Organizational situation of harbour transshipment PH Company in years 1989–2014. Case study

Summary:
The purpose of this article is to present the summary of studies accomplished under a research project concerning very specific procedure of diagnosing and positioning organizational situation represented by harbor transshipment PH Company during a particular period of time from 1989 to 2014. These studies cover the entire period of Polish transformation. The situation is determined by a recognized level of organizational effectiveness or potential ineffectiveness caused by dysfunctions. The diagnosis is based on qualitative, long lasted depth analysis of the organizational situation of the company by means of the author's own implement named “The Business Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions”. The measuring instrument (grading system) of this model is used to introduce the outcomes of the research work. All such way collected outcomes of each individual diagnosis gives the picture of overall organizational performance of given company annually, during the whole period of the research. The outcomes are adequately visualized on an appropriate scale, making the most of the model.

Keywords: business life cycle, diagnosing, positioning, organizational situation, organizational effectiveness vs. ineffectiveness, dysfunctions.

Introduction

The origins of the state-owned company, from which emerged the researched PH Company, date back to the beginning of the last quarter of 1949. Forty years later, in 1989 after the fall of the Soviet-style system, Poland started to rebuild its own way to a market economy. In the period from 6 February to April 4 of 1989 The Polish Roundtable Talks (conducted between the main political forces such as the then ruling political powers and representatives of Solidarity movement) held in Warsaw and created an entirely new political situation, which contributed to the implementation of economic reforms. Polish reforms have begun the process of transition from a cen
trally controlled and planned economy to a market economy\(^1\). It should be noted that the “Poland was the first Central European country to start extensive institutional and economic reforms. The main aim of those reforms primarily was to provide macroeconomic stabilization and to re-establish a free market economy based on the private ownership”\(^2\). The changes have had far-reaching consequences for the investigated company related to its organizational effectiveness or potential ineffectiveness obtained under given changing environmental and operational conditions.

The purpose of the article is to introduce the outcomes of carried out own research works based on the specific procedure for diagnosing and positioning organizational situation characteristic for the investigated PH Company in a period of time from the beginning of the year 1989 till the end of the year 2014. It should be mentioned that this study is based on the assumption that organizational situation of investigated firm depends on the level of its organizational effectiveness considered to be the full measure of closing results (doing the right things), otherwise than efficiency which focuses on activities (doing things right). Finally, organizational situation of examined company is determined by the level of its organizational effectiveness or ineffectiveness, where the first expression indicates comparatively good organizational situation, while the second one implies worsening situation and reveals that the company is dysfunctional\(^3\).

Organizational situation represented by the investigated company concentrates on its effectiveness having in mind that organizational effectiveness is: (1) “critical to success in any economy”\(^4\) and (2) “a broader construct that captures organizational performance”\(^5\). The following detailed specification describes and more strongly dis

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3. Organization (company, firm) is dysfunctional when does not keep required level of organizational effectiveness.
tinguishes between organizational performance and organizational effectiveness: “Organizational effectiveness is broader and captures organizational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (…)". Nevertheless, it should be noted that according to some reviews “the terms ‘performance’ and ‘effectiveness’ are used interchangeably because problems related to their definition, measurement and explanation are virtually identical”, and “(…) a survey of four leading management journals shows that the two concepts are not independent and that until 1978, effectiveness and performance dominated the literature interchangeably. Since then, performance has become the most dominant concept”. However, there is a slight but significant difference between ‘performance’ and ‘performance measurement’ according to which they “must not be confused; the former represents an outcome whereas the latter is a measurement tool”, as well as “organizational effectiveness represents the outcome of organizational activities while performance measurement consists of an assessment tool to measure effectiveness”.

The main objective of the executed research procedure was to diagnose and visualize organizational situation of the examined company in the years 1989-2014. All of these studies and a searching examination were based on qualitative, long lasted depth analysis of the PH Company by means of author’s model entitled “The Business Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions”. This model, developed also as a measurement instrument for usability specific to both academics and practitioners, which is also the ratings system (grading system), helps to introduce the outcomes of the research work. All these collected results of each individual diagnostic procedure give the picture of synthesized organizational effectiveness within examined company annually, during the whole period of the research. The outcomes are visualised making the most of the model.

