2.1 The Essence of Planning

Planning can be called an anticipative decision-making process, where one determines a predicted arrangement of conditions, aims, and measures of action in future with acknowledgement of the features of the system in relation to which the actions have been planned (Ackoff 1973). The main focus in planning is finding an answer to the question of how the organisation is going to achieve the previously determined goals. Planning can be two-fold. One approach—where one needs to describe the reality from the point of view of the presence within available resources and the circumstances under which a vision of the future will be determined. The second approach, more creative and practical, is about imagining future according to our expectations and an attempt to adjust the present reality to the imagined state, that is realisation of the vision. In the first and second approach the created vision of future allows planning control in relation to the whole organisation (Dziemianowicz et al. 2012).

In relation to state as organisation, the essence of master planning which sets tactical and operational—that is strategic—plans, the management process starts, where the basic goals, programmes or strategies are planned, which are expected to be implemented in the context of possible use of tangible and intangible resources. It is related to both preparation and constant making of worked out decisions. Thus strategic planning in public management can still be identified as systematic effort to produce basic decisions and actions, which create and manage the organisation. At the same time they answer the questions of both who it is (the organisation) and why it does what it does (Bryson 1988).

At the beginning of the process we need to set the boundaries of strategic planning by determining the scope of methods and techniques to be used. Next, we need to assume, that some of the needs of strategic planning will naturally change in time, which may cause the necessity to fill in the planning gap and competition strategy gap by ad-hoc or system decisions to strengthen the state’s ability to compete as a whole (Zanoni 2012).
“To properly manage the state, one does not only need to know the strengths of potentials the state has in disposition, but most of all needs to know the premises for strategic management, that is probable long-term shaping of both external and internal main conditions and challenges of development related to closer and further environment” (Strzelecki 2011, p. 45, translated). A starting point to methodologically systematise those premises can be the recommendations of the European Commission (*Project Cycle Management Guidelines 2004*) on strategic management in public sector, which include such elements of the process as: planning programming, budgeting, identification, implementation, control and monitoring, and evaluation. The initiation of planning process is the strategic analysis regarding basically the whole state. Good solution is its execution in dichotomous division (see: Opolski and Modzelewski 2010):

(a) strategic analysis on the level of economic policy:

– analysis of present state,
– future forecasts and existing or possible trends,
– environment analysis (e.g. PEST),
– SWOT analysis—in strategic planning particularly universal and holistic,
– scenario testing (within methods of: possible events, simulation scenarios, environment states scenarios, process in environment scenarios),
– analysis of effects of omission,
– analysis of external effects (positive and negative)
– analysis of sensitiveness to prognostic changes in strategic analysis,
– coordination of policies on regional, national, community and global levels,

(b) strategic analysis on the level of public network analysis in:

– human resources/intellectual capital management,
– structure of a given organisation and public administration network,
– internal processes,
– provision of resources,
– control (especially of documents and post-control reports),
– IT,
– ways of conducting analyses and development of strategic documents.

Creating a certain reality is done through programming, together with building certain scenarios of possible events and a dialogue with stakeholders. Budget’s goal is to allocate the financial resources to realisation of goals assumed in programming, and identification—to answer the question of possible ways of achieving the goals. Implementation is a physical process of introducing the assumed goals, and
monitoring and control (as the last function of classic management) are necessary both from the point of view of current evaluation of efficiency of actions in assumed goals realisation and cohesive spending of public funds. The last element is evaluation, which aim is the final assessment of expected and desired results (Project Cycle Management Guidelines 2004).

In relation to local government entities, strategic planning is “a conscious, systematic and future-oriented process of constant preparation and decision making regarding future level of development of local government entity (LGE) and the level of satisfaction of population’s needs, and coordination and integration of undertaken actions to adopt planning decisions with acknowledgement of the external (opportunities and threats in the environments) and internal (weak and strong sides) conditions and the principles of sustainable development” (Ziółkowski 2007, pp. 109–110, translated).

In planning, one should first understand the environment, then establish a mission (general mission of the state). Mission decides about its values, goals, assumptions. On this basis the simultaneous plans and goals are determined—directly form it the strategic goals as well as the strategic result and then tactical plans are made on which the operational plans are based.

Planning is the first function of management that facilitates the organisation’s systematic actions rather than one-off achievement of goals. Even the most effective and charismatic leadership combined with fluency of governance and management is not able to guarantee results in a long-term perspective. Organisation has to combine own strategic goals and skillfully developed strategy of actions (e.g. state long-term development strategy) with sustainable management processes (Kaplan and Norton 2010).

In public management particularly important, and even key, element of building the state’s desired future in the spirit of efficient actions is the vision defined as:

(a) Verbalisation of goal, which creates the foundation for keeping hope in aspirations of each member of the organisation. The task of a leader is to create some kind of metaphors, general future states. It is the members of the organisation, who, in the way of inspiration by the leader, should create visions consistent with their dreams and expectations.

(b) Motivation to work towards realisation of own dreams, characterised with innovativeness, calculated risk, courage or experimenting. The dreams need to be real, but in the spirit of breaking bureaucratic conventions and correctness, since this gives a new sense to the work and actions of the whole organisation.

(c) Seeing long-term future. The vision must be broader, than separate several-year strategies or the nearest governance period. This allows building solid foundations for goals, which should be achieved, with taking into account the changes of forms and tools for their realisation in the way (Oblój 2007).

In many organisations introducing new management techniques or methods, the vision is strongly correlated with planning process and creates a kind of fantasy. Its
basic elements are—apart from the vision itself—the mission, key competences, and strategic planning (Boyle 2001; Penc-Pietrzak 2010). Thus vision should include master ideology determining in systemic and solid way the character of the institution and imaginable future, created in the perspective of 10–30 years (Raczkowski 2013).

“Planning should be identified with process, activity, action to organise, develop, prepare plans and predict future, dreaming, deciding about taking specific actions oriented at achieving the assumed goal in future. Planning is associated with conscious and intended activity of a given entity. If one plans to achieve the assumed plans, he needs to plan first, how to achieve it, projects to take so achieving the goals under certain conditions is possible” (Kitler 2011).

Planning in modern state in the conditions of such vast global interdependencies requires taking into account at least eight criteria in four perspectives (mainly of economic ground, acknowledging the public functions): micro-, mezzo-, macro- and megastructures (Fig. 2.1)

Dominance in this process of economic thinking should be undisputed, but it does not mean that each time it should be the main reference point. High degree of economic development enables balancing the budget or obtaining budgetary surpluses, which in the redistribution process can be allocated to strategic directions of development and welfare of the citizens.

A striking example of such actions are the United States, who even in the Doctrine for the armed forces (2013) stipulated, that a strong economy with “free access to global markets and resources is a fundamental engine of the general welfare, the enabler of a strong national defense” Also China for many years has

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**Fig. 2.1** Planning perspective in public management. *Source: own*
been consequently realising its planned actions within four strategies of foreign policy.

(a) South-South Cooperation, whose aim is to coordinate the economic relationships in the south through investment and help actions.

(b) Go out Strategy—typical strategy of foreign expansion. In China’s opinion this is the best chance of using the globalisation to develop export, technology transfer or broad foreign investments—which in the latter case generates workplaces and improves coefficients of economic growth in the given country.

(c) Good Neighbour Policy consisting of promoting economic exchanges with neighbouring countries in the framework of mutual benefit. The aim of this strategy is to provide regional stability.

(d) New Security Concept based on planning and actions parallel to diplomacy and economic cooperation—minimises the possible antagonisms or confrontation planes. This approach assumes supporting smaller states, especially in Asia, in order to establish beneficial conditions of general security (Reeves 2013).

