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**THE EMPIRICAL RESEARCH ON PERSONAL FUNCTION  
 REALIZATION IN POLISH CAPITAL GROUPS<sup>4</sup>**

*The article presents the goals and the methodology of the research carried out in Polish capital groups by a research project team, financed by the Ministry of Science and Higher Education in Poland. The aim of the research is to identify the differences and the specifics in personnel function realization in multientity enterprise groups, created on the basis of capital ties to realize common economic goals, in relations to the process of HR management in a single economic entity.*

*Keywords: capital group; human resources; management; research methodology.*

*JEL classification: M50, M21, M12, C18.*

Домініка Бак-Грабовська, Агнежка Ягода, Чеслав Заяць  
**ЕМПІРИЧНЕ ДОСЛІДЖЕННЯ РОЗДІЛУ ПОВНОВАЖЕНЬ  
 В МЕЖАХ ФІНАНСОВИХ ГРУП: ЗА ДАНИМИ ПОЛЬЩІ**

*У статті представлено цілі та методологію дослідження, проведеного на матеріалах польських фінансових груп на кошти Міністерства науки та вищої освіти Польщі. Виділено особливості та ключові риси поділу повноважень у межах фінансових груп, що були створені на основі спільного капіталу для реалізації спільних цілей. Акцент у дослідженні зроблено на процесах кадрового менеджменту в межах окремих підприємств, що входять до таких груп.*

*Ключові слова: фінансова група; кадровий менеджмент; методологія дослідження.*

*Табл. 2. Рис. 2. Літ. 13.*

Доминика Бак-Грабовська, Агнежка Ягода, Чеслав Заяц  
**ЭМПИРИЧЕСКОЕ ИССЛЕДОВАНИЕ РАЗДЕЛЕНИЯ  
 ПОЛНОМОЧИЙ В ПРЕДЕЛАХ ФИНАНСОВЫХ ГРУПП:  
 ПО ДАННЫМ ПОЛЬШИ**

*В статье представлены цели и методология исследования, проведённого на материалах польских финансовых групп на средства Министерства науки и высшего образования Польши. Выделены особенности и ключевые черты разделения полномочий в рамках финансовых групп, которые были созданы на основе общего капитала для реализации общих целей. Акцент в исследовании сделан на процессах кадрового менеджмента в рамках отдельных предприятий в пределах таких групп.*

*Ключевые слова: финансовая группа; кадровый менеджмент; методология исследования.*

### Introduction

The article aims to present the scientific goals and the methodology of the research carried out by the research project team regarding personal functions realization in Polish capital groups. The background is the origin of capital groups in Poland, and the important context – the process of HR management realization in these economic units.

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### **1. Capital groups in Poland**

The development of capital groups in the world is inseparably connected with the increased importance of capital concentration and monopolization processes which began in the 19th century and has been developing with different intensity up to present (Stecki, 1995). These processes were integrally connected with organizational concentration. Its essence consists in subordinating the integration of economic units to a homogeneous management. The first capital groups appeared in the United States, at the turn of the 19th and 20th centuries they began to emerge in Europe and quickly became popular in the Western part of the continent. In Poland we can trace their genesis as late as in the 1990s.

The first Polish capital groups emerged as a result of factors characteristic for the process of economy transformation from centrally controlled to a free market one. The course of their emergence can be classified to the possibilities of capital group development mentioned above, shown by (Romanowska, Trocki, Wawrzyniak, 1998):

- transforming state enterprises into companies of the State Treasury;
- bank consolidation;
- branch diversification of companies (former foreign trade centers);
- realization of the Program of General Privatization;
- development and transformation of Polish private companies into capital groups.

Experiences acquired in the 1990s show that the most common reason for capital group development in Poland was the need for restructuring large state-owned companies and realization of the Program of General Privatization (Nogalski, Ronkowski, 1994). This process meant separating certain departments from state-owned companies. Restructuring was done by the means of capital outsourcing.

It is worth pointing out one more path of capital group development in Poland – characteristic for free market economies – connected with the development of economic units and, what follows, capital concentration manifesting itself in investing financial surpluses in other economic entities. Entrepreneurs create capital groups by engaging into diverse fields of economic life, looking for an activity most optimal from their point of view. Often, instead of creating new products, entrepreneurs enter local and foreign relations by joining or taking over other companies in search of a new technology and new markets. In this respect we may point out two main prerequisites for creating capital groups in developing countries. The first one refers to the fact that the creation of a capital group is the result of activity expansion in the close environment area at the beginning of fast economic development of enterprises. Then high financial liquidity and short experience make the ability to enter into new relations and joining with other enterprises predominate over other development possibilities. Secondly, tumultuous changes of developing economies force entrepreneurs search for new fields of activity continuously, which undoubtedly influences the causes of existence and emergence of new capital groups (Kock, Guillen, 2001).

