

**CZESTOCHOWA UNIVERSITY OF TECHNOLOGY**

**Małgorzata Okręglika  
Anna Lemańska-Majdzik  
Maryna Pichugina  
Lina Artemenko**

**Entrepreneurial Orientation  
and Organizational Flexibility  
of Small and Medium-Sized  
Enterprises in a Pandemic Crisis**

**Monograph**

**Częstochowa 2021**

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**Reviewer**

doc. Ing. Katarína Buganová PhD.

**Proofreading**

Zdzisława Tasarz

**Make-up**

Dorota Boratyńska

**Cover design**

Dorota Boratyńska

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Poland, 42-200 Częstochowa, al. Armii Krajowej 36 B

Editorial Team, phone 34 325 04 80, Distribution, phone 34 325 03 93

e-mail: [wydawnictwo@pcz.pl](mailto:wydawnictwo@pcz.pl), [www.wydawnictwo.pcz.pl](http://www.wydawnictwo.pcz.pl)

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## Introduction

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The need to build a company's competitive advantage means that the issues related to the development of entrepreneurship and increasing the flexibility of the organization are still relevant, and in the time of the SARS-CoV-2 virus pandemic it becomes even critical. Factors such as entrepreneurial personality and spirit, empathy, humility, innovation, opportunity recognition, self-efficacy, social entrepreneurship, commitment to a cause, intrapreneurship, minority entrepreneurship, new business models, and entrepreneurial resilience, to mention a few, may be relevant to dampen economic hardship during such challenging circumstances.

Entrepreneurship concerns activities resulting in the creation of a new organization, but it can be successfully manifested in the internal activities of an existing organization (organizational entrepreneurship), leading to the business development. Organizational entrepreneurship defines the process of strategic renewal of an existing business, as well as the creation of new ventures, products or services, or new strategic positions to drive innovation. It focuses on the organization as a "leading participant" in entrepreneurial processes, not just on the entrepreneur-owner. The role of the owner, although socially important, may well be performed by entire organizations that have a decentralized structure and decision-making. Within this area, the construct of entrepreneurial orientation is particularly valuable, widely regarded as one of the factors contributing to capturing the organization's tendencies towards entrepreneurship. An organization's entrepreneurial orientation reflects the way a company decides to compete directly or indirectly in the face of emerging opportunities and threats, which are so exacerbated in a pandemic.

The Covid-19 pandemic has highlighted the importance of crisis management and the growing need to seek adaptive behaviour and therefore the need for organizational flexibility. Organizational flexibility in enterprises is an opportunity that allows you to flexibly respond to changing environmental conditions through i.a. internal changes in the organization and is one of the most important organizational competences that determines the level of organization's adaptation activities to changing environmental conditions. Organizational flexibility can be expressed as the ability of enterprises to manage changes by quickly reacting to both threats and market opportunities, which ultimately affects not only the shaping of the organization, but also the competitive position of the enterprise. Organization's features that may determine the level of organizational flexibility include the size of the company, its structure and nature, the adopted management style in the company or the level of organizational culture in the company. The need for flexible creativity in organizations, in response to the complexity and speed of changes in the social and business

environment around enterprises, is required at all levels, in all its functions or in subsequent stages of the company's life cycle.

The unpredictability of the operating conditions of enterprises in the time of the Covid-19 pandemic and the crisis caused by the restrictions related to the epidemic have emphasized the role of entrepreneurship and flexibility of the organization as an economic entity. They can be a response, at least in part, to management problems in the times of crisis. The ability or skill to adapt to the environmental conditions and entrepreneurial orientation allow for prompt adaptation to new conditions and building more effective tools for managing the enterprise and maintaining its level of competitiveness.

In terms of management, small and medium-sized enterprises (SME) differ significantly from large business entities, while their dynamics are still analysed and examined as if they were large enterprises. This paradigm has led smaller actors to adopt management principles, techniques and practices that are not adequate to their reality. Meanwhile, the specificity of SMEs creates a significant need, especially in period of market turbulence, to adjust management to the operating conditions and characteristics of these entities, which in turn justifies the need for constant research into management problems and solutions in this sector.

Conducting research is subject to the principle of the continuity of knowledge development. The dramatic changes in the conditions for the functioning of enterprises during the Covid-19 pandemic revealed many cognitive gaps, which are currently being intensively explored by researchers in the field of management sciences. In relation to this study, the **diagnosed cognitive gap** is manifested in the lack of analyses of the use of the concept of entrepreneurial orientation and organizational flexibility to overcome threats, but also to take advantage of opportunities related to new market conditions in the time of the Covid-19 pandemic, with particular reference to small and medium-sized enterprises. An additional component of the abovementioned gap is the lack of comparisons for countries with different socio-economic conditions, hence the in-depth research conducted in Poland and Ukraine will allow, on the one hand, a certain systematization of knowledge on the functioning of the discussed constructs in the practice of small and medium-sized enterprises, and on the other hand, indicate the directions for further research in this area.