Considering the fact, that within a decade China can be the first global economy or get measurably close to such global perception, two planning issues should be noticed. Firstly, lack of democratic system, and adopting people’s democracy with socialist system did not turn out inappropriate for this state. It is on the contrary, if we are discussing economy. Secondly, in democratic states we can observe confirmation of Marxist perspective on political economy of planning system, saying that planning itself is not autonomous activity distributed among important stakeholders. Thus a higher participation of the society in the planning system does not need to bring more just results, and only depends from the plannist’s capabilities and willingness to solve problems within competitive interests of various groups, so it does not always realise the common good (Fox-Rogers and Murphy 2014).

From the strategic point of view, planning in public management is undoubtedly a political activity introducing unequal power relations. Even in such states, as Denmark or Norway, who use participation planning giving the opportunity of society’s participation in consultations, cooperation and reporting objections to the policy, it is very difficult to actually increase social justice and decrease the dictate of powerful interest groups (Pløger 2001).

Thus the practical general planning model in strategic management in the state should be developed on the grounds of long-term state development strategy, within direct combination of mid-term state development strategy and multiannual financial plan. From the perspective of the European Union Member States, such model looks like below, which does not mean that in practice it is so (Fig. 2.2).

The use of the presented model is possible only, when the described development strategies and programmes will be known to decision makers in public sector and realised. The problem is, that the public authority organs very often do not
know, which organisational powers they have and which tasks they should realise in strategic perspective. Moreover, it has been empirically proved, that communicative theory of planning together with model of competitive values in public administration is different from the imagination of those responsible for planning in the public and private sectors in terms of role of the policy itself and the conflicting planning interests. Private sector perceives political factors as having more influence on planning decisions. At the same time it accepts that both short-term political motives and competition in government undermine long-term planning goals. People responsible for planning in private sector largely question the transparency of decisions in public sector, where to make a decision one lacks information and the very planning does not guarantee proper and just division of public goods or maintaining the existing character of the society (Read and Leland 2011). Public planning is commonly subject to the conviction that subsequent decisions on a small scale will be consulted with the public. If yes, then only through selected officials contacting with members of society. At the same time, it is hard to call sufficient participation in planning and making public decision by

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**Fig. 2.2** General model of planning in strategic management of EU states. *Source: own*
inviting to dialogue selected persons or—less often—social groups (Innes and Booher 2004; Cornwall 2008).

Thus still actual is H. Campbell and R. Marshall’s (2000) opinion that the notion of public interest, often uttered rhetorically, is the key to folklore of planning in public sector. Planning usually takes place in governmental coalition, where mutual trust basically does not exist or is too low and needs to be confirmed with a written agreement to formalise the trust to a certain degree. However, all agreements are built in a given time within a given situation, thus they need to be applied with a certain caution. Excessive formality of relationships can deepen mutual distrust (O’Neill 2002; de Vries et al. 2014). Thus the key factor here is talking about acting in public interest, which often shall allow all actions and sanction them as protection of public sector (Tait 2011), regardless of the fact, that it may often serve particular interests of a given person or social group.

2.2 Decisions and Their Classification

Making decisions is a constant and integral process of choosing such solution, that would be seen as effective. From the point of view of management sciences, in decision-making two basic approaches can be distinguished. First, so-called normative (or pre-descriptive) determining constant and universal action schemes, and second, descriptive, involving the reproduction of processes or activities carried out in a specific reality. At the same time decision making models in general understanding may be qualified as rational (normative approach) or intuitive (descriptive approach), and their combination and interpenetration can build new models (Malewska 2014).

However, in practice of decision making, the decision maker rarely uses fully rational decision-making models, since problems are usually not only complex, but also difficult to quantify. Derived from classical economy, rationality of expectations in the context of a model business entity (homo economicus) is detached from reality. Decisions or decision making expectations can only be reasonable and not rational (Raczkowski 2014a). Obstacle to rationality, as March and Simon (1984), Moorhead and Griffin (1989) notice, are motivational (striving for satisfaction instead of optimisation) and cognitive limitations. Therefore, the models of so-called bounded rationality of decision making were developed: heuristic, behavioural, called dual process (with a clear line of demarcation combining decisive intuition and rational analysis e.g. within Cognitive Continuum Theory) (Dhami and Thomson 2012). It seems, that the approaches combining in parallel rationality and intuition within skills and abilities focused on conscious and unconscious thinking and conclusions (Burciu and Hapenciuc 2010; Malewska 2014) are often used in managerial practice.

In public management, like in commercial one, decision maker must learn to accept chaos existing in modern global economy. This means that the decisions made today and appropriate from today’s perspective tomorrow may be completely different—both much better and worse (Hertz 2013). The history will judge them in
future usually using larger information and knowledge base necessary for commenting, whether a given decision has been right, economical, responsible.

It seems, that still actual are the seven basic elements of decision-making procedure, which managers should know and use in contact with their employees:

(a) relating to employees’ opinions and paying them due attention,
(b) suppressing bias,
(c) consistent application of decision-making criteria for all, not just the selected employees,
(d) providing current information to the employees in due time and feedback after the decision has been made,
(e) justifying the decisions made,
(f) building trust with employees through honesty and truthfulness in communication,
(g) treating the employees in a way the managers would like to be treated themselves—politely and kindly (Folger and Bies 1989; Rowland and Hall 2013).

N. Hertz, by publishing in 2013 the book *Eyes Wide Open*, showed to some and highlighted to others what the decision-making problems are in terms of trust, faith, information excess. She reminded, that the decision maker sometimes has to make 10,000 decisions a day and doing it in an intelligent way requires time and space. She provoked to a reflection over how expert’s judgements, ideas and opinions are assimilated, warned, that it cannot be uncritical. Finally, she urged to think about how to properly make decisions in relation to the self, and who or what has the greatest impact on the decisions made by individuals.

There are various decision-making styles, just like the decision makers differ. A summary of many approaches to decision making styles allows stating, that it is a kind of pattern of behaviour of a given person in the decision making situation. Wherein it is not a personality trait, but a reflex, a habit of proceedings in a particular context (Scott and Bruce 1995; Thunholm 2004).

A still actual model of decision-making styles by an individual (person) is division of decision makers due to their way of thinking: creative or rational and logical, which allows presenting four decision making styles (Fig. 2.3) (Rowe and Boulgarides 1983):

(a) Analytical—oriented at strong need for achieving results, setting new challenges for themselves and others. It is characterised by friendly approach to cognitive complexity, accumulation of data and information, and slower decision-making, which is sensible and based on many possibilities.
(b) Directive—directed at power, results in the desire to dominate and subordinate subordinates. It is characterised by low level of cognitive complexity and ambiguity. Such approach leads to spontaneous restriction of the amount of available information and decision-making capabilities.
2.2 Decisions and Their Classification

(c) Conceptive—similar in style to analytic, but directed at independence (associated with creative work) and need for praise and acknowledgement. Decision makers use idealism, conformism and are people-oriented, and their decision making process has typically strategic, thus far reaching time horizon. Before making a decision, they usually collect as much information as possible and test many possibilities in a thinking process (or councils).

(d) Behavioural—decision makers communicate easily, have the ability to reach a compromise and are highly people-oriented and at the same time have low cognitive complexity.

Nowadays it is difficult to evaluate any decision in the zero-one system. When making a decision, a multiple criteria decision aid (MCDA), also called multiple criteria decision making (MCDM), should be used more often. At the moment we can distinguish 11 methods and techniques of multiple criteria decision making (Velasquez and Hester 2013) (Table 2.1).