1. The conceptualisation of the model used to carry out the research

The business life cycle model, as a theoretical construct reflects the hypothetical – to some extent simplified (but reasonably not oversimplified) – image of organ-

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6 Ibidem.
8 Ibidem.
izational reality. The framework of the construct is based on the assumption that real business life is a cycle and consists of predictable sequence of successive stages that an organization (company, firm) goes through. A business life cycle is the period that begins when a new company is born (exists legally) and ends with its closure. The Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions helps to recognize the manner, in which dysfunctions influence organizational effectiveness in companies doing business in an increasingly turbulent, complex and demanding environment. Moreover, the model supports the organizational diagnosis and visualizes synthesized picture of organizational situation represented by the currently researched company. In this context, it should be noted that inevitably “(...) a modern business organization faces many formidable obstacles nowadays, caused by substantial changes of its most powerful but turbulent environment”. Nevertheless, “in spite of these adverse circumstances, every single organization exposed to severe environmental changes has to cope with emerging difficulties daily in order to survive and being aware of risk creates better conditions for uncertain future”. The model seriously supports the procedure of organizational analysis and assessment. This helps to thoroughly investigate organizational situation in the researched firm and, finally, synthesizes all the results and situate them properly on its scale. The concept of the model is based on a radical paradigm shift, from conviction of the permanent stability of organizational environment, to permanent organizational instability. What is specific, this state of affairs causing instability is not only real, but also more and more common, and in fact, almost ubiquitous phenomenon in the world of organizations, triggered by increasingly accelerating environmental changes and turbulences. The adoption of this new paradigm has led to a complete reorientation of organizational priorities. Instead of senseless quest for perfect balance, when it is not possible to achieve a state of long-term stability. In such circumstances, companies should concentrate its activities on reducing all identified deviations caused by organizational dysfunctions to an acceptable level and concurrently try to maintain optimal level of effectiveness.

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Within the framework of the model, dysfunctions measurements are implemented with direct reference to attained level of organizational effectiveness or ineffectiveness, in harmony with principles governing the model, regardless of the sources and locations of organizational disturbances. After evaluation of the level of intensity (the power of influence) represented by detected dysfunctions, appropriate procedures for positioning the measurement results are carried out. These procedures consists of a cross-sectional distribution of company's position on the scale of the model, within one of three explicitly dedicated phases (see figure 1). Each of these three phases contains six distinctive characteristics of intensity (see the description placed directly below the figure 1), which allow to place and symbolically visualize organizational situation of given researched company in a manner consistent with the scope of the model validation\(^\text{13}\).

The first phase within the model (look at Phase I in figure 1) embraces the left part of the model, which symbolically represents organizational situation regarded as safe, with relatively weak and small organizational disorders (the zone of effectiveness). However, even within this part of the model there is omnipresent concern affiliated with the threat caused by always possible increase in the number of organizational dysfunctions, having quantitative character\(^\text{14}\) in a comparatively wide range of influential power of intensity (from very weak to critical). All organizational activities within the zone of effectiveness seem to be relatively safe, without direct risks jeopardizing the existence of the given company. Nevertheless, organizational insensitivity to occurring and increasing unsolved disruptions (dysfunctions) may lead to the critical point, where increased dysfunctions arrives at border of effectiveness\(^\text{15}\).

When adverse changes creating dysfunctions go beyond the critical point located at the extreme position of the first phase, the company's organizational situation is classified as related to the second phase of the model (look at Phase II in figure 1). This dislocation brings qualitative change occurring between the first phase where dysfunctions increase and the second one where they accelerate. Within the second phase of the model, even from the very beginning, given researched firm enters the broader zone of organizational ineffectiveness which comprises two phases, the second and the third one. The second phase of the model, proclaims – throughout its whole range – that the company in question is ineffective, but its organizational situation is still reversible without using extraordinary solutions (emergency means).

\(^{13}\) Ibidem.

\(^{14}\) Within each phase of the model, any changes in the level of dysfunctions have quantitative character. Only a potential dislocation between phases brings qualitative change.

\(^{15}\) L. Bursiak, *Pozycjonowanie…*, op. cit., p. 274.
Unlike the second phase, the third location (look at Phase III in figure 1) is totally irreversible without making the most of extraordinary solutions. Acceleration of dysfunctions, within the framework of the second phase, leads to cross its critical point, which marks the boundary line ending range of the phase. The crossing of the borderline brings about a radical rearrangement of location and transition to the third phase of the model. This is a very dangerous situation, because uninterrupted escalation of dysfunctions can lead to start liquidation or even bankruptcy proceedings.  

Figure 1. 