The **main research goal** is: *Diagnosis, understanding, description and explanation of the significance of the influence of entrepreneurial orientation and organizational flexibility on management in small and medium-sized enterprises in a pandemic crisis.*

Research questions that are planned to be answered on the basis of the collected and analyzed research material are:

**RQ1:** *What are the differences in implementation and influence on management of entrepreneurial orientation in small and medium-sized enterprises in Poland and Ukraine?*

**RQ2:** *What are the differences in implementation and influence on management of organizational flexibility in small and medium-sized enterprises in Poland and Ukraine?*

The monograph consists of four chapters which constitute a coherent whole.

The first chapter “The Specificity of the Activity of the SME Sector” contains quantitative and qualitative characteristics of the SME sector. Initially, the definitions of small and medium-sized enterprises used in Poland on the basis of regulations adopted in the European Union and in Ukraine are presented. The quantitative structure of the SME sector in both countries and changes in the number of active enterprises in individual size groups in recent years are also presented. The next point indicates the economic and social role of the SME sector in Poland and Ukraine. The share of SMEs in generating the GDP of a given country and in employment of the workforce was discussed. Then, the share of particular size groups of enterprises in the export and import of goods and services was indicated. The role of SMEs in building an innovative economy was also emphasized. The last point of the first chapter discusses the specificity of managing small and medium-sized enterprises compared to large economic entities, from the point of view of the effectiveness and barriers of the management process, as well as the creation of effective management tools.

The second chapter titled “Entrepreneurial Orientation of Small and Medium-sized Enterprises” provides a comprehensive discussion of the construct of entrepreneurial orientation of an organization. In the first section, the subject is located in the area of knowledge – organizational entrepreneurship, and more broadly in management sciences. Then, the definitions of entrepreneurial orientation are introduced and compared, taking into account the multidimensionality of the construct. The individual dimensions in the 5-dimensional approach to entrepreneurial orientation have also been characterized, i.e. autonomy, proactivity, risk taking, innovation and competitive aggressiveness. The last part of the second chapter relates to a specific approach, opportunities and threats to the functioning of entrepreneurial orientation in small and medium-sized enterprises.

The third chapter “Organizational Flexibility in the Activities of Enterprises” reflects the multifaceted approach to the flexible functioning of modern enterprises. After introducing the necessary definitions of organizational flexibility, along with its specific features and the results of its implementation in the enterprise, the authors characterized the individual dimensions of organizational flexibility, indicating that it is not a uniform construct. The functioning of organizational flexibility at the strategic, operational and functional levels in the organization is marked and discussed. Due to the fact that the monograph focuses on management problems of small and medium-sized enterprises, the last part of the chapter presents considerations on the specific conditions of flexible functioning of this group of enterprises.

The fourth chapter titled “Case study in the Sector of Small and Medium-sized Enterprises” presents a discussion of the results of qualitative own research. The research in the form of an in-depth interview was conducted in eight enterprises, including four small and four medium-sized enterprises. The research was international in nature, i.e. half of the surveyed entities are companies operating in Poland, and the remaining companies are based in Ukraine. Such a research approach



allowed for the observation of differences in the approach to entrepreneurial orientation and organizational flexibility of enterprises in countries with different socio-economic development. The method and scope of the conducted research have been discussed in detail in the research methodology. The last part of the chapter is a summary of the results of qualitative research, indicating the observed regularities, limitations along with potential solutions for a more effective functioning of small and medium-sized enterprises.

The monograph is supplemented with an introduction and an ending, summarizing the authors' scientific considerations, and bibliography.

# Chapter 1

## The Specificity of the Activity of the SME Sector

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### 1.1. Characteristics of the SME Sector

Micro, small and medium-sized enterprises (SMEs) are the engine of each country's economy. They are the main source of employment, create the dimension of entrepreneurship and innovation, and thus are crucial for increasing competitiveness and employment<sup>1</sup>, both in the European Union countries as in countries outside the European Union. Micro, small and medium-sized enterprises play a key role in the European economy. They are a major source of entrepreneurial skills, innovation and employment. Small and medium-sized enterprises are one of the main factors driving socio-economic development, they stimulate its growth<sup>2</sup>. Entities from the SME sector constitute a heterogeneous group of enterprises, consisting mainly of service, agricultural, manufacturing and trade organizations<sup>3</sup>.

Due to the enormous importance of the SME sector for the European economy, they are an important goal of EU policy. The European Commission aims to promote entrepreneurship and improve the business environment for SMEs, enabling them to realize their full potential in today's global economy<sup>4</sup>.

Currently, there is no one universal classification of small and medium-sized enterprises (SME) in the world, this category is subjective and depends on the internal structure of the country's economy. Usually, countries adapt one of the most popular and most common definitions to their needs. Therefore, when defining entities, three sets of criteria are used: quantitative, qualitative and mixed. It should be said, that the determination of membership based on a specific method is not definitive, because using a different criterion, it is possible to assign an economic entity to another group<sup>5</sup>.

