

Understanding the New Business Paradigm in Eastern Europe

Lessons on Building a Successful Small Business

Understanding the New Business Paradigm in Eastern Europe

Lessons on Building a Successful
Small Business

By

Robert Kozielski

*The University of Łódź, Poland;
Chartered Marketer, CIM, questus*



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2017

Copyright © 2017 Emerald Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78714-121-6 (Print)

ISBN: 978-1-78714-120-9 (Online)

ISBN: 978-1-78714-304-3 (Epub)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

About the Author

Robert Kozielski, Fulbright Scholar (Willamette University, USA) and Associate Professor at the University of Łódź (Poland), is a leading authority on market strategies of enterprises, strategic analyses, and the evaluation of marketing actions' effectiveness in organizations. He is also the author of over 200 publications (books and articles) on market activities that have been published both in Poland and abroad, including *Determinants of Organization Success*, *How to Quickly Write a Professional Marketing Plan*, *Advertising and Competitive Capacity of Polish Enterprises* and *Marketing Metrics* (the first publication of its kind in the world concerning measurement processes and marketing indicators, ahead of such centers as, e.g., the Wharton Business School). He has presented papers, made presentations, and participated in numerous conferences and seminars in Poland and abroad.

Robert Kozielski is a member of the Committee of Organization and Management Sciences of the Polish Academy of Sciences, and he has delivered lectures and conducted training workshops at the University of Warsaw, the Warsaw School of Economics, Executive MBA courses organized by the University of Łódź, and the University of Maryland (USA), as well as the Executive MBA program organized by the University of Warsaw and the University of Illinois (USA). He has participated in scientific internships and research programs at the universities of Maryland (USA), Lund (Sweden), Edinburgh (Scotland), and Middlesex (Great Britain).

In 1999 he opened the first training-examination center in Poland – the Chartered Institute of Marketing (CIM). Since then, he has been cooperating with nearly 1,000 managers, supporting their efforts to obtain the prestigious diploma of The Chartered Institute of Marketing. In 2004, he set up Questus which is currently the largest accredited CIM center in Poland, and the only center that runs examination preparation programs all over the country. The Chartered Institute of Marketing has bestowed Kozielski with the “Chartered Marketer Award.”

During his 20-year training and consulting endeavor, he has cooperated with such companies as Unilever, Microsoft, Hewlett-Packard, Merck, Abbott, Danone, Johnson & Johnson, Bayer, and Teva. He has also worked on the board of the Redan Capital Group, and he has been a member of the supervisory boards of GK Redan SA, and CAM Media SA. Additionally, Kozielski is the co-founder of Questuspoint Ltd. that conducts research-consulting activities using information from secondary sources. He continues to be a devoted board member for the non-profit organization “Happy Kids Foundation” that builds family-like homes to care for children.

Introduction

Key Dilemma

How could it happen that a company whose name for years was synonymous with photography (Kodak) and was selling memories, declared bankruptcy after 121 years, when at one point in their history they had an 80% market share in the photo market, and a 90% share in the film market?

How did it happen that the unparalleled identity of American success in a new economy (Facebook), which accomplished something that nobody else was capable of in the history of global business (within eight years they gained one billion users), was not able to sweep away – as in the case of a few other markets – a local social networking website in Poland (nk.pl)?

How could one explain the fact that Kmart, which at the end of the 1970s was the leader in the discount retailing market in the United States with almost 2,000 outlets, with an average turnover of \$7.25 million per outlet, lost its position and was replaced by Walmart, which while growing by 25% a year, transformed the retailing sector?

What contributes to the fact that although there are a lot of online banks in the Polish banking market, it was mBank that became a synonym of the online banking category that outclassed rivals?

What are the reasons that a company founded in 2006 (TOMS) started to set new trends in the area of business models, and in combining social and financial aspects, while it is an organization (Dabbawala) in which 85% of its 5,000 workers are illiterate, and only 15% of its workers finished primary school, and which has been active for more than 130 years in India, achieves quality standards consistent with the best models in the world (Six Sigma, ISO – 1 error in 16 million transactions)?

Why do small businesses, in various parts of the world, from the giants (USA) to small markets, achieve success, while others at the same time experience failures? For instance, a company set up in a garage (Atlas) is a leader in construction adhesives and

mortars in Poland, and products of initially small family companies, Aflofarm (pharmaceutical market), or VOX (furniture, doors, floors), are deeply rooted in the Polish business landscape and effectively compete in foreign markets, although many of them have not yet reached their full potential?

What do sizeable, well-known brands (Facebook, Google, Starbucks, Apple, Toyota, etc.) have in common with less recognizable ones (mBank, Dabbawala, TOMS, VOX, Zappos, Cliff Bar, VOX, Aflofarm, etc.)? On the other hand, what do such projects as SecondLife, pets.com, Webvan, the Polish newspaper, *Nowy Dzień*, or the Heyah brand share?