The concept of “The Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions”

<table>
<thead>
<tr>
<th>PHASE I</th>
<th>PHASE II</th>
<th>PHASE III</th>
</tr>
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<tbody>
<tr>
<td>COMPLETE</td>
<td>INCREASED</td>
<td>ACCELERATED</td>
</tr>
<tr>
<td>ABSENCE OF</td>
<td>DYSFUNCTIONS</td>
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<td>DYSFUNCTIONS</td>
<td>ARRIVES AT</td>
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<td>BORDER OF</td>
<td>BORDER OF</td>
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<td></td>
<td>EFFECTIVENESS</td>
<td>SURVIVAL</td>
</tr>
</tbody>
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Characteristics of intensity: A very weak; B weak; C average; D strong; E very strong; F critical


Within the scope of the second phase, in contrast to the third phase, diagnosed organizational ineffectiveness can be reduced and reversed exclusively on the basis of own management actions and return to phase I (effectiveness) without the use of extraordinary solutions. Therefore, in phase III, identical procedure is not possible without implementation accessible extraordinary means, which are qualitatively much deeper issues than conventional managerial interventions.

These extraordinary ventures may include one of two groups of defensive actions. The first, and the most expanded, corrective and preventive action is undertaken to protect given company against highly probable bankruptcy which includes: (1) regulated by law (a relevant legal act) insolvency or restructuring proceedings also possible is (2) a merge together with another legal entity (firm), (3) split up into parts, as well as (4) sale or (5) liquidation. The second corrective and preventive action is performed to create a shield as protection against almost inescapable bankruptcy.

Figure 2 portrays a piece of the central part of the model shown in figure 1. Nevertheless, there are some significant changes in the contents located in the middle of the object of interest depicted in figure 2. These changes in the contents are as follows:

1. Within Phase I; the phrase “Limitless possibilities to sustain effectiveness” from figure 2 replaces the phrase “Limitless prospects for organizational growth and development within the bounds of possibility” from figure 1.

2. Within Phase II; the phrase “Limitless possibilities to restore effectiveness” from figure 2 replaces the phrase “Considerably limited prospects for organizational growth and development” from figure 1.

3. Within Phase III; the phrase “Limited and restricted possibilities to restore effectiveness” from figure 2 replaces the phrase “Organizational suspension which makes survival improbable without extraordinary means” from figure 1.

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All introduced shifts in the contents between figures 1 and 2 are very important from organizational point of view, because they redirect an organizational perception to the problem of organizational effectiveness. The shifts reflect the way, and extend to which, an organizational effectiveness is under the influence of organizational dysfunctions. Taking this into account, it should not be questionable that within the scope of Phase I of the model, possibilities to sustain organizational effectiveness are theoretically almost limitless. In Phase II organizational prospects are relatively limitless, but only with clear reference to potential restoration of effectiveness. However, in the case of firm which business systematically goes downhill, being classified as situated within scope of Phase III, restoration to complete organizational effectiveness is extremely difficult and requires compliance with strictly limited and restricted extraordinary means. To sum up this part of the discussion, it can be concluded that the changed and transferred textual contents introduced in the middle of the object depicted in figure 2 defines the extent to which organizational effectiveness can be sustained (within Phase I) or restored (unconditionally within Phase II, but with serious reservations within Phase III – bordering on the impossible).

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18 Read more about organizational perception and its management in: K. D. Elsbach, Organizational perception management, Lawrence Erlbaum Associate, Mahwah (New Jersey) 2006.
The necessity, sufficiency and specificity of the research and presentation of synthesized organizational outcomes also requires some modification of graphics in the middle of the separated central part of the model introduced in figure 2. For this purpose, the space with textual description has been removed and evenly spaced for 26 horizontal row spaces. The rows have been created to symbolize twenty six consecutive years of the period under the research, from 1989 to 2014. Each row space assigned to a specific year is divided vertically into eighteen narrow columns. The intersection of a column and a row creates a small box. There are six boxes (cells) in every singular row per each particular phase of the business life cycle (together 18 cells within each row). Only one of the boxes (cells) within the horizontal space (marked with black background) represents a specified year in the model. This box shows the position of researched company in a given year. Additionally, two white figures (two digit number) presented upon a black box background, display a specific position of organizational situation represented by researched company in a given year. The two digit number consists of two last digits of the year and is settled within one specific box with black background. The two digit number “89” symbolize year 1989 and adequately “90” symbolize year 1990, “91” symbolize year 1991, “92” symbolize year 1992, and so on. The two digit numbers “14” symbolize year 2014, the last year of the research. The two digit numbers representing year covered by the research are distributed horizontally along a row (line), in respectively indicated one of eighteen black boxes (cells) assigned to each subsequent year. It should be the same number of rows (lines) in the model as the number of years covered by the study.