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<sup>1</sup> Nowa definicja MŚP. Poradnik dla użytkowników i wzór oświadczenia (2006), Available: [http://europa.eu.int/comm/enterprise/enterprise\\_policy/sme\\_definition/index\\_pl.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/index_pl.htm); Lemańska-Majdzik A., Okręglińska M. (2016), *Competitiveness of the SMEs – the Analysis of the Empirical Research Results*, Annual Spain Business Research Conference, 26-27.05.2016, Barcelona, Spain, World Business Institute Australia, Melbourne, p. 12.

<sup>2</sup> Walczak D., Voss G. (2013), *New Possibilities of Supporting Polish SMEs within the Jeremie Initiative Managed by BGK*, Mediterranean Journal of Social Sciences, Vol. 4(4), pp. 759-765.

<sup>3</sup> *Small and Medium-Sized Enterprises* (2000), Local Strength, Global Reach, Policy Brief, p. 1.

<sup>4</sup> *Poradnik dla użytkowników dotyczący definicji MŚP* (2019), Urząd Publikacji Unii Europejskiej, Luksemburg, p. 3.

<sup>5</sup> Świeszczak M. (2016), *Potencjał innowacyjny firm z sektora małych i średnich przedsiębiorstw. Przykład województwa łódzkiego*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, pp. 17-18.

SMEs come in many different forms and sizes, and in today’s complex business environment, they can have close financial, operational or administrative links with other enterprises. These relationships often make it difficult to precisely define the line between a small or medium-sized enterprise and a larger enterprise. The SME definition is a practical tool to help SMEs define their own status so that they can receive full support from the EU and its member states<sup>6</sup>.

According to the guidelines of the European Commission, Poland uses three quantitative categories determining the size of an enterprise: “micro”, “small” and “medium-sized”. These three categories include<sup>7</sup>:

- average annual number of employees,
- annual turnover of the company,
- balance sheet total.

The number of employees is the main prerequisite for determining which size category a company belongs to. It includes full-time, part-time and seasonal workers. The annual turnover is determined by calculating the company’s income for a given year from sales and services after the payment of any rebates. Turnover should not include value added tax (VAT) or other indirect taxes. The annual balance sheet total relates to the value of the company’s main assets. In Table 1.1 there is presented the basic classification of enterprises from the SME sector for the countries belonging to the European Union.

**Table 1.1. The criteria applied for classifying companies as ‘Micro’, ‘Small’ and ‘Medium-sized’ (SME) in EU**

<b>Enterprise category</b>	<b>Staff headcount</b>	<b>Turnover</b>	<b>or</b>	<b>Balance sheet total</b>
Medium-sized	< 250 employment	≤ EUR 50 mln		≤ EUR 43 mln
Small	< 50 employment	≤ EUR 10 mln		≤ EUR 10 mln
Micro	< 10 employment	≤ EUR 2 mln		≤ EUR 2 mln

Source: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en) [22.04.2021].

Table 1.1 shows that the category of micro, small and medium-sized enterprises in Poland includes enterprises which employ fewer than 250 people and whose annual turnover does not exceed EUR 50 million or the annual balance sheet total does not exceed EUR 43 million. Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed EUR 10 million. Micro-enterprises are defined as enterprises which employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million.

<sup>6</sup> *Poradnik dla użytkowników dotyczący definicji MŚP* (2019), Urząd Publikacji Unii Europejskiej, Luksemburg, p. 3.

<sup>7</sup> *User guide to the SME Definition* (2020), Publications Office of the European Union, Luxembourg, Available: [https://ec.europa.eu/wel/images/doc\\_icons/f\\_pdf\\_16.gif](https://ec.europa.eu/wel/images/doc_icons/f_pdf_16.gif).

In Ukraine, the criteria for classifying enterprises by size are contained in the Commercial Code, there are no such regulations in the Ukrainian accounting law. The division of enterprises in Ukraine is based on employment and sales revenues. The values of these criteria are consistent with the amounts of employment and sales revenues used in the Recommendation of the European Commission of May 6, 2003, excluding the size of assets. Table 1.2 presents the criteria for the division of enterprises in Ukraine.

**Table 1.2. SME definition in Ukraine**

The criteria	Enterprise category			
	Micro	Small	Medium-sized	Large
Employment	≤ 10 employees	≤ 50 employees	All enterprises that do not fall into the category of small or large enterprises	≥ 250 employees
Annual income	≤ EUR 2 mln	≤ EUR 10 mln		≥ EUR 50 million

Source: *SME Policy Index (2020)*, Eastern Partner Countries 2020. Assessing the Implementation of the Small Business Act for Europe, Available: <https://www.oecd-ilibrary.org/sites/d5c2705e-en/index.html?itemId=/content/component/d5c2705e-en> [26.04.2021].