While there are no problems with establishing the origins of capital groups, it is difficult to quote their uniform definition. We may even encounter opinions that the diversity of attempts to define a capital group is proportional to the number of publications on the subject appearing (Kreft, 2004). In Polish legislation, the issue regarding this type of enterprises group has not been thoroughly regulated yet. There are

legal acts defining some aspects of capital groups creation and functioning, but they do not explain the basic notions and the rules of functioning of these economic entities.

The character of motives and the way of capital groups emergence often determines the way of managing a holding established by the so-called managerial role of a superior unit, i.e. the scope of managerial functions of a parent company. In literature on the subject 3 solutions of a model character are used, i.e. operational, strategic and financial holding. It is worth paying attention to the decreasing (within the order assumed here) engagement and the influence of a superior unit on the decisions taken within a group as well as in subordinate companies (see Table 1).

**Table 1. Typical types of capital groups selected by the managerial role of the superior unit in them**

Characteristic features	Type of holding		
	Operational	Strategic	Financial
Parent company	The dominating company runs operating activity fundamental for the group and manages it	The dominating company does not run operating activity. It deals only with strategic holding management and managing their shares in subsidiary companies with the use of strategic and financial instruments	The dominating company does not run an operating activity. It deals only with management of shares in subsidiary companies using financial instruments
Subsidiary companies	Subsidiary companies run operating activities which support and complete the operating activity of the dominating company	Subsidiary companies run complementary operating activities	Subsidiary companies run an operating activity connected with one another (diversified)
Holding goals	Reinforcement through subsidiary companies of the dominating company competitive position regarding its operating activity	Limiting investment risk and maximizing investment benefits of the dominating company	Keeping and reinforcing the strategic position – investment attractiveness of the holding as a whole

Source: (Romanowska, Trocki, 1998).

A specific feature of an operational holding is that a parent company runs production or service activity, manages it and is, as a rule, much larger than a subsidiary company. Additionally, a parent entity deals with the management of its shares in subsidiary companies. They run operational activities. Apart from that they realize strategic management for their own field of activity. The most advanced interference in the activity of subsidiary entities is characteristic for a parent company of an operational holding. Thus, if a group of companies has a similar field of activity, functions at the same markets, deals with the production of the same products and uses for this purpose similar technologies, it needs to be organized in the form of an operational holding.

A parent company in the strategic holding does not run an operating activity and deals exclusively with the management of capital group activity, i.e. strategic management (Romanowska, Trocki, Wawrzyniak, 1998). It is revealed most often in taking decisions on the allocation of financial means, purchase or sale of subsidiary enti-

ties, coordination regarding research and development, planning and managerial staff engagement. Subsidiary companies are responsible for realization of operational tasks (Pawlak, 2001).

In case of a financial holding, the activity of a parent company is limited to making financial decisions within a group. In order to achieve common economic goals, the dominating entity manages the shares in subsidiary entities. All operating functions and some strategic decisions are autonomously taken by subsidiary companies. Strong diversification of activity is characteristic for financial holdings and operational ties between the companies included in the group are rare. The slightest interference in the activity of subsidiary entities is characteristic for a financial holding parent company. Polish legislator established the shape of a financial holding by regulating one of the fields of financial economy, namely banking<sup>5</sup>. A capital group was called financial probably because banks act in the financial field. The legislator did not consider the fact that theoretically every enterprise may create such a form of a holding and unnecessarily limit the entities to banks.

Simultaneously, it is worth emphasizing that the process of management – in order to be effective – must be closely connected with the authority structure in the group. These specifics creates a paradox, often leading to conflicts in the structure of a capital group and is called the problem of double entrepreneurship. In the subject literature it is stated that managers managing a group are guided by the socio-economic interest of the whole union, while the company law obliges them to be guided by the interest of the parent company (where the board of the group resides). It bears a conflict between the realms of management and taking decisions in the group and law and order of the company law (Kreft, Karwan, 2003). Thus management efficiency in a capital group is correlated, on the one hand with the choice of a parent company managerial role, and, on the other hand, with the establishment of the fields of interference in management of subsidiary companies and the choice of instruments essential for that. An authority representative will be in this case a parent company and the executors of the authority will be its managing and supervising bodies.

