (4,0%), company's pension funds (3,0%), equity options (2,0%) and other elements (20,8%) (Pocztowski et al., 2001: 55). By "other elements" we mean such employee's advantages as covering costs of additional training, provisions, paying insurance premiums, company car, additional severance pays etc. Unfortunately one of the elements, which was "additions", remained somehow enigmatic. It is pity because it was very often used by the companies (45,5%) and without detailing we can not determine whether its nature was motivational or not.

The worrying may be the fact that stocks and equity options were used marginally in salary's composition (involving employees more with company's life). It might be due to low representation of the joint-stock companies in the sample. The bonuses and prizes used so often made very big percentage of the salaries fund and were very differentiated, accounting from few to 30% of the whole fund's value.

The similar situation was observed in the case of the HR management leaders. The salaries paid in these companies were not especially flexible. The basic salary was riding at the level of 71-80% of the whole salary (in 12 companies). Only in eight of the companies surveyed the amount of the basic salary was riding at the level of 61-70%. We have to add that the internal structure of the salaries was rather 'poor'. Apart from the basic salary it consisted of "additions" (for shifts, for working in harmful conditions, related to job seniority, functional etc.), prizes (jubilee, special occasions etc.) and other elements such as severance pays, equivalents, sick, extra hours etc. (Urbaniak & Bohdziewicz, 2002: 58-60). Thus an important part of the variable elements were the obligatory elements enforced by employment regulations or by internal regulations of a company. Furthermore most of them were not expected to have any motivational influence. The prizes and bonuses that promoted certain attitudes and behaviour of the employees were rare. We mean here these desirable from knowledge management's perspective such as employee's involvement in company's life, positive attitudes, helping colleagues, showing initiative, willingness to take responsibilities etc.

The main criterion to grant variable elements of the salary in the HR management leader organizations were results achieved by the whole company (22 declarations). Another one, more rare, were the results achieved by an individual (20 declarations). It must be added that the variable elements of the salary related directly to results achieved by an individual were used most often in the case of sales personnel. The share of the variable elements in salary constituted in this case 32,5% of the whole salary. Yet the difference between salespeople's pays and those of other employees was not significant. The results of work of organizational units were considered in case of 16 companies (Urbaniak & Bohdziewicz, 2002: 70). These results indicated that the companies operating in Poland supported task-oriented teamwork insufficiently and motivated their employees to achieve common (team) results poorly.

## **Training and Development**

Proper training activities should be executed according to the regulations and established order included in the training system. The training system includes the following processes: the identification of training needs, training planning and development, training execution and training

result's evaluation. Although the research conducted by IPiSS did not answer the question whether the companies surveyed organized their training activities according to the training system, we could assume that it was what actually happened. It might be indicated by the fact that 62% of the companies surveyed planned training. Most often training was organized in response to actual needs (70%). In other cases (20%) training was offered to these employees, who earlier declared a need to supplement their knowledge or education (Pocztowski et al., 2001: 62). The analysis of the job's requirements or appointment of an employee by a manager were rarer in the cause.

In the case of the HR management leaders the question on system approach to training is more obvious. In the majority of these companies (in 27, and 15 with foreign capital) training was executed within the implemented training system. The systems of personnel training management most often were present in the companies from retail sector, logistics and transportation (10 companies) and industrial and construction sector (9). Smaller number of such systems was present in industrial design companies, education and consulting (5), and other (Urbaniak & Bohdziewicz, 2002: 80-81).

When researching their training needs the companies most often sourced information from the direct superiors of the teams or analyzed the results of periodical personnel appraisals. They also gathered information about their 'subjective' needs for qualifications' supplementation (Urbaniak & Bohdziewicz, 2002: 83-84).

The research conducted by IPiSS indicated that training oriented at improving skills and behaviour of employees (91%) was a popular form. Such forms like training preparing for work (56,4%) or retraining (37,6%) were rarer (Pocztowski et al., 2001: 65-66). The most popular training form proved to be: briefing (73,3%), lectures (62,4%), seminars (60,4%), consultations with superiors (58,4%), conferences (57,4%) and various kinds of studies (55,4%). The least utilized were: coaching (16,8%), programmed briefing (19,8%), assigned tasks (21,8%), role-playing (27,7%) and participation in projects (26,7%) (Pocztowski et al., 2001: 66). Small popularity of coaching and mentoring, which are desired in the new economy, was not a very optimistic finding.

The personnel development activities undertaken by the HR management leaders could be divided into two groups: training organized on the job and off the job. The on the job techniques were dominated by: consultations with a superior, briefing on the job, experience sharing, participation in the project, job substitution, coaching and specialist briefing. The most popular off the job methods were: seminars, conferences, studies (postgraduate also), lectures, computer-based briefing, case study (Urbaniak & Bohdziewicz, 2002: 84-87). The comparison of the companies from the capital ownership's perspective (Polish vs. foreign) did not indicate any significant differences in the case of training and development methods utilized. The slight difference in favour of foreign capital companies was observed in the case of modern techniques such as e-learning, computer-based briefing and coaching.

When speaking about personnel development the important role of 'career management' must be emphasized. Almost half of the HR management leaders executed a system of employees' professional career planning (Urbaniak & Bohdziewicz, 2002: 93). The activities of this kind were oriented at developing certain skills and professional and organizational experience desired. Moreover, such system allowed retention of the most valuable employees, who were supposed to take high position in the organizations in the future. It was also perceived as important by the employees themselves, because it offered them an opportunity of personal development within an organization and induced to 'tie' their future with the company, which was one of the strongest motivating factors for many employees.