Table 1.2 shows that the category of micro, small and medium-sized enterprises in Ukraine includes enterprises that employ fewer than 250 people and whose annual income does not exceed EUR 50 million. Microenterprises are defined as enterprises which employ fewer than 10 persons and whose annual income does not exceed EUR 2 million. Small enterprises are defined as enterprises which employ fewer than 50 persons and whose annual income does not exceed EUR 10 million. Medium-sized enterprises are all companies that are between the category of small and large companies, i.e. they employ less than 250 employees and their income does not exceed EUR 50 million. Also the category of individual (private) entrepreneurs is taken into account in the Ukrainian statistic reports about the SME sector. Private entrepreneur, sole proprietor, FOP – private person entitled to do business in Ukraine, registered and carrying out business through business account. This form of business in Ukraine could be attractive because of simplicity of registration, activity, cash handling and taxation. The private entrepreneurs can be attributed to the categories of micro, small or medium-sized enterprises.

Both in Poland and in Ukraine, the SME sector is the dominant group of economic entities. They constitute nearly 100% of all enterprises in each of the developed countries. Table 1.3 presents the share of micro, small and medium-sized enterprises in the total number of companies in Poland and Ukraine.

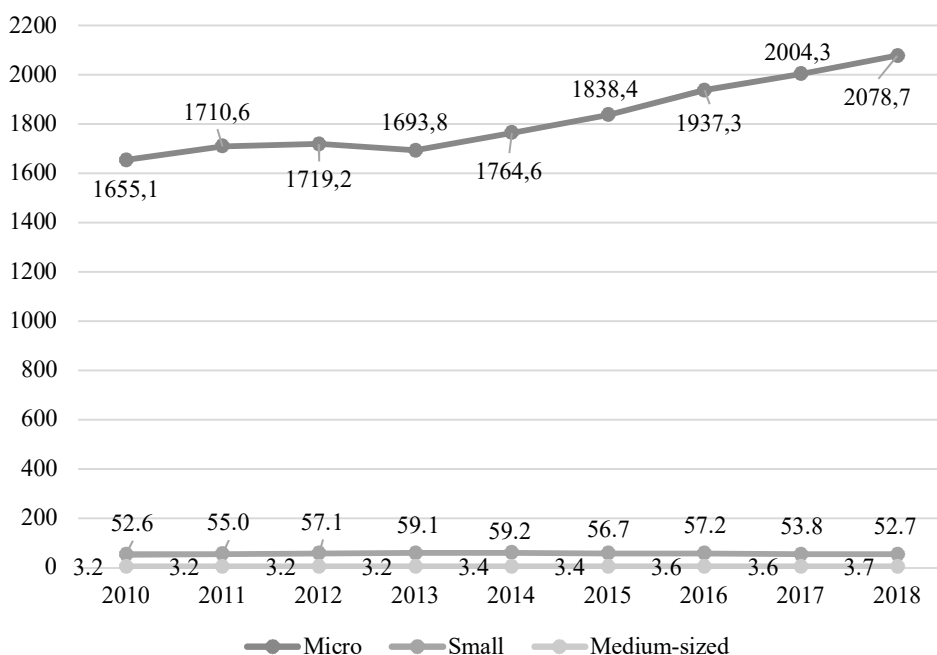
In the SME sector, the largest group are microenterprises, which constitute as much as 96.70% of the population of Polish companies and 96.23% of the population of Ukrainian companies. Small companies constitute about 2% of the population of all companies, both in Poland and Ukraine, while medium-sized enterprises constitute only 0.70% of Polish companies and 0.85% of Ukrainian companies.

**Table 1.3. The size of the SME sector in general of enterprises in Poland and Ukraine**

The size of the enterprise	Poland	Ukraine
Micro	96.70%	96.23%
Small	2.40%	2.90%
Medium-sized	0.70%	0.85%
SME Sector	99.80%	99.98%

Source: Own study based on *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 5; *Financing SMEs and Entrepreneurs 2020* (2020), An OECD Scoreboard, Available: <https://www.oecd-ilibrary.org/sites/061fe03d-en/index.html?itemId=/content/publication/061fe03d-en> [26.04.2020].

When observing the data on the number of enterprises by size class, it can be noticed that over the years 2010-2018 the share of individual groups has remained unchanged, this especially applies to small and medium-sized enterprises. In recent years, the group of micro-companies has slightly increased. In 2010, the number of microenterprises active in Poland was 1,655,100 entities, and nine years later, i.e. in 2019, 2087.7 thousand entities (Fig. 1.1).



**Figure 1.1. The number of active enterprises in Poland in particular groups by size in 2010-2018 (in thousands)**

Source: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, pp. 8-9.