The indicated dependence also has reference to the process of HR management in a capital group. Group management has no possibility to interfere directly in the process of personnel functions realization in subsidiary companies. It may, however, direct these actions with the help of some tools and the choice of a managerial role in a superior unit, which sets the fields of tasks intended for realization by this unit.

## **2. Characteristic of the research process**

The number of questions tightly connected with HR management in capital groups is undoubtedly large. However, it was assumed that it is essential to isolate differences and, what follows, the specifics of personnel functions realization in these organizations, in relation to the process of human resource management in a single entity.

The conviction to take up the indicated field of research resulted from the experience and interest of the research team members in the issue of human resources management and capital group functioning, as well as the identified – as a result of national and foreign subject literature study – gap in the analyzed field. A closer con-

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<sup>5</sup> Act of 29 August 1997. Banking Law, Journal of Acts no. 140, item 939.

sideration of the indicated research field has already been performed as a result of the empirical research carried out earlier (in 2005–2007<sup>6</sup> and 2005–2010<sup>7</sup>). The aggregated conclusions from these 2 researches show that an indepth exploration of the issues connected with a widely understood HR management process in a capital group is justified.

Before the goals of the conducted research were formulated, the following research hypotheses were drawn:

- There is a cause-effect dependence between the subject and object scope of a personnel function realized in a specific capital group and a model of this group management (centralization, decentralization or a transitional state);
- The architecture of capital groups and their human capital (intellectual potential) creates organizational environment beneficial for strategic integration considered in the context of a general and HR strategy and they favor the use of complex payroll operation systems, methods, techniques and instruments, for the purpose of HR management;
- In international capital groups there are specific social (personal and cultural) and organizational problems accompanying the management of their human resources.
- Responsibility for an efficient solution of this type of problems lies above all on personnel managers employed in dominating entities (parent companies) and subordinate entities (subsidiary companies).

### 3. Aims and methodology of research

The main aim of the empirical research is the analysis and evaluation of the object and subject scope of personnel functions in capital groups, led through the prism of strategic and operational management of their human resources, in the context of the groups specifics, determined by their architecture, way of managing and present organizational culture. The realized research project has to recognize (and, what follows, fills the identified research and literature gap) HR management realized in capital groups. The main goal of the conducted research was completed with partial goals with a cognitive character which aim at identifying:

- the process of creating the personnel policy of the analyzed groups,
- the division of tasks, privileges and responsibilities among the members of a capital group in all sub-areas of HR management which will create a possibility to identify the location of a personal function in the group structure (the architecture of a personnel group in a capital group),
- cooperation of capital group entities with regard to HR management, its mechanism and organization,
- tools used by capital groups in HR management,
- the construction of capital group managing teams taking into consideration the processes of creating personnel unions,
- employment in capital groups,
- organizational culture in capital groups,

<sup>6</sup> Research conducted by Agnieszka Jagoda in 6 capital groups, finalized in 2007 with the PhD dissertation "Organizational aspects of personal function realization in Polish capital groups".

<sup>7</sup> Research conducted by Czesław Zajac in 10 capital groups, finalized in 2012 with the professorial dissertation "Human resources management in capital groups", Polish Economic Publishing House, Warsaw, 2012.

– specific problems (personal, cultural and organizational) accompanying HR management in international capital groups.

The empirical materials were obtained during in a multistage research process. Two approaches were decided to be used: nomothetic (of quantity character), with the use of survey research – to obtain the general picture of the problem in question and idiographic (of quality character), with the use of the case study method to carry out the indepth research.

At the first stage of the research the members of the research team analyzed the conclusions from the empirical research carried out earlier and independently from one another in order to recognize the relevance of the indepth exploration of the problem connected with HR management in capital groups. We can then assume that the research carried out before comprised the initial/pilot research for the currently realized research process.