Vertically, the adequate black box (cell) is an intersection of the identified row space of the model for representing consecutive years of the research, with suitable column space which reflects specific level of intensity classified as distinguishing feature (see characteristics of intensity below figures 1 and 2). As it is depicted in figures 1 and 2, each specific level of intensity of definite feature is represented by capital letters arranged alphabetically. The order begins with letter “A” and finishes with letter “F”. Characteristics of intensity represented by the letters means adequately: “A” – very weak; “B” – weak; “C” – average; “D” – strong; “E” – very strong; “F” – critical. When intensity of the feature achieves critical level it shows such accumulation of negative quantitative changes (dysfunctions) that it can cause qualitative change which goes beyond the critical point and, quite possibly, be classified as related to the next phase of the model. However, such situation within the third phase of the model may lead to the initiation of liquidation or even bankruptcy proceedings.

In accordance with the model’s structure and assumptions, intensity of every distinguishing feature should be symmetrically related to the level of organizational
dysfunctions and organizational effectiveness or ineffectiveness. Each year within the model is treated as separated business life cycle (from the beginning to potential closure). All consecutive years following year 1989 (until 2014 inclusively) are considered as separated life cycles. However, all outcomes gathered together within the model constitute complete, clear and integrated picture of organizational situation ascribed to the researched company during the period of time from 1989 to 2014.

2. The method and procedure of data collection

In accordance with the scope of this research procedure, interviewing was a key method of data collection. The extensive, in-depth interview was held with the top manager of the company. The interview was fairly informal and the participant felt like taking part in a form of interactive, spontaneous communication, conversation or discussion rather than in a formal question and answer procedure. The benefits of this approach was that all obtained information and research data were richer, with a deeper insight into the phenomena under-researched areas.

The interview defined as unstructured, contained one single structured element. Each time, immediately after the introduction, first of all financial situation of given company based on financial statement was introduced and discussed. Following discussion was focused on all other remaining aspects of organizational performance. Taking into account their validity, all collected data had to be sufficient enough to allow the participants (interviewee and interviewer) to make a conclusive assessment of the entire organizational situation in the company referenced to each year over the period considered (from 1989 to 2014 inclusively). The conclusive assessment is crucial not only for the research purpose, but also for providing potential effective countermeasures against the organizational effects of dysfunctional economic activities.

3. Integrated presentation and interpretation of the results

At the beginning of Polish transformation in 1989, the harbour transshipment PH Company had experienced a very low level of organizational dysfunctions and thus the highest possible organizational effectiveness (see year 1989 in figure 3). Introduced economic reforms resulted in a rapid, adverse change in the conditions of functioning. In 1990 the company was pressurized by the overwhelming influence of external changes. The specific nature of these changes Kołodko described as follows: At that time, particularly in 1990-91, efforts at stabilization policy were definitely amiss. Policy was too restrictive, mainly in terms of its monetary and fiscal aspects. Interest rates were too high and instead of being oriented towards the future and towards cooled-down expectations, they were based on earlier
inflation rates, a fact which caused their extrapolation. What was worse, they also referred to old debt. Foreign trade liberalization, from which the government had partially withdrawn already in 1991, went too far. The range of zloty devaluation was excessive and the period of its nominal freeze too long. Furthermore, the freeze was based on an inflexible peg to the US dollar and not, as would have been better, to the currencies basket that would have reflected the structure of the balance of payment. For political reasons, the public and cooperative sectors were discriminated against. Particularly devastating for the badly needed restructure of the state companies was the so-called popiwek, a tax on excessive wage increases, its restrictiveness evidently overshot. The institutional and social aspects of building a market economy had been underestimated¹⁹.

For very many Polish state own enterprises it was a real “environmental jolt” defined by Meyer as “a sudden and unprecedented event (…) whose impact on an organization [is] disruptive and potentially inimical”²⁰. In 1990, under these conditions, PH Company (as a part of much bigger organism) had experienced severe destructive organizational pressures due to the revolutionary changes in its external environment, which led to very serious organizational problems (dysfunctions). In such a situation, at the very beginning, the company was not able to adapt to rapidly changing business environment. The total lack of organizational adaptation to environmental changes caused a drastic business mismatch to changing conditions. In addition, there was a permanent lack of sufficient quantities of cargo at the beginning of fundamental changes in the Polish economy. It was mostly for these reasons, the diagnosed position of researched company was located at the end of the second phase of the model in 1990 (see year 1990 in figure 3). Having such position on the scale of the mode, the company was put into a very dangerous situation because of the threat of highly probable entry into the third phase of the cycle, as a consequence of its diagnosed situation and location within the model. In the face of growing difficulties the company had to suspend for three quarters of the regulation of due tax liabilities of oversized salaries.