It needs to be noticed, that decisions made by public sector decision maker are actually social decisions of social choice theory within two methods (Lissowski 2010):

(a) collective decision making—electoral systems, referendum voting, etc.,
(b) social choice or social evaluation—within just distribution of goods or behaviours of actions of certain people, in accordance with the rules: goal–demands–democratic values–normative justification. A special role here plays the function of social welfare determining social preferences, which was proposed by Nobel Prize winner in economics, K. J. Arrow (Lissowski 2010).

<table>
<thead>
<tr>
<th></th>
<th>Logic</th>
<th>Rational</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Analytical</td>
<td>Conceptual</td>
</tr>
<tr>
<td>(strong need of achievement, form of accepting the challenges)</td>
<td>(strong need of achievement, form of acknowledgement)</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Directive</td>
<td>Behavioural</td>
</tr>
<tr>
<td>(need for power)</td>
<td>(strong need for a relationship, affiliation)</td>
<td></td>
</tr>
<tr>
<td>Task-oriented</td>
<td>People-oriented</td>
<td></td>
</tr>
</tbody>
</table>

**Fig. 2.3** Decision-making style models. *Source: A.J. Rowe, J.D. Boulgarides 1983, Decision styles—a perspective, “Leadership and Organization Development Journal”, Vol. 4(4), p. 3–9*
## Table 2.1 Methods and techniques of multiple criteria decision making (MCDM)

<table>
<thead>
<tr>
<th>Method</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Areas of application</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multi-attribute Utility Theory—MAUT</strong></td>
<td>Takes uncertainty into consideration; can include preferences.</td>
<td>Requires a lot of input; preferences must be precise.</td>
<td>Economics, finances, actuarial services, water management, energetic management, agriculture.</td>
</tr>
<tr>
<td><strong>Analytic Hierarchy Process—AHP</strong></td>
<td>Easy to use, scalable; structure of hierarchy can be easily regulated to adjust it to many problems of size; does not require intensive data.</td>
<td>Problems resulting from dependencies between criteria and alternatives; may lead to discrepancies between evaluation and ranking criteria; opposite of ranking.</td>
<td>Problems related to efficiency, resource management; corporate policy and strategy, public policy, political strategy and planning.</td>
</tr>
<tr>
<td><strong>Case-Based Reasoning—CBR</strong></td>
<td>Does not require intensive data; requires little supervision; can be improved in time; can be adapted to environment changes.</td>
<td>Sensitive to incoherent data, requires analysis of many cases.</td>
<td>Business, insurances, medicine, technical projects.</td>
</tr>
<tr>
<td><strong>Data Envelopment Analysis—DEA</strong></td>
<td>Is able to process many inputs and results; efficiency may be analysed and is measurable.</td>
<td>Does not regard inaccurate data; assumes all inputs and results are perfectly known.</td>
<td>Economics, medicine, municipal services, road safety, agriculture, trade and business issues.</td>
</tr>
<tr>
<td><strong>Fuzzy Set Theory</strong></td>
<td>Allows using inaccurate input, takes insufficient information into consideration.</td>
<td>Difficult to develop; may require numerous simulations before use.</td>
<td>Engineering, economics, environmental, social, medical and managerial issues.</td>
</tr>
<tr>
<td><strong>Simple Multi-Attribute Rating Technique—SMART</strong></td>
<td>Easy; allows any kind of weight assignment technique; less effort from decision makers.</td>
<td>This procedure may be beneficial in terms of frameworks/assumptions.</td>
<td>Environmental, construction, transport and logistic, military, production and assembly issues.</td>
</tr>
<tr>
<td><strong>Goal Programming—GP</strong></td>
<td>Is able to process issues to a large scale; can produce infinite possibilities.</td>
<td>Is able to weigh the coefficients; usually must be used with other MCDM methods to measure coefficients.</td>
<td>Production planning, scheduling, health care, choice of portfolio, distribution systems, energy planning, management of water reservoirs, planning, management of nature.</td>
</tr>
<tr>
<td><strong>ELECTRA</strong></td>
<td>Takes into consideration uncertainty and</td>
<td>The process and result may be difficult to be explained by a laic;</td>
<td>Energy, economics, protection of environment, water (continued)</td>
</tr>
</tbody>
</table>
The basis of making a social decision are profiles of individual preferences or utility, namely sequentially listed preferences or utilities of all members of a group or society. For making such decisions important are both the method of measurement of individual evaluations and possibility to compare them among people (Lissowski 2010, p. 9, translated).

It needs to be noticed, that decisions in public sector are very often made on the basis of conflict between important and accepted values. Thus developing a decision-making compromise is difficult, since it does not regard the choice of either wrong or right decision-making alternatives. It rather regards those, that can be equally justified, but each of them will generate a necessity to make other or even

<table>
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<tr>
<th>Method</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Areas of application</th>
</tr>
</thead>
<tbody>
<tr>
<td>ambiguity</td>
<td>transfix forbids direct identification of strong and weak sides.</td>
<td>management and transport issues.</td>
<td></td>
</tr>
<tr>
<td>PROMETEUS</td>
<td>Easy to use, does not require assumption, that the criteria are proportional.</td>
<td>Does not provide a clear way of attributing weight/significance.</td>
<td>Environment, hydrology, water management, business and finances, chemistry, logistics and transport, production and assembly, energy, agriculture.</td>
</tr>
<tr>
<td>Simple Additive Weighting—SAW</td>
<td>Ability to compensate among criteria; intuitive for decision makers; easy calculation, does not require complicated computer programmes.</td>
<td>Estimations not always reflect the actual situation; obtained result can be illogical.</td>
<td>Water management, business and financial management.</td>
</tr>
<tr>
<td>Preference choice technique according to similarity to ideal solutions. (Technique for Order Preferences by Similarity to Ideal Solutions—TOPSIS)</td>
<td>Easy to use and programme; number of steps stays the same regardless of the number of attributes.</td>
<td>With use of Euclidean distance correlation of attributes is not taken into consideration; difficulty to estimate weight and maintain coherence of evaluation.</td>
<td>Supply chain management and logistics, engineering, production, marketing and trade systems, protection of environment, human resources and water management.</td>
</tr>
</tbody>
</table>


“The basis of making a social decision are profiles of individual preferences or utility, namely sequentially listed preferences or utilities of all members of a group or society. For making such decisions important are both the method of measurement of individual evaluations and possibility to compare them among people” (Lissowski 2010, p. 9, translated).

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mutually exclusive decisions, often resulting in different consequences (Witesman and Walters 2014; de Graaf and van der Wal 2010).

On the basis of research conducted by E. M. Witesman and L. C. Walters among local government employees in 27 cities from seven states of the USA, a table of 24 hierarchically ordered values can be made. This juxtaposition from the highest to the lowest meaning can be a kind of map of values in decision making, when it comes to the value of compromise (Table 2.2).

Of course the presented table of hierarchic values certainly will not be a unified beacon for each country due to different stages of their development. However, the above mentioned research may be a good contribution to national research—by diagnostic sounding among both public and private sector employees.