The second stage – the proper research, was carried out from February to September 2013. Based on the subject literature analysis regarding the issue of capital group management, HR management and the methodology of social research as well as with the use of conclusions resulting from the pilot research there has been created a questionnaire aimed at personal departments of the capital group parent companies. The structure of the research tool comprises a natural consequence of the assumed hypotheses and the research goals. A set of 19 proper closed-ended questions (apart from the demographics presenting the data of a capital group: its type, branch and the number of employed workers) refers to the realization of the established partial goals of the research. The survey was realized each time with the help of a telephone interview with a representative of a parent company or subsidiary personnel department. Interviewing was assumed in 100 randomly and deliberately chosen capital groups. The database was used by the random choice, from the report of "Polityka" magazine, "The List of Polityka's 500" – The Largest Polish Enterprises Ranking, from the database of The Chambers of Commerce and Industry and Company Panorama and the Internet. Personal contacts were used for the deliberate selection. During the course of research phone calls were made to HR departments in the companies of 458 capital groups in Poland. We received information back from 103 of them. Such a scheme of selection of capital groups assumed 2 intentions: the choice of different research objects (with regard to branch, size, age, type and the complexity of the group), so as to create a possibility for highlighting specific features of HR management in these units. The gathered answers delivered an empirically rich material which in the authors' opinion allows for an elaboration of the multidimensional characteristic of human resource management process in capital groups. In spite of difficulties connected with the choice of trial regarding its representativeness and partial usefulness of the trial choice it was decided, as (Babbie, 2008) suggested to subject the received results to a statistical analysis – tests of statistical significance (chi-square test, power dependence with the use of a correlation coefficient Cramer's V), the measures of arithmetic mean and standard deviation, and while testing the relevance of differences between the means t-Student test was used. It was assumed that even if the conditions of use of the indicated statistical analysis tools are not completely fulfilled, they could be used because they allow for a better understanding of the empirical data.

Nevertheless, the indicated difficulties regarding the representativeness of trials influenced the decision to resign from only the quantitative analysis in favor of combining it with the qualitative research, which comprises the currently realized third stage of the research. Based on the subject literature analysis regarding research methodology in management sciences it was decided to complete the obtained results with a case study analysis. It was supposed they would have a complementary character to the already conducted research.

The selection of capital group parent companies for the third stage was deliberate. A non-randomized trial is considered arbitrary and legitimate when a researcher selects members of a population of the highest potential to deliver credible information on the basis of their own opinion (Kotler, 2005), which took place in the analyzed case. To gather the data and for their analysis the method proposed by K. M. Eisenhardt was assumed. She suggests an elaborate eight-step process that case study researchers should follow if the cases they study are to be used to generate theories, build constructs, and refine concepts (Eisenhardt, 1989), which is presented in Table 2.

**Table 2. The process of gathering and analyzing data in capital groups – case studies**

Step	Activity	Reason
Review of literature, the second research stage analysis	Definition of research question. Definition of a priori constructs	Focuses efforts. Constains irrelevant variation and sharpens external validity
Selecting cases – the choice of leaders of HRM process from the second research stage	Theoretical, not random, sampling	Focuses efforts on theoretically useful cases (e.g., those that test and/or extend theory)
Develop rigorous data collection protocol	Create case study database. Employ multiple data collection methods (indepth semistructured interviews, organizational documents analysis and non-participant observation).	Increases reliability. Increases construct validity. Strengthens the grounding of theory by triangulation of evidence. Enhances internal validity. Synergistic view of evidence
Entering the field – field research in 9 capital groups	Overlap data collection and analysis. Flexible data collection methods	Speeds up the analysis and reveals helpful adjustments to data collection. Allows investigators take advantage of emergent themes and unique case features
Analysing data	Within cases analysis	Facilitates easier data analysis. Allows examination of processes
Shaping hypotheses	Iterative tabulation of evidence for each construct. Replication, not sampling, logic across cases. Search evidence for “why” behind relationships	Sharpens construct definition, validity and measurability; Confirms, extends, and sharpens theory
Enfolding literature	Comparison with conflicting and similar literature	Builds internal validity, raises theoretical level, and sharpens construct definitions. Sharpens generalizability, improves construct definition and raises the theoretical level.
Reaching closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

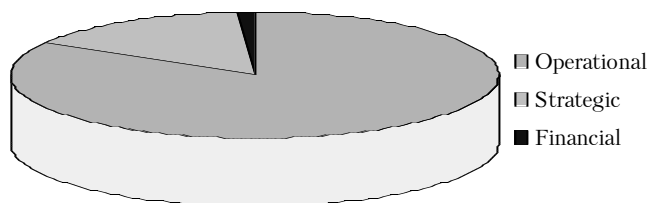
Source: Own elaboration on the basis of (Eisenhardt, 1989; Pandit, 1996).