In Poland, according to data from the REGON<sup>8</sup> register, in 2019 about 379,000 new enterprises were registered, while 227,000 companies were deleted. Compared to the previous year, the number of newly established enterprises decreased by 3.5%, while the number of liquidated ones by as much as 31.6%. Over the years 2010-2019, the number of newly established enterprises was (except for 2011) higher than liquidated ones. This category is characterized by an upward trend. In 2019, as in previous years, most enterprises were established in such departments as: construction, trade, professional, scientific and technical activities, and industrial processing. The same sections are also characterized by the largest number of entities removed from the public register. The vast majority of newly established companies are natural persons running a business, which in 2019 accounted for over 77% of all new enterprises<sup>9</sup>.

During 2010-2018 the share of individual groups of Ukrainian SMEs remained generally at the same level. In 2014-2015, there was a decrease in the number of enterprises of all sizes in Ukraine, which is explained by the military aggression in eastern Ukraine and the annexation of Crimea<sup>10</sup>. Reduction in number of the Ukrainian SME and large enterprises are caused by that a number of enterprises had appeared in the territory not controlled by Ukraine, and largely because of the changes in character of Ukrainian economy development in 2013-2015<sup>11</sup> and the structural and resource losses of the Ukrainian economy related to loss of control over the Crimea and a part of Donbas<sup>12</sup>. Therefore, statistic data 2014-2018 do not include the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and a part of temporarily occupied territories in the Donetsk and Luhansk regions. In 2016, the number of small enterprises has begun to grow, in 2017 – medium-sized firms, and in 2018 – microenterprises (Fig. 1.2).

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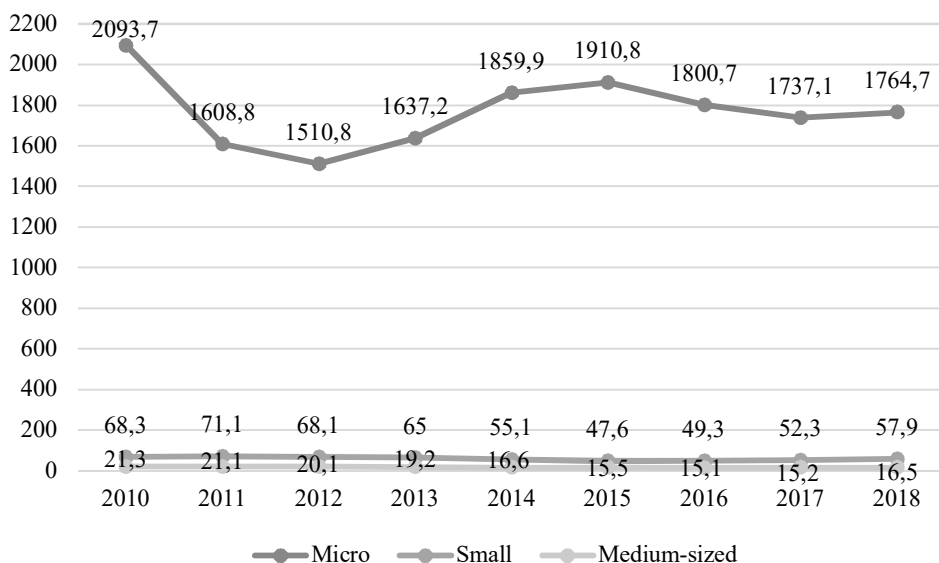
<sup>8</sup> Krajowy Rejestr Urzędowy Podmiotów Gospodarki Narodowej – register kept by the President of the Central Statistical Office in Poland. The notion of REGON is also understood as the REGON identification number, i.e. the nine-digit identifier given to the entity in this register.

<sup>9</sup> Based on: *Zmiany strukturalne grup podmiotów gospodarki narodowej w rejestrze REGON w 2019 r.* (2020), GUS, Warszawa; *Zmiany strukturalne grup podmiotów gospodarki narodowej w rejestrze REGON za lata 2009-2020* (2020), GUS, Warszawa; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, pp. 10-13.

<sup>10</sup> Based on: *Огляд малого і середнього підприємництва в Україні 2018/2019* (2020), Kyiv, pp. 14-15, Available: [https://drive.google.com/file/d/1I2ckLnFpxcbePvy\\_ymQlJMi5Wci5RKxP/view](https://drive.google.com/file/d/1I2ckLnFpxcbePvy_ymQlJMi5Wci5RKxP/view) [28.06.2021].

<sup>11</sup> *Foresight of Ukrainian Economy: mid-term (2015-2020) and long-term (2020-2030) time horizons*, Scientific advisor of the project acad. of NAS of Ukraine M. Zgurovsky, International Council for Science (ICSU); Committee for the System Analysis of the Presidium of NAS of Ukraine; National Technical University of Ukraine «Kyiv Polytechnic Institute»; Institute for Applied System Analysis of NAS of Ukraine and MES of Ukraine; World Data Center for Geoinformatics and Sustainable Development, 2nd ed., NTUU «KPI», Kyiv: Publ. House «Polytechnica», 2015, p. 13-15, Available: <http://wdc.org.ua/sites/default/files/WDC-IASA-FORESIGHT-2015-2ED-EN.pdf> [28.06.2021].