We must notice here, that from the point of view of public sector decision maker the essence of decision making should be effectiveness, which P. Drucker (2004)

<table>
<thead>
<tr>
<th>No.</th>
<th>Hierarchical value</th>
<th>Main duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Efficiency of resource use</td>
<td>PE</td>
</tr>
<tr>
<td>2.</td>
<td>Innovativeness (individual)</td>
<td>PE</td>
</tr>
<tr>
<td>3.</td>
<td>Observance of the rules—even when no one is watching</td>
<td>PE</td>
</tr>
<tr>
<td>4.</td>
<td>National security</td>
<td>GD</td>
</tr>
<tr>
<td>5.</td>
<td>Objectiveness in making just and impartial decisions</td>
<td>PE</td>
</tr>
<tr>
<td>6.</td>
<td>Independence of work awarded by the government and society</td>
<td>GD</td>
</tr>
<tr>
<td>7.</td>
<td>Cooperation</td>
<td>PE</td>
</tr>
<tr>
<td>8.</td>
<td>Used processes</td>
<td>GD</td>
</tr>
<tr>
<td>9.</td>
<td>Engagement of citizens</td>
<td>GD</td>
</tr>
<tr>
<td>10.</td>
<td>Government’s innovations</td>
<td>GD</td>
</tr>
<tr>
<td>11.</td>
<td>Transparency of information transfer</td>
<td>PE</td>
</tr>
<tr>
<td>12.</td>
<td>Influence of the government on the society</td>
<td>GD</td>
</tr>
<tr>
<td>13.</td>
<td>Altruism</td>
<td>PE</td>
</tr>
<tr>
<td>14.</td>
<td>Sustainable development—future-oriented</td>
<td>GD</td>
</tr>
<tr>
<td>15.</td>
<td>Public interest</td>
<td>GD</td>
</tr>
<tr>
<td>16.</td>
<td>Political neutrality</td>
<td>PE</td>
</tr>
<tr>
<td>17.</td>
<td>Independence</td>
<td>PE</td>
</tr>
<tr>
<td>18.</td>
<td>Guardian of values</td>
<td>GD</td>
</tr>
<tr>
<td>19.</td>
<td>Flexibility</td>
<td>GD</td>
</tr>
<tr>
<td>20.</td>
<td>Social justice</td>
<td>PE</td>
</tr>
<tr>
<td>21.</td>
<td>Influence on the organisation results</td>
<td>GD</td>
</tr>
<tr>
<td>22.</td>
<td>Protection of minorities</td>
<td>GD</td>
</tr>
<tr>
<td>23.</td>
<td>Loyalty system</td>
<td>PE</td>
</tr>
<tr>
<td>24.</td>
<td>Government leadership</td>
<td>GD</td>
</tr>
</tbody>
</table>

*PE* personal engagement  
*GD* government duty

identifies with necessity of maintaining a specific decision-making procedure. However, in that procedure one should base on a vast scope of deviations from the standard behaviours, remembering that none of the managers is exempt from thinking and individual cases may require individual treatment and different decisions not only in the personal field, but also the subject one.

### 2.3 Decision Making in Conditions of Certainty, Risk and Uncertainty

In a modern world producing surplus of information and at the same time information deficits, making personal decisions, especially institutional ones, becomes exceptionally complicated and demanding. It is mainly about the fact that even the best and most efficient intellect of a given decision maker can be (and usually is) highly insufficient. It is necessary to use the array of decision-making instruments, which draw on such sciences as psychology, sociology, political science, economics, law, and others. On the one hand, it is about diagnosing and pointing out how a given fragment of reality works, on the other hand—about its descriptive and normative definition (Woźniak 2013). “Subject making a decision can make it only when he is able to determine a set of variations, from which he will choose another variant—decision, the so-called set of permissible variants including awareness of circumstances and conditions restricting it (.), have the ability to differentiate among the variants and freedom to choose the one he decided on” (Woźniak 2013, p. 10, translated). At the same time it has been proven that managers familiar with making strategic decisions asked for it—to spend small amount of energy for brain work in opposition to inexperienced people, who perceive the problem of strategic choices as difficult, and their brain needs much more energy to initiate work (Prentice 2007).

On the one hand, the decision maker has less and less possibilities of making a decision in conditions of certainty, thus it is deterministic. The undertaken actions simply do not have to lead to a specified and planned result. On the other hand, it is difficult to make clearly evaluative and normative judgements within optimal choice, even with the use of dedicated operational and systemic research. As a result, when it is known, which decision to make, the decision-making issues occur in terms of costs, gains, loses, opportunities or threats related to that choice.

Probabilistic decisions, that are made in conditions of risk, are characterised with high uncertainty. It is, however, possible to estimate the probability of occurrence of specific events. This facilitates making the right decision, however does not guarantee certainty of such approach. In this system, decisions should be made by the principle of expected utility, rather than the principle of expected value (Tyszka 2010).

Finally, when decisions are made in conditions of complete or partial uncertainty, we can talk about the unpredictability of considered activities. Decisions made in this domain are discussed in a broad context of game theory— if they relate to any opponent (Tyszka 2010).
Very large part of decisions may regard many goals, which from the point of view of optimisation are desired, and sometimes necessary. Then decision maker is forced to use or not heuristics of compensation. In compensation approach, the options listed lower in terms of an attribute “are compensated by good results in terms of other features (…)”. In case of non-compensative strategy such concession would not be possible” (Goodwin and Wright 2011, p. 33, translated).

In the process of decision making, the decision maker has the individual ability to perceive the reality, which is pointed out by the representatives of behavioural economics, in particular psychological and experimental economics. To cognitive predispositions related to perception of reality belong (Polowczyk 2012):

(a) framing (so-called context effect)—inappropriate context of realisation of a problem, e.g. too wide or too narrow,
(b) anchoring fallacy—tendency to subconsciously adopt the output suggestions, so-called anchor,
(c) availability fallacy—selective use of memory; using those informational signals, which are encoded in memory; this fallacy may be caused on purpose or unconsciously by very frequent repetition of the same communicate in mass media, which results in greater sensitivity of memory to these and not other information,
(d) halo effect—seeing one positive feature (of person, phenomenon, thing) causes tendency to positively evaluate its other attributes or features,
(e) self-perception theory—people recognise themselves on the basis of observing own behaviours and retrospection. This way they form habits necessary for new situations,
(f) illusion of truth—natural tendency to accept more understandable statements as true, even though they can be false. On the other hand, frequent repetition of false statements in understandable language leads to considering them as true even by the recipient, who initially believed the communicate to be false,
(g) superstitions—belief in superstitions, magical numbers, etc.,
(h) the curse of knowledge—limited thinking, not accepting that others can have and use different knowledge,
(i) false consensus—convinced that others think as we do (while it is quite the opposite).

On the other hand, decision makers of the public sphere of management, in decision-making process often choose consultations and solutions (dispersing liability). Thus, are more inclined to act if the decision-making process has undergone a commonly used practice of consultation—they consider deciding to be less risky then. They then avoid making decisions based on both analytical practices (which may come as a surprise, if those practices are not accompanied by speculations) and controversial decisions, qualifying them as more risky (Nutt 2006). Such calculation is a rational action from the point of view if own interest, directed at maintaining the managerial position and anti-developmental from the point of view of the organisation or even society within organisation of state.
Making decisions, especially in relation to public sector, always or almost always may require ethical reflection, on condition that the decision maker is familiar with such values and thus he is convinced about necessity of moral identification of content of a given decision. If this condition is fulfilled, then on the basis of own knowledge, experience and personal beliefs the decision maker intuitively makes a judgement and sets direction for specific decision making process. He analyses various weights of relative conditions, evaluating between ethics and common good and the profit and economic (Barraquier 2011) efficiency of the functioning of the organization, sometimes being considered in the context of subjective personal benefits. Where ethicality of behaviour in a given organisation is usually identified with moral evaluation of actions of general management, its leaders and employees (Cremer et al. 2011).

Worthy of attention in this context is the proposed by A. Barraquier four-segment model of strategic consequences resulting from making decisions in conditions of uncertainty with various levels of congruence or adherence to profitability. It consists of four profiles: fraud, crisis, innovations and survival (Barraquier 2011) (Fig. 2.4).