What is the future for Abercrombie & Fitch, Snapchat, or Spotify, ventures which, on the one hand evoke fascination, but on the other hand raise doubts concerning their further development?

Are the rules of competition in the modern world the same as several dozen years ago? Do changes in business and the development of technology determine a need for modification of strategies of competition among companies? What is the essence of an organization's ability to build a relatively strong competitive advantage? Or, perhaps, as some claim, are we witnesses to changes in the business paradigm?

It is beyond doubt that we live at a fast pace. The world in which we are functioning is changing. New concepts and new methods of competition are emerging; mass individualization, virtual organizations, guerilla marketing, partnership marketing, behavioral economics, psychology of customer experiences on the one hand, and on the other – design thinking, value proposition, native advertising, emotional branding, crowdsourcing, gamification, neuromarketing, ethnographic research, semiotics, ambient media, product placement, audiobranding, lovemarks, and many other solutions. Both theorists and practitioners have been looking for ages for a golden formula that would let them create a recipe for success. The world whose genetic code includes a notion of change definitely does not make it easy.

The book, *Understanding the New Business Paradigm in Eastern Europe: Lessons on Building a Successful Small Business*, is an attempt to discuss the issue of to what extent a traditional paradigm of business does not match the new conditions of competition. It also takes a slightly different approach to building a company and achieving success into consideration. The idea of the book emerged in 2007, when the CEO of BRE Bank (a part of the Commerz Bank group, which is one of

the largest banks in Poland), Sławomir Lachowski, invited me to assist him in writing the story of mBank, a bank which, not only in Poland, is still considered a forerunner and founder of online banking. This is the bank that revolutionized the banking sector, and also became synonymous with innovative and non-standard thinking about competition in the era of the new economy. Since I had been monitoring the establishment and development of mBank as an external advisor from the very beginning, president Lachowski trusted that I would be able to adequately describe this remarkable venture, and pay tribute to its creators. These were the objectives and expectations of the CEO of BRE Bank.

What I had in mind was to find a formula for success – a formula that could be experienced by some CE companies, and useful for others. A formula that would not be limited to one type of organization or one market, nor would it have geographical borders. A formula that would have both universal and utilitarian characteristics, but at the same time would show cognitive, applicable, inspiring, and practical qualities. For two years we were looking for the proper format to describe the story. We spent hours convincing each other on our points of view. As a result, two books were created. The first one, written by Sławomir Lachowski, is entitled *Way of Innovation*. The second one is in your hands right now. I believe that the book you are holding will inspire readers to take a new look at organization and sources of success.

I have been working together with Polish companies and international corporations for more than 20 years, and I have been conducting research projects based on participant observations, organizational ethnographic research, analytical projects, and interviews with owners, founders, and chairs of companies that managed to achieve noticeable or even spectacular success in the last few decades. It stands to reason that there were companies active in Poland, and due to that factor it was possible for me to compare sources of success from well-known companies and brands to those operating in different conditions and different markets.

In addition, 20 years of academic, consulting, and business experience allowed me to take a wider perspective, while taking foreign markets into consideration. The book is predominantly based on the analysis of Polish firms which I had a chance to deal with as a person directly involved in management (Capital Group – Redan), as an advisor (mBank, VOX, Tubadzin, Aflofarm, Wiosna), or as an analyst (RMF FM, Kruk, Sphinx, Dr Irena Eris, Atlas, Monnari, onet.pl, Kolporter). A proposal of

a new paradigm was also established during training-consulting collaborations with international companies, such as Unilever, Abbott, Bayer, Danone, Microsoft, or Hewlett-Packard. Searching for elements that contributed to a company's success in the Polish market among the biggest companies in the world was a remarkable experience.

What can the reader expect while reading this book? First, my purpose was a complex analysis of changes that have been observed in contemporary business environments, as well as the identification of rules that govern them, and the consequences for an organization. Second, it is an attempt to point out weaknesses in the current approach to building an organization's success, and constraints that a traditional business paradigm carries.

The main part of the book is focused on describing four elements that constitute a new paradigm of business. Obviously, a paradigm, as such, is an intellectual proposal showing rules that govern a described phenomenon. Unlike a dogma, it can change, and it can become a basis for talks, discussions, or creative disputes. I sincerely hope that this book will serve as a good springboard to such discussions, and at the same time enable you to understand what, in these times of new technologies and dynamic market changes, contributes to a company's success regardless of sector, market specificity, or geographical borders. It will also allow us to confront the perspective of emerging or developing markets with those of developed economies. It should also enable the sources of success of well-known brands to be challenged, with the point of view of encompassing smaller firms that were created and competed in conditions other than American or Western European markets. Having greater knowledge about the causes and sources of business success among companies that compete in various business environments is especially important in the situation of globalizing markets or dynamic changes in markets. The four-leaf clover is an attempt to describe a useful model of building the success and development of the organization, which has been proven in different markets.