<sup>12</sup> *Foresight and construction of the strategies of socio-economic development of Ukraine on mid-term (up to 2020) and long-term (up to 2030) time horizons*, Scientific advisor of the project acad. of NAS of Ukraine M. Zgurovsky, International Council for Science (ICSU); Committee for the System Analysis of the Presidium of NAS of Ukraine; National Technical University of Ukraine «Igor Sikorsky Kyiv Polytechnic Institute»; Institute for Applied System Analysis of MES of Ukraine and NAS of Ukraine, World Data Center for Geoinformatics and Sustainable Development; Agrarian Superstate Foundation, 2nd ed., NTUU «Igor Sikorsky KPI», Publ. house «Polytechnica», Kyiv: 2016, pp. 22-29, Available: [http:// http://wdc.org.ua/sites/default/files/WDC-IASA-FORESIGHT-2016-EN.pdf](https://http://wdc.org.ua/sites/default/files/WDC-IASA-FORESIGHT-2016-EN.pdf) [28.06.2021].



**Figure 1.2. The number of active enterprises in Ukraine in particular groups by size in 2010-2018 (in thousands)**

Source: Own study based on: статистичний збірник "Діяльність суб'єктів великого, середнього, малого та мікропідприємництва за 2019 рік" (2020), State Statistics Service of Ukraine, Kyiv, p. 18; Indicators activity of large, medium, small and micro-entrepreneurship entities in 2010-2019, Official site of the State Statistics Service of Ukraine, Available: <http://www.ukrstat.gov.ua/>

In general, 1,839,147 SMEs (both legal companies and individual entrepreneurs) operated in Ukraine in 2018, which is 99.98% of total business population. Notably, 80.67% of economic players are registered as individual entrepreneurs and the majority of SMEs are microenterprises (95.95%).

Changes in the number of Ukrainian enterprises in 2019 were determined by analysis specialists of the YouControl system, according to their calculations, from the beginning of 2019 to November 2019 the number of enterprises in Ukraine increased by almost 37,000 and reached 971,000. Additionally, in 2019, more than 256,000 of new individual entrepreneurs were registered, and 213,000 were deleted. The largest increase in the number of individual entrepreneurs was in the computer programming sector (almost 11% of all newly created)<sup>13</sup>.

## 1.2. The Role of Enterprises from the SME Sector in the Economy of Poland and Ukraine

Enterprises belonging to the SME sector are characterized by a high level of flexibility, a dynamic approach to the environment, quickly react to the changing

<sup>13</sup> Based on: Приросли: Кількість підприємств в Україні збільшилася на 4%, а ФОПів на 2%, Available: <https://youcontrol.com.ua/data-research/pryrosly-kilkist-pidprijemstv-v-ukrayini-zbilshylasia-na-4-a-fopiv-na-2.html> [24.05.2021].

needs and preferences of potential customers and adapt to them. It is a group of entities that demonstrate the highest level of entrepreneurship. These characteristic features of this type of organizations significantly contribute to increasing the effectiveness of the entire economy and constitute an important part of regional development<sup>14</sup>. The number of enterprises in the SME sector and the development potential of this sector affect the economic development and reflect the entrepreneurship of a given country. A literature review on entrepreneurship shows that there is a positive relationship between entrepreneurship development and economic growth<sup>15</sup>, therefore, the policy of supporting business and creating conditions conducive to entrepreneurship becomes invariably important.

In the conditions of dynamic intensification of competition, the need for enterprises to react rapidly to changes taking place in the business environment, unforeseen conditions of functioning caused by the Covid-19 pandemic, enterprises must take actions burdened with increasing risk<sup>16</sup>. In turbulent conditions, running a business, especially in the case of the SME sector, consists in adapting to changes taking place on the market. The SME sector is therefore one of the main factors of the country's socio-economic development. Their number and potential are often regarded as determinants of economic development, and their activity reflects the entrepreneurship of society<sup>17</sup>.

The sector of small and medium-sized enterprises plays an important role in generating GDP both in Poland and in Ukraine. It results from the scale of this group of enterprises, but also from their share in total employment.

The share of enterprises in generating GDP in Poland is systematically growing. As indicated by GUS data, the enterprise sector generates over 72% of GDP, while micro, small and medium-sized enterprises generate nearly every second zloty of Polish GDP. The share in generating GDP in 2017 was 49.1%. Microenterprises have the largest share in GDP level, i.e. companies employing up to 9 employees - about 30.3%, which constitute nearly 97% of all enterprises in Poland. The share of SME sector enterprises in generating GDP increased by 1.5% from 2010 to 2017, mainly due to small and medium-sized enterprises. The share of the SME sector in generating GDP in this period increased from 47.2 to 49.1%. Improvement took place in all size groups of the SME sector (micro – from 29.6 to 30.3%, small – from 7.7 to 8.2%, medium – from 10.4 to 10.7%). In 2017, a slight decrease in the share of enterprises in generating GDP was recorded (by 1.3% y/y). The decrease concerned all size groups, except for micro-enterprises, whose share in the creation of GDP, compared to the previous year, remained practically at the same level (increase by 0.1% y/y).