In the presented model of choice between ethics and gain, fraud does not seem to be a decisive choice. If a given organisation is not able to assign required resources to realise specified tasks, the managers in order to execute them work in higher stress, which causes conflict situations, evokes a sense of helplessness and even rebellion. It results from the fact, that the made decisions do not guarantee gain, even though they could have. Situation is dramatically different, when managers prove themselves creative and implement new projects (Barraquier 2011). Another element of the model in public organisations can be the adoption of focused on survival and inertial attitudes, where the main frustration can be uncertainty related
to change of the general manager of the institution or state, which may naturally seek personnel changes at different positions.

2.4 Heterogeneous Knowledge in Strategic Planning and Decision Making

Implementing a strategic planning at all levels of state institutions is usually threatened with bigger or smaller failures in some areas. The difficulties appear not only in realising goals oriented at certain results, but also in adjusting the annual activity plans to state’s strategic plans and long-term goals in the given scope. Responsible for it are very often only managers of public organisations, who simply do not work, but also frequently the reason is the lack of adequate resource, in particular of financial character (Poister 2010). It means, that public organisations and their managers should today start to look for new, more creative ways to draw conclusions from occurring trends, make a realistic evaluation of own possibilities of action and clearly determine, which situations and events may evade the counteraction or reacting possibilities (Poister 2010). An open question for individual response remains how the future manager of public sector expresses acceptance to endorse a given institution or government and how is faced with the necessity to choose between the current position and inability to manage, and resigning from the current function in the name of principles and individual ideals, which entails losing the position and remuneration he is entitled to.

The decisions made must actually, instead of only declaratively, make public values real, like e.g. responsibility, transparency, ability to act or quality. They need to consider a fact, that public service should entail constant employment of external counsellors to solve a given problem or realise a given project within planned actions (Reynaers 2014). However, one should exceptionally carefully decide, which services can be developed within public and private partnership or privatisation of so far public activity (Bovaird 2004), taking into consideration not only the financial result, but also common good and satisfaction of guaranteed needs.

Determining the developmental needs of an organisation the state is, requires conducting strategic analyses, which will set grounds for decision making. In this matter key meaning have time, dynamics of communication and information exchange. From the point of view of decision makers it is important, whether such dynamics lead to capturing the information from heterogeneous sources and their effective aggregation (Acemoglu et al. 2014), and finally—use as economic system knowledge in:

(a) regulative:

– system of legal norms,
– system of moral norms—religious and moral standards, which regulate the actions of a given society,
– economic trading system (especially in terms of economic trading security, defined as “non-inertial system of mutual balance for free and
regulated gainful activity, with the party autonomy, necessity to maintain existing risk volume by maintaining limited confidence in the economic and legal relations between the contracting parties, the internal environment and the environment in which the entity operates”) (Raczkowski 2014c),

- systemic actions supporting innovativeness and profiling of sciences with high coefficient of financing from national budget or/and public and private partnership.

(b) actual:

- interdependency of separate organisations and groups of states within a global market,
- functioning of global trade,
- risk evaluation in decision making process (“with mitigating risks in business, where the size net revenue from the sale of goods and services in the profit and loss account will allow the development of such a net profit in the fiscal year that will allow for smoother running a business in the short and medium term”) (Raczkowski 2014b),
- tax evasion and fulfilment of obligations imposed by public levy,
- cooperation and coopetition,
- factors stabilising and supporting a specified legal paradigm in business,
- supporting foreign expansion of domestic entities in the context of symmetric attracting the necessary and possible to tax foreign investment (Raczkowski 2014a).

On the one hand the degree of use of knowledge from managerial point of view can depend to a large extent from the problem solving institution, which is a derivative of both theoretical knowledge and practical experience (Dane and Pratt 2009). Decision maker in a natural way, resembling *homo heuristicus*, may present partial thinking ignoring a part of available information. M. H. Bazerman and D. Moore (2009) prove, that people declare proclaim the importance of avoiding bias, while for their leaders choose those with a greater bias or particularly biased.

On the other hand, a partial mind can show higher efficiency and effectiveness in relation to planning or decisive uncertainty basing on general processing and more intensive resource strategy (Gigerenzer and Brighton 2009; Akinci and Sadler-Smith 2012; Kluver et al. 2014). Important in this process is undoubtedly systemic thinking, which in public domain should regard such planning and designing the work system of the institution, that will be focused on specific needs of citizens as if they were clients, and integration of the decision-making processes could result from the work itself (Jaaron and Backhouse 2011; Seddon 2005). Thus recognition and analysis of knowledge on ways of making decision by a given person allows
predicting how this person will behave in a given decision-making situation (Rowe and Boulgarides 1994).

### 2.5 Planning and Decision Making in Political Transformation

Political transformation in Central and Eastern Europe initiated in 1989–1990 was basically subordinated to the idea of a political project, which the *Washington Consensus* was. These are the recommendations of World Bank, International Monetary Fund and Treasury Department of the United States related to the reform package recommended for poor countries. The Consensus strongly emphasised the need of restricting the role of the state in the economy, privatisation of national property and liberalisation of trade\(^1\) (Załęski 2012) (Table 2.3).

The document for the first time was presented in 1989 in Washington by J. Williamson,\(^2\) then director if Global Economy Institute (Leszczyński 2010). In the initial version it was meant for Latin America, but in a short time it was adopted in other states, in particular of the Eastern Block. This way it became a main indicator of conditions a state should fulfil to receive financial aid from International Monetary Fund. Rigid respect for its conditions led to situation, where states under political transformation were kept in the state of fiscal discipline, which resulted in decrease of economic growth. Such state naturally experienced bankruptcy of enterprises, and as the result massive lay-offs that increased unemployment, contributed to the social exclusion of citizens and caused further difficulties to the state budget\(^3\) (Kołodko 2005).

The turn of 80s and 90s of the twentieth century in Central and Eastern Europe is a period of political and systemic changes associated with offset (at least partially) of the Communist Party from power and attempt to democratisation. The transformation initiated in Poland in 1989 quickly evolved—it covered in total 30 states and territory populated now by about 1.8 billion of people (Kołodko 2010b). From this perspective and after 25 years from historical changes, we need to think, whether it is a sole success or maybe a partial success paid with structural decision-making mistakes. Whereas it is about the use of critical management studies in consistent and multidimensional analysis of organizational reality of the state. In the example below Poland will be described as pioneer state in implementing reforms in that time.

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\(^1\) In literature of subject it is pointed out, that the *Washington Consensus* in many cases set very low costs of entering the market for other Western entities, caused cheap sale of large part of national property, blocked the possibility of capital accumulation, destroyed national production (liquidation).

\(^2\) After years the author of *Washington Consensus* explained, that he was in majority wrongly understood, and his intentions were different from actually conducted changes.

\(^3\) From today’s perspective the shock therapy of political transformation introduced in later period in post-socialist countries is rather seen as a failure then success.
Many authors state, that in Poland the most radical shock therapy was applied, as so were the complex changes described, especially of economic character (Giannaros 2008). But according to S. Gomułka (1994) the real shock therapy was conducted only in German Democratic Republic (GDR). In Poland, like in Lithuania, Estonia, former Czechoslovakia and Russia, mainly managed shock strategy was used.