In the previous research stage the question on the possibility to attend indepth research was aimed at the respondents. Unfortunately, only 17 enterprises declared the will to attend the third stage of indepth research. The selection of trial was limited to the companies which wished to take part in the research and which were considered the leaders of the HR management process based on the synthesis of the survey research. The confirmation of advancement in the subject theme was the fulfillment of the following criteria: the formal creation of personnel strategy, a wide range of realization tools of the widely understood HRM process and a conscious construction of organizational culture. Finally, it was resolved to examine 9 entities. Taking into consideration the recommended in literature research methodology for the analysis of case studies, the number fulfills the given requirements and seems to be optimal. It is recommended, from the methodological as well as pragmatic points of view, that the number in the research of case study type should be in the range from 4 to 10<sup>8</sup>. Among the research tools used during this stage of research there were indepth semistructured interviews including in most cases open-ended directed questions and the ones directed to people responsible for the HRM process realization in the group (subject to transcription in each case), organizational documentation analysis and non-participant observation. The research is planned to be finished at the end of 2013.

The research results have an idiographic character, that is why the conclusions drawn from it may theoretically refer only to the studied population, mainly because of the lack of trial randomness. Nevertheless, the authors think that the interpretation of the achieved results will allow for enrichment of knowledge on human resource management in capital groups.

#### **4. Characteristic of research trials**

Before the research was carried out it was assumed that branch diversification, the type of capital group and its size may influence the way of HRM realization in groups. The studied enterprises – the representatives of capital groups have a characteristic diversification of the activity subject and the branch in which they operate. A dominating character of the actions of the studied groups indicates the predominance of operational groups, only 1% of the studied enterprises comprise financial groups. Such a division of a variable which is a type of a capital group gives evidence to the representativeness of the trial, which in the indepth analysis of the achieved results is fundamental for establishing the dependence within HRM realization.



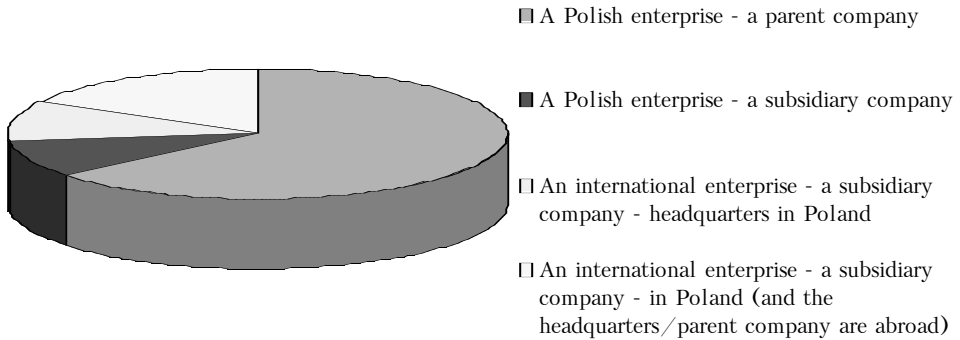
Source: Own elaboration on the basis of the conducted empirical research.

**Figure 1. Capital group types – empirical research results**

<sup>8</sup> With fewer than 4 cases it is difficult to generate a theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini-cases within it. With more than 10 cases it becomes difficult to cope with complexity and volume of data (Eisenhardt, 1989).



Most respondents (64%) represent Polish companies which are a parent company in the group structure. Next the respondents representing subsidiary companies answered the questions most often whose parent company was located abroad (17%), subsidiary companies where a foreign parent company operating in Poland (10%) and subsidiary companies from Polish capital group (9%), as shown on Figure 2.



Source: Own elaboration on the basis of the conducted empirical research.

Figure 2. Companies where empirical research was carried out – empirical research results

As far as the size of the studied entities is concerned, most often 4, 2 or 3 economic entities are a part of the studied groups respectively. What seems fundamental from the point of view of the research goal, as many as 8% of the respondents are not familiar with the number of entities comprising the group they belong to.

**Conclusion**

The statements gathered in the course of the ongoing research process provide an empirically rich material which will allow for an elaboration of a multidimensional characteristic of the HR management process in Polish capital groups. It seems that it will constitute a meritorically valuable material because of the literature gap and relatively short time of functioning of these economic entities in Polish practice – insufficient for the elaboration of model solutions in the discussed area in the article. The authors hope they will get a possibility to publish the gathered research results, along with their placement in the context of capital group types, as well as the presentation of model solutions on the basis of the currently realized research stage – case studies.

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