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<sup>14</sup> Mikołajczyk B., Krawczyk M. (2006), *Sektor przedsiębiorstw mikro, małych i średnich w krajach Unii Europejskiej*, Studia Europejskie, Vol. 2, pp. 67-85.

<sup>15</sup> Carree M., van Stel A., Thurik R., Wennekers S. (2007), *The relation between economic development and business ownership revisited*, Entrepreneurship and Regional Development, Vol. 19, no. 3, pp. 281-291.

<sup>16</sup> Dżafić Z. (2014), *Business Environment – The Case of Western Balkan Countries*, Economic Review, Journal of Economics & Business / Ekonomska Revija: Casopis za Ekonomiju i Biznis, Vol. 12(2), pp. 73-89.

<sup>17</sup> Skóra M., Kopeć K. (2015), *Polityka Unii Europejskiej wobec sektora małych i średnich przedsiębiorstw*, Kolegia Szkoły Głównej Handlowej w Warszawie, Warszawa, pp. 6-7.



Changes in the share of GDP generation result mainly from the increase or decrease in the number of active enterprises. However, it can be concluded that regardless of the change in the number of companies in particular size classes, the productivity of companies from the SME sector increases, especially in medium-sized and small enterprises, i.e. with more than 10 employees (Table 1.4).

**Table 1.4. The structure of generating gross value added in the enterprise sector of the SME sector in Poland in 2010-2018**

Year	The share of gross value added generated by enterprises from the SME sector in GDP (in %)			
	Micro	Small	Medium-sized	Total SME's
2010	29.6	7.7	10.4	47.6
2011	29.4	7.8	10.1	47.3
2012	29.7	7.8	11.0	48.5
2013	30.8	8.8	10.6	50.1
2014	30.2	8.9	11.0	50.1
2015	30.5	8.1	11.3	49.9
2016	30.2	8.5	11.1	49.8
2017	30.3	8.2	10.7	49.1
2018	29.0	9.1	11.1	49.1

Source: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2016), Warszawa, p. 9; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2017), Warszawa, p. 24; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 14-15; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2021), PARP, Warszawa, p. 6.

Although the share of SMEs in generating added value in Ukraine is systematically growing, but as indicated Denis Shemyakin, member of the reform support team of the Ministry of Economic Development and Trade, small and medium-sized businesses in Ukraine bring 55% of the gross domestic product to the country's economy, while only small and micro businesses – 16% of GDP<sup>18</sup>.

According the State Statistics Service of Ukraine data, in 2019 77.9% of medium-sized enterprises reported a profit, and 22.1% indicated a loss. Profit in 2019 was received by 73.7% of small enterprises and by 72.5% of microenterprises, loss – 26.3 and 27.5% respectively<sup>19</sup>.

One of the important economic indicators, which characterizes the gross output of all types of economic activity, is value added at factor costs. The share of SMEs, including individual enterprises, changed from 55.2% in 2012 to 68.4% in 2018 (Table 1.5).

<sup>18</sup> Малий та середній бізнес в Україні дає 55% ВВП – Кабмін, Available: [https://www.unian.ua/economics/finance/10596576-maliy-ta-seredniy-biznes-v-ukrajini-daye-55-vvp-kab-min.html?\\_gl=1\\*\\_1nzzhj6\\*\\_ga\\*MTk3NDc2NTMyMi4xNjI1MzM2MDM5\\*\\_ga\\_JLSK4Y8K67\\*MTYyNTMzNjAzNy4xLjAuMTYyNTMzNjAzNy42MA..\\*\\_ga\\_DENC12J6P3\\*MTYyNTMzNjAzNy4xLjAuMTYyNTMzNjAzNy42MA](https://www.unian.ua/economics/finance/10596576-maliy-ta-seredniy-biznes-v-ukrajini-daye-55-vvp-kab-min.html?_gl=1*_1nzzhj6*_ga*MTk3NDc2NTMyMi4xNjI1MzM2MDM5*_ga_JLSK4Y8K67*MTYyNTMzNjAzNy4xLjAuMTYyNTMzNjAzNy42MA..*_ga_DENC12J6P3*MTYyNTMzNjAzNy4xLjAuMTYyNTMzNjAzNy42MA) [26.04.2020].

<sup>19</sup> *Activity of large, medium, small and micro-enterepreneurship entities. Statistical publication (2020)*, State Statistics Service of Ukraine, Kyiv, pp. 255, 257, 259.