According to T. Kowalik the shock therapy for Poland, called Balcerowicz’s plan or Big Bang, was unnecessary. It was “an expression of neophyte faith of key decision-makers and their advisers in the free market, which facilitated the adoption of a standard IMF prescription ignoring the different conditions of the economy coming out of real socialism (…). What is more surprising, the experts who suggested Poland the »leap« into the market have previously advocated views more focused on the evolutionary transformation, which did not indicate the coming radicalism. For the fate of »leap« crucial were opinions of T. Mazowiecki, W. Kuczyński and L. Balcerowicz—the trinity, which had a deciding influence on the shape of what is called the Balcerowicz’s Plan. J. Kuroń played a great role in defending the plan” (Kowalik 2009, p. 80, translated). Dozens of foreign experts participating in formal and informal groups dealt

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<tr>
<td>1.</td>
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<td>Increased savings</td>
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<tr>
<td>2.</td>
<td>New priorities in public expenditure</td>
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<tr>
<td>3.</td>
<td>Tax reforms for lowering national tax rates and broadening of tax base</td>
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<tr>
<td>4.</td>
<td>Trade liberalisation</td>
<td>Strengthening banking supervision</td>
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<td>5.</td>
<td>Liberalisation of foreign direct investment flow</td>
<td>Maintaining exchange rate at a level ensuring competitiveness, while avoiding fluctuations and stiffness</td>
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<td>Privatisation of national enterprises (accepting foreign investors)</td>
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<td>8.</td>
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<tr>
<td>9.</td>
<td>Property rights protection (state warranties for private property)</td>
<td>Creating independent institutions: central bank, treasury apparatus, independent jurisdiction and agency promoting development undertakings</td>
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<td>10.</td>
<td>Exchange rates</td>
<td>Increase in investment in education</td>
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¹developed at the beginning of 1990s; does not contain conclusions from reformatory and stabilising actions in Central and Eastern Europe


Table 2.3 Washington Consensus recommendations

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with support for the reforms in Poland. The most significant were J. Sachs—professor at Harvard University in Boston, G. Soros—millionaire who made a fortune on currency speculation and D. Lipton—expert of the International Monetary Fund. How W. Kieżun (2012) notices, on the basis of the description presented by J. Sachs himself (2006), the actual first plan of political transformation in Poland was presented by J. Sachs during a meeting with B. Geremek, J. Kuroń and A. Michnik. They have accepted solutions different from those that were later used in business practice. “So the government with Tadeusz Mazowiecki as the Prime Minister and Leszek Balcerowicz was formed, which realised Jeffrey Sachs’ plan, initiated, suggested and financed by George Soros, later however called Balcerowicz’s Plan. This plan in a concentrated form did not precise the most important and disadvantageous issues, which were later implemented. It consisted of seven basic elements, which included:

(a) “ownership transformation bringing the ownership structure closer to the one in highly developed states,
(b) radical increase in independence of local government enterprises,
(c) full introduction of market mechanisms, in particular freedom of setting prices, which meant the elimination of restrictions and mandatory mediation,
(d) creation of conditions for internal competition by anti-trust policy and full freedom to create new businesses,
(e) opening the economy to the world by introducing exchange of PLN (...),
(f) launching the capital market,
(g) creation of labour market” (Kowalik 2009)

On the basis of a generally formulated plan, the first planning document of the beginning of transformation was created—economic programme of T. Mazowiecki’s government (see: Program gospodarczy rządu Tadeusza Mazowieckiego 1989; Stanisław Gomułka i transformacja polska. Dokumenty i analizy 1968–1989 2010), consisting of seven basic elements as the sum of changes in the state. In short, the programme assumed:

(a) The starting point—which stated that Polish economy required systemic changes of a fundamental nature, since the economy was in a dramatic situation and on the border of collapse of state finances. In order to shorten the transitional period of building the market system, explicitly discussed were rapid and radical measures, to meet Polish historical challenge, with a government’s strong determination to act.
(b) Programme’s general assumptions—assuming two-fold realisation of the programme: stabilisation of inflation (especially to control inflation) and transformation of the economic system. Preparation of projects and their implementation in organisational and legislative sphere would serve this purpose. It was clearly indicated, that strong inflation would impede the success of systemic changes and expected foreign aid.
(c) Stabilisation of economy—through e.g. not allowing the inflation rate to grow (anti-trust legislation, active commodity reserve policy, discontinuing unprofitable and non-ecological production, modification of wage indexation rules—to compensatory indexation, making long-term savings more attractive, inhibition of investment demand, the sale of certain items of state property, more strict financial policy towards enterprises) and stopping the outflow of PLN; limiting the number of government grants for state enterprises and subsidised goods (means of production for agriculture, food products, etc.). It was also assumed, that some of production plants would be forced to declare bankruptcy, there would be a temporary drop in production and rise in unemployment, which would have been balanced with social protection system.

(d) Systemic changes—for the breakthrough change of economic system like in Western, highly developed states. Ownership transformations carried out according to the rules adopted by the parliament, increase of autonomy of state enterprises, the implementation of full market mechanism and the freedom of conducting business, opening of the economy to the outside, the reform of state finances (including tax system), creation of labour market and capital market; separation of communal property from the state property and transfer the management of that same property to the hands of local government; cities and communes to allocate the right to conduct business and creating communal associations and municipal bond issues were to serve that goal. The abolition of restrictions on the size of individual farms and land trade barriers with support for agriculture; allowed full disposal of buildings and dwellings (including freedom of adjusting rents). The abolition of most extra-budgetary funds subsidized from state budget and the establishment of stock exchanges for the capital market. Systemic actions were to include the implementation of social program to new labour market conditions.

(e) Social policy towards changes in economic system—introduction of protective measures for the most vulnerable economic groups in society in the form of: vouchers for basic articles (protection of level of consumption), rent allowances, proper indexation of pensions, social assistance system reorganization—which results in higher efficiency and increased welfare state functions span (state and extra-budgetary support); comprehensive reform of the social security system according to the real value of benefits.

(f) Foreign support for stabilisation programme and systemic changes—close collaboration with creditors, international organisations and the governments of other states whose support is dependent on the conduct of internal changes.

(g) Social and political conditions for reforms—would be realised only if they were accepted and adopted by the majority of the population; therefore required support of trade unions, both Houses of Parliament and government. The programme stated, that lack of common consent for realisation would have meant a complete elimination of PLN, hyperinflation and
disorganisation of social life, which further was to result in the introduction of “a war-type economy with full rationing and supply rationing system” (Stanisław Gomułka i transformacja polska. Dokumenty i analizy 1968–1989 2010).

However, before the programme was announced on August 18, 1989, J. Sachs and D. Lipton have presented the Senate Economic Commission with their programme of reforms for Poland. The concept assumed, that e.g. $\frac{1}{2}-\frac{3}{4}$ of savings from subsidies will be allocated to increase the wage fund and eliminate excessive employee payroll tax on businesses (Kieżun 2012). It didn’t happen, though. Tax from over-normative wage payments, called *popiwek*, burdened the employer with 200 % or 500 % tax, if the company has increased wage bill—respectively in the ranges of prescribed limit of 0.1–3 %, and more than 3 %. Social protests made the government withdraw from using this type of tax as a tool of declarative fight with inflation in 1991 for private companies, and in 1992 for public sector. However, a large number of enterprises was obliged to pay these burdens till the end of March 1994. It caused mass outflow of higher managerial staff and skilled employees to private enterprises, which were situated more competitively than state enterprises. Realization of transformation plan was more than a shock, it took place in a spontaneous and revolutionary way. Sudden marketisation of economy and opening of the internal market—without at least protective barriers in the form of temporal prohibitive customs on a large group of goods—resulted in mass bankruptcy of almost 40 % of state enterprises. They simply have not been a competition for developing companies in the country, and especially for foreign companies. Many enterprises were taken over for next to nothing and the resources from privatisation announced in 1990 (see: *Act of 13 July 1990 on commercialization and privatization of state enterprises*) were in a large part wasted. “Legislator’s goal was to give the existing state owned enterprises the organisational and legal form typical for commercial law entities, but only to sell shares in these commercialized companies to private investors. We lacked the attempt at differentiated approach to separate categories of entities, namely strictly commercial sector entities and entities performing public tasks” (Grzegorczyk 2012). Six years later, that is in 1996, there was a possibility to carry out the spontaneous commercialization under the *Act of August 30, 1996 on commercialization and privatization of state enterprises* (Ustawa z dnia 30 sierpnia 1996).