## **Conclusions**

Undoubtedly the development of HR architecture in the companies operating in Poland in the last few years was stopped. This finding is especially visible when the current situation is compared with the situation, that has been present 5 years ago, when HR management practices were in their full swing. The situation in the beginning of the nineties, when Poland, entering the new political and economic order, had to start HR management architecture development properly, may serve as sort of a background. The country had to learn from its western neighbours. This

period seemed to be the best one for the “constructors” of human resources potential, who transformed so-called (colloquially) labour into valuable human resources.

The inhibition of HR management architecture development was caused possibly by the economic downturn, which forced the management of the companies to introduce sometimes very radical changes, which led to cost reduction. These reductions were done mainly by firing employees or by cutting budgets. Significant cuts in budgets resulted in the decrease in quality of the activities executed by an organization. Most often the employees learn the deterioration of the situation the hard way and have to carry heavy burden of the changes.

Although the sample investigated by the research study quoted included well-being companies, the companies surveyed did not perfectly care about their employees. Moreover they justified themselves with difficult economic situation, that caused poor economic condition of a company. At the end it resulted in cutting cost practices that limited spending on personnel development activities. Such behaviour forces companies to execute most of their activities in the HR area on their own and to limit the scope of these activities and variety of the techniques and tools used. If any, employment is done with the minimal inputs and efforts. The motivation bases primarily on retention of employees (a ‘stick’ method: be careful otherwise you will lose your job) and salaries became stagnant. Training and development became an uphill work; training transformed into a sort of a bonus or prize and became limited simply to delivery of the skills necessary at the moment; they do not take any future orientation. The management can be accused of negligence, especially in the area of personnel motivating and training. Only few search for new (and, in Polish conditions, only) non-material forms of motivating. The practices connected with mutual learning of employees via exchange of experiences, knowledge / information sharing, which are of great importance from knowledge management’s perspective, are still underestimated and sporadically utilized.

Most of the market players seems to wait for the end of the difficult situation. These organizations which will survive can enrich their HR management architecture in the future. But when will this future come? Will it not be too late? What will happen with the value of human capital of the companies? Will it not be devaluated? These questions became important with the advent of the requirements of the economy of the 21<sup>st</sup> century, in which the competitive advantage is going to be based on knowledge and competencies, and learning skills will become the most crucial ones. How is Poland going to compete with the companies from the EU?

Without investing in knowledge, in ‘soft’ resources of a company, especially in employees, Polish companies would not be able to compete with their western rivals. Polish economy would become a peripheral one and its regional markets would be dominated by strong, foreign companies (Kukliński, 2001: 13-20). Therefore the redesign of HR management architecture is needed. The directions of changes are obvious.

In the area of employment more emphasis on internal market is necessary. It will enable the organizations to maximize their own resources, which, in turn, will increase return on investment in personnel development. The external labour market may supply the companies with those employees who pose new skills, which are difficult (or costly) to be developed within an organization, and without which effective competing will become difficult. Moreover the companies should more often and intensely utilize flexible employment forms (such as contracting, telework, flexible working hours) to reduce their costs and ensure more efficient working hours utilization. Lean management which is popular among western companies seems to be a reasonable solution.

Another task to be performed by the management will be putting more interest and effort into personnel motivating. The salaries should be more oriented at team results rather than individual ones. They should also become more motivating. It could be achieved by making the share of the variable elements’ in a salary bigger and development of their internal structure. Moreover the management should enrich its scope of motivational factors other than financial ones.

Other important issues are connected with personnel development. This development should be executed by both on the job training and self-supplementation of education. In order to achieve these objectives the potential of employees should be used. They should be induced to share openly knowledge / information and their experiences. Development of a certain organizational culture that promotes learning and trust among all the employees is necessary. The methods

utilized in personnel development may be mentoring, coaching, task-oriented teamwork, moving employees through an organization's structure, exchange of employees with partnering companies or within branches and employees meetings (also informal).

Proper configuration of HR management architecture can not be a single activity. In the situation of volatile changes this architecture must be flexible and must meet any time the requirements of the environment. Thanks to such activities the companies operating in Poland have opportunities to stay in the game.

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## **Appendix A**

The research study: “HR Management Practices and Their Influence on the Labour Market” was conducted by the faculty of HR Management Department of the Economic Academy in Krakow. The research was executed in the year 2001, and was a part of a broader project entitled “Labour Market in the Face of European Integration”. This broader study was commissioned and coordinated by Institute for Labour and Social Affairs in Warsaw. The research sample consisted of 92 companies from the whole country. These companies represented various sectors: industrial (38% of the companies surveyed), wholesale and retail (20,7%), services (20,7%), construction (7,6%), banking and finance (8,7%) and transportation and logistics (4,3%). The research tool utilized was a questionnaire.

## **Appendix B**

The research was conducted in the year 2002 on the occasion of ‘The National HR Management Leader Competition’ (3<sup>rd</sup> edition), which was organized by Institute for Labour and Social Affairs. The President of the Republic, Mr Aleksander Kwaśniewski took honorary patronage. The research was conducted on the sample of 32 companies from the whole country. The majority of the companies included in the survey represented industrial and construction sector (13). The next group were companies from retail and wholesale, transportation and logistics sectors (10). The remaining companies were active in such sectors such as education, consulting, IT design (IT engineering), banking and administration (9). The foreign capital was present in the half of the companies surveyed. Those companies were active mainly in such sectors like retail and wholesale, transportation and logistics. In the sample there were 11 companies wholly owned by the Polish capital. Those were active in such sectors as industry and construction. The companies represented broad spectrum of sizes. The sample included both big companies as well as SMEs. Their annual turnovers varied from €2,5M to €250M. The representatives of the companies filled in the questionnaire unaided. The next step in the research study was the audit, which was conducted by the members of the research team. It aimed to verify the results of the questionnaire survey and to deepen the picture of the issues analysed. The author of the above presented paper took part in the second edition of the research project.