The commercialization and privatization programmes, implemented by the company in 1991, helped avoid some of the excessive fiscal burden. The privatization strategy involved splitting the core business of the main company into smaller companies.

In the same year, the negative organizational trend was halted and then reversed. In 1991 there was observed a small but not insignificant improvement in the company’s organizational situation (see year 1991 in figure 3). The real and significant increase in organizational effectiveness made over the course of the next year, when the researched company returned to the zone of organizational effectiveness, but in the worst possible location within this zone (see year 1992 in figure 3). The place was occupied by the company over the next two years (see years 1993 and 1994 in figure 3). The years 1995-2002 were a period of relatively smooth conduct of transshipment operations (with some fluctuations, but no clear trend), in which the company introduced organizational improvements to ensure the smooth functioning of the future (see the relevant years in figure 3). Such undertakings have proved inadequate in the face of environmental threats, which in 2003 led to a considerable deterioration in organizational situation. This year, the company was classified within the scope of the second phase of the model, with very strong acceleration of organizational dysfunctions (see year 2003 in figure 3).

In subsequent years 2004 and 2005, there had been an improvement in the company’s organizational situation and return to the first phase of the model (see years 2004 and 2005 in figure 3). However, in 2006 and 2007 (as shown in figure 3), the company reported another organizational collapse. The result of this collapse was the threat of irreversibility (without the use of emergency measures) of the status of organizational ineffectiveness and the looming specter of bankruptcy in the near future. The company had proven to be very sensitive to the downturn in the port cargo handling segment as a significant part of the business. Great importance must be attached to the fact that the company was virtually defenseless against cyclical effects, and an arsenal used by its preventive measures was completely ineffective in the face of the transshipment problems in supply. However, the extraordinary action taken by new shareholders helped to overcome the ensuing crisis situation. When a turning point of reversal organizational improvement occurred in 2008, with regard to temporary deterioration in 2009, the key organizational problems that consistently cause the business to falter were defeated or neutralized. Next years until the end of the study were quite effective in the business activities of PH Company (see years 2010-2014 in figure 3).
Organizational situation of harbour transshipment PH Company in years 1989–2014. Case study

Figure 3.
Integrative model depicting organizational effectiveness of harbour transshipment service PH Company, which encompasses, summarises and presents a consolidated view of its organizational situation in years 1989-2014.

| A | B | C | D | E | F | A | B | C | D | E | F | A | B | C | D | E | F |
| INCREASE | ACCELERATION | ESCALATION | DYSFUNCTIONS |
| 89 |         |         |         |         |         | 90 |         |         |         |         |         | 91 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 92 |         |         |         |         |         | 93 |         |         |         |         |         | 94 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 95 |         |         |         |         |         | 96 |         |         |         |         |         | 97 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 98 |         |         |         |         |         | 99 |         |         |         |         |         | 00 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 01 |         |         |         |         |         | 02 |         |         |         |         |         | 03 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 04 |         |         |         |         |         | 05 |         |         |         |         |         | 06 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 07 |         |         |         |         |         | 08 |         |         |         |         |         | 09 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 10 |         |         |         |         |         | 11 |         |         |         |         |         | 12 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |
| 13 |         |         |         |         |         | 14 |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |         |

Characteristics of intensity: A very weak; B weak; C average; D strong; E very strong; F critical
Source: Own elaboration based on in-depth qualitative research.
Conclusion

The integrative model based on “The Business Life Cycle Model of Organizational Effectiveness Influenced by Dysfunctions” depicts organizational effectiveness of researched PH Company over the years 1989-2014. During this period the company once was classified as threatened by exclusion from business activities (within the scope of the third phase of the model in year 2007) and five times within the scope of the second phase of the model (years 1990, 1991, 2003, 2006 and 2009). In the remaining twenty years of the period under the research the company was classified as the satisfyingly effective business organization. For the last five years of the study the company continuously has been located in the zone of organizational effectiveness represented by the first phase of the model. From the current perspective of the company, there were no threats to its organizational effectiveness.

Situacja organizacyjna portowej firmy przeładunkowej

Streszczenie


Słowa kluczowe: cykl życia firmy, diagnozowanie, pozycjonowanie, sytuacja organizacyjna, sprawność organizacyjna, dysfunkcje.