The Sachs-Soros stipulation on reprivatisation of Polish citizens’ property (including enterprises) has never been carried out. Finally, the gigantic hyperinflation has been stopped, but hasn’t the price of those reforms been too high? W. Kieżun clearly states, that “the authors of preliminary actions lacked elementary, basic knowledge in management and organisation. Thanks to it Poland has become a kind of El Dorado for foreign capital” (2012, p. 132, translated).

Although the International Monetary Fund has imposed rigorous regulations under which Poland should have received help, even then director of experts of International Monetary Fund M. Bruno expressed surprise that Poland had chosen the most strict level of support. For society it meant dramatically shocking reforms.
In December 1989 Polish reformers themselves made the programme even more rigorous by decreasing the coefficient of planned inflation in 1990 from 140% to 95%. As we know it was more than six times higher. Also the payment indexation rate was decreased from 0.8 to 0.3 in January 1990 and 0.02 in consequent months, which resulted in decline in the standard of living of payment recipients (Kowalik 2009; Kuczyński 1992).

From today’s perspective we may ask, whether the evident economic successes after 25 years of transformation in its initial years have been a consciously and unconsciously approved robbery of public property with simultaneously pushing the state by multinational corporations to the role of incapacitated entity? Was it a kind of creative destruction deprived of rationality of actions of old/new managers? Phases of development of economy in political transformation period can be described in four stages—each of them ended with bankruptcy of many enterprises: short-term survival techniques (failure), functional restructuring (failure), process restructuring (failure), improvement (failure) (Kozmiński 2014).

No surprise then, that many critical opinions occurred of not the very transformation, which was necessary, but the methods, techniques and tools used to execute it. It needs to be underlined, that the criticism appeared in the initial stage of introducing reforms and was articulated i.e. by Nobel Prize laureates —M. Friedman or G. S. Becker (Kieżun 2012). One of the greatest Polish authorities in the field of management studies A. K. Koźmiński has also criticised from the very beginning the implemented reforms, and several years later, in 1997, he explained that “still then inexperienced experimentalist L. Balcerowicz has indeed achieved an impressive market balance, but he has ignored the outcomes of his actions for state economy and led to the bankruptcy of many state enterprises, which another fanatic J. Lewandowski gave to foreign capital for next to nothing. The same government was culpable of losing Eastern markets and too early liquidation of State Farms, which led to almost three-million unemployment and abandonment of thousands of hectares of cultivation in arable land. This practice carried out with reprehensible recklessness, without taking into account the social consequences, received euphemistic title of shock therapy, or another, better reflecting the results of this project: “reform by ruin’. When in result of these operations and other negligences the state fund begin to lack money, the Solidarity-based government reduced valorisation of payments in budget sphere and—against the law—valorisation of pensions, unscrupulously shifting the burden of economic restructuring on the poorest. The state was led to bankruptcy and to this day is not able to get out of it” (Kieżun 2012, p. 192, translated). In 2006 L. Balcerowicz published in “Daily Star: the article Losing Milton Friedman. A Revolutionary Muse of Liberty, where he wrote: “I live in Poland that is now free, and I consider Milton Friedman to be one of the main intellectual architects of my country’s liberty” (Klein 2008). It is a fact, Poland is free, but do the accepted architect Friedman’s ideological plans have not led to a construction disaster, on whose ruins the new order was built? Many great experts and economists share this opinion. G. Kołodko believes, that “the younger ones still carry the burden of naive and harmful idée fixe in the form of shock therapy. Unsuccessful attempts to carry it out
entailed the enormity of the costs that could have been avoided, by bringing the way a lot less of the therapeutic effects than it was possible to achieve, when choosing a different path of changes. And if now some would like to forget about rubbish like »shock therapy« (or preferably convince themselves and others that supposedly it was successful), then getting to the heart of the matter is necessary (…). Not only from the point of view of historical truth—how often lied about in relation to the periods, which have just passed—and correctness of ex post economic interpretation. It has also ex ante significance, since in historical process of development in various part of the world on its various levels many mistakes can still be avoided” (Kołodko 2010a). Analysis, or rather a very concise synthesis of the course of transformation in Poland, is or should be at the same time a lesson to those, who are or will be engaged in the public governance and management processes. Necessary in this process is understanding of history, where the given economic activity has developed, since it is a kind of manager’s toolbox to help understand why modern conditions are such, and not different. The history brings ideas, is the example of good or bad practices, which can increase or decrease effectiveness of action of given organisation (de Geus 1997; Griffin 2004).

Bank of Sweden’s Alfred Nobel Prize laureate in economics E. S. Phelps bluntly comments the weakening of the state and the introduction of a free market institutions at all costs: “Intellectual wave, which is luckily extinguishing, insisted on the government to be neutral towards economy. Boys from Chicago school saw the perfect government as basically esoteric thing—like Pope or Dalai Lama. They accepted giving out money, did not accept interference in the market. (…) I believe in economic freedom. I believe in free entrepreneurship. I believe in creativity, inventiveness, ingenuity. I do not believe in free market and esoteric state. These are the myths destroying the economic studies, and then the economy, society and the state” (Phelps 2008).

Political transformation in Polish conditions certainly contributed in long term to economic growth, which for many years was significantly faster than growth of salary, to integration with global economy and increase of efficiency (Marra and Carlei 2014). However, it incurred a high social cost. Privatisation often could have served to favour and create specific business groups, which in one form or another could finance a particular political party (Szanyi 2013). Lack of transparency of many processes and mechanisms of action of political class and unusually expansive at that time “cunning” entrepreneurship finally had influence on the significant decrease of effectiveness of privatisation (Marra and Carlei 2014) and degree of realisation of assumed goals. At the same time we need to remember, that the employees of public sector fundamentally differ in acceptance of risk, since to various degrees they are vulnerable to shocks arising in the economy (Kallianiotis 2013).

Official beginning of questioning the legitimacy of rigid recommendations of Washington Consensus occurred only at the beginning of twenty-first century following the disclosure of the global financial crisis. In 2008 International Monetary Fund recommended that states adopted the stimulus packages for economy and helped make mild fiscal cuts—depending on the state of the economy.
In this context it has to be noticed, that each political transformation in the recent decades, even in its most noble form, must have been producing illogical decisions—both consciously and unconsciously. Thus those decisions have been first successively lobbied and then used as a tool for increasing economic profit. They also served the development of business of small group of people, increasing disproportions between societies, individual countries, enterprises and persons. Today 1 % of the richest people in the world has accumulated a wealth worth 110 billion USD (OXFAM 2014), and those disproportions increase each year, making it difficult for unstable states’ governments to make efficient decisions for sustainable satisfaction of needs.

### 2.6 Institutional Development Planning on Local Government Level (IDP Method)

Efficient and effective administration directly influences the improvement of citizen’s quality of life. Thus important is the institutional potential, which can be used in this process in relation to competent officials, efficient organisation and decision making structures, mechanisms of resource use and finally partnership between local population and public affairs. Wherein this partnership cannot be related with nepotism or fake slogancity leading to perceiving the public interest through individual instead of collective dimension. Thus individual entities of local government (mainly on the level of community) should look for self-assessment and planning tools, which would allow for governing the entity in an efficient, transparent and predictable instead of incidental way and implement them. The essence of local government is the “execution of power in a specified territory by its citizens through performing the tasks assigned by law by the state. The goal of local government is satisfying collective needs of population of a given territory and creating good conditions of its individual development” (Wytrążek 2010). Thus a special role of local government should be based on such planning in decision making, which will satisfy three basic functions. Firstly engagement of active citizens, who will competently defend their society; secondly strengthening local societies in order to formulate the best solutions; thirdly establishing and maintaining partnership among citizens and public institutions on a given area (McWilliams 2013). However, what is meant here is an actual inclusion of the citizen’s public opinion and not only social movements in consultation process as a part of planning, but before making the final decision. The latter, like e.g. opinions of scientists, should be listed as experts, as opposed to citizens, who are not such experts, but are able to present disinterested opinions from own point of view (Evans and Plows 2007) and problems they cope with on a daily basis.

One of such tools is the Institutional Development Planning method (IDP) for local community. In endeavours to provide high quality services in a given local
government entity it should be a sequential set of repeatable actions, which include:

(a) diagnosing current development level (of local government entity/commune),
(b) planning and designing institutional changes (developing a real, but long-term plan of institutional development),
(c) practical realisation of the plan (implementation of appropriate development tools),
(d) audit of results—after each improvement cycle, which allows improving efficiency of the entity or commune,

IDP method is a kind of constructive criticism of management quality analysis in a given office or commune, which allows planning separate undertaking, sets scalable measurements and action standards. Its use can lead to change of organisational culture in a given office or commune (which is usually very difficult), introduces constant organisational optimisations resulting in improvement of performed work in public services.

The whole institutional analysis and its organisation consist of three basic actions, whose execution may guarantee achieving the commune’s goals. They consist of formal and organisational actions before conducting the institutional analysis. A key point of the process is acceptance from managerial unit of a given local government entity initiating the IDP method implementation. Even more important is that the introduced method was not only a wishful thinking and formally imposed commune’s actions which are not respected in practice. Thus the information about implemented method, its advantages and requirements should not only be communicated to the employees, but most of all engage each employee in established framework of its realisation. An average length of preparatory phase for institutional analysis is 2–8 days and requires 4–15 employees of a given local government administration entity. A real time needed for performing the institutional analysis is from a week to 3 weeks (Op. cit., s. 66–68).

In 2014 passed 10 years of full IDP method, which has already earned an actualisation. At the moment it consists of 19 management criteria divided in five essential areas, which are:

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4 See: full description of the institutional development planning within the framework of the project “Improvement of the quality of offices and services for residents through the implementation of the revised method of IDP in the municipalities and counties.” Implementation of the project took place in the framework of Priority V Human Capital Operational Programme (Good Governance), Action 5.2.—Strengthen the capacity of local government, sub-measure 5.2.1. Modernization of management in local government administration); Institutional development planning in local government . . ., op. cit., pp. 8–9.
(a) leadership and strategy:

- leadership, i.e. participation and capabilities of community administration leaders in initiating actions, formulating visions, missions, strategies; client/stakeholders satisfaction surveying, dialogue and cooperation with external partners in planning process; in individual community units promoting pro-quality and team work within organisation culture; searching and using good practices of management and leadership,
- strategy within owned and implemented development strategies, constant dialogue with society—informing about actions taken, planning financial resources for strategy realisation in individual budgets, keeping operational plans for strategies and realising resulting tasks; periodical evaluation and actualisation of strategy and predicting socio-economic phenomena; searching and using the best practices in strategic management,

(b) resource management

- finance management i.e. on the basis of 5-year prognosis of financial trend analysis from 3 past years, updated with factors impossible to predict; multiannual investment plan congruent with multiannual financial prognosis; constant actualisation of multiannual financial prognosis on the basis of acquisition cost model analysis of repayable resources, and system of taxes and local fees,
- property management—based on set of properties constituting municipal property or coming from the rental as part of a unified and updated municipal property management procedures,
- spatial management—based on the local development plan, in accordance with the community spatial policy and vision; in space management included are also all management activities aimed at cultural heritage and natural environment—in a transparent visualization of Geographic Information System,
- IT management—enabling all employees to use personal e-mail accounts and implementation of electronic document management system—both for employees and stakeholders of the municipal organization),
- process management—by using detailed process description within e.g. implementing ISO 9001 quality management; process evaluation based on stakeholder satisfaction surveys,

(c) managing organisation’s human resources:

- planning, recruitment and selection—key competences, position profiles, standardised recruitment and selection tools, employment plans,
– motivation, evaluation and promotion (evaluation on the basis of position profiles, surveys of employees’ motivation level and professional qualification of people promoted or applying for promotion,
– professional improvement—e.g. training needs analysis and development of annual training plans; constant dissemination of knowledge within the accepted procedures for converting data and information,
– ethics—e.g. transparency of decision making in the system of client/stakeholder service; introducing action standards in public procurement; training for councillors and employees on corruption and its countermeasures, implementation of a code of ethics for local government employees and councillors; advice on resolving conflicts of interest; permanent training of managers in tactics and techniques of managing the situation of the risk of corruption,

(d) partnership:

– social communication and public and social partnership—exchange of information between given office and local environment—also in non-obligatory information; supporting civic initiatives and monitoring of social activity in the community; cross-sectoral working groups and public consultations,
– public partnership—within joint undertakings of local government of public finance sector entities—transparent exchange of information, establishing and maintaining contacts with local government units of other countries; joint organization of projects—both domestic and international,
– cooperation with entrepreneurs and public-private partnership—including entrepreneurs in cooperation for realisation of community tasks; supporting the idea of corporate social responsibility, having map and scope of local entrepreneurs and joint implementation of projects under the Act on public-private partnership (Ustawa z dnia 19 grudnia 2008),

(e) managing public services:

– administrative services—within a catalogue, patterns and procedures of administrative services; basing the public service management on ISO quality management system or conducting alternative forms of evaluating office management on the basis of Common Assessment Framework—CAF or Institution Development Planning—IDP,

5 See: the subject of a public-private partnership, the essence of which is the joint execution of projects in the distribution of individual tasks and risks between public and private partners in the Act of 19 December 2008. on public-private partnership (Dz U z 2009 r. Nr 19, poz. 100).
– social services—within known and in force standards of providing social services,
– technical services—provided within standards known to stakeholders and other recipients,
– supporting economic development—within various economic development policies included in community strategy and communicated to the local communities; cooperation with neighbouring local government units in order to harmonise the activities of the labour market and economic development (see: Planowanie rozwoju instytucjonalnego w samorządach lokalnych . . ).

The whole planning process should be based on the belief that the local government realises important public functions of service character, which can include:

(a) administrative services—related to issuing all documents: of general nature, licenses, permits, administrative decisions,
(b) social services—healthcare, public security, education, upbringing, physical culture and recreation, housing, social assistance and social services, culture,
(c) technical services—water and waste management, transport, cemeteries, public green, energy supply (Olesiński 2010).

Those functions have to fully, but within budget, satisfy the needs of local government community, namely the whole population of the area. Development planning without financing bases—both local and central and detachment from developmental cohesion of the region can in short time lead to unnecessary tensions and social conflicts. It can result in: outflow of investors, unfriendly attitude of the residents to each other or to the company and often a bad image on the outside.

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