**Table 1.5. The structure of generating value added at factor costs in the SME sector in Ukraine in 2012-2018**

Year	The share of gross value added generated by enterprises from the SME sector in GDP (in %)			
	Micro	Small	Medium-sized	Total SME's
2010*	–	–	–	–
2011*	–	–	–	–
2012	2.7	10.7	41.8	55.2
2013	4.3	15.4	42.0	61.7
2014	6.6	17.6	39.4	63.6
2015	4.7	15.5	40.5	60.7
2016	5.4	16.7	43.4	65.5
2017	6.7	18.6	41.2	66.5
2018	7.1	19.9	41.4	68.4

\* No data are available for 2010-2011

Source: Додана вартість за витратами виробництва підприємств за видами економічної діяльності з розподілом на великі, середні, малі та мікропідприємства (2012-2019), Official site of the State Statistics Service of Ukraine – <http://www.ukrstat.gov.ua/>.

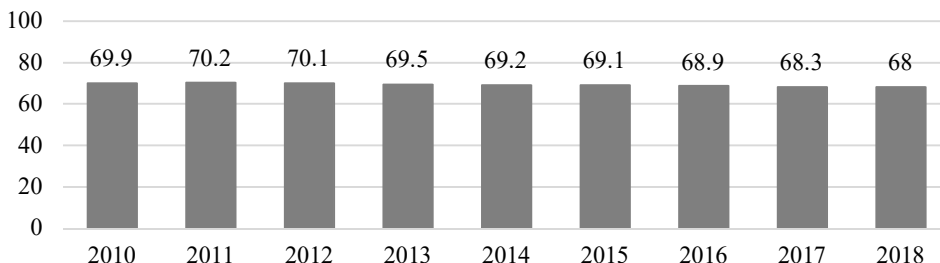
The sector of micro, small and medium-sized enterprises also plays an important role in employment, both in Poland and in Ukraine. This is due to the fact that this sector provides new jobs, enables business start-ups and stimulates jobseekers<sup>20</sup>. It is also highly labor intensive.

In 2018, enterprises from the SME sector in Poland employed over 6.8 million people, i.e. 68% of the total number of people working in the enterprise sector. As in previous years, most people worked in micro-enterprises (slightly over 4 million people – 40.7% of the total number of people working in the enterprise sector), over 1.6 million people worked in medium-sized companies, and 1.1 million in small ones<sup>21</sup>. The largest share in the structure of average employment in 2018, as in previous years, had large enterprises (43.2%), and the smallest – small ones (14.6%). In the SME sector, the average employment in 2018 amounted to over 3.96 million people. The share of the SME sector in the structure of average employment in 2018 was 56.8%<sup>22</sup>. For several years, there has been a slight decrease in the share of small and medium-sized enterprises in the structure of average employment with an increase in the share of large enterprises (Fig. 1.3).

<sup>20</sup> Matejun M. (2007), *Wewnętrzne bariery rozwoju firm sektora MSP*, [in:] Lachiewicz S. (ed.), *Zarządzanie rozwojem organizacji*, Tom II, Wydawnictwo Politechniki Łódzkiej, Łódź, pp. 120-129; Bass H.H. (2006), *KMU in der Deutschen Volkswirtschaft: Vergangenheit, Gegenwart, "Zukunft"*, nr 101, Bremen, pp. 10-11.

<sup>21</sup> *Raport o stanie sektora MSP w Polsce*, PARP, Warszawa 2016, p. 18.

<sup>22</sup> *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2016), PARP, Warszawa, p. 19, 25.

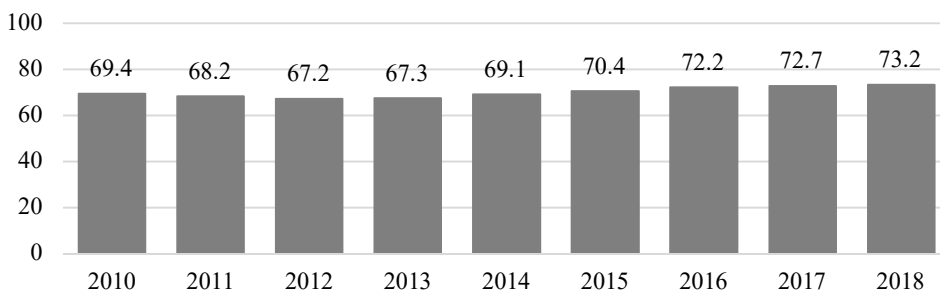


100% = Enterprises in total

**Figure 1.3. Employment in the SME sector in Poland in 2010-2018 (in %)**

Source: Own study based on: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2016), PARP, Warszawa, p. 27; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2017), PARP, Warszawa, pp. 26-27; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2018), PARP, Warszawa, p. 20-21; *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 5.

In 2018 SME sector enterprises in Ukraine provided employment for over 4.6 million people, i.e. 73.2% of the total number of people working in the enterprise sector, including individual entrepreneurs in Ukraine, who employed almost 1.1 million people. As in 2010-2017, most people worked in medium-sized enterprises (from 3.4 million people in 2010 to 2,6 million people in 2017). For several years, there has been a slight increase in the share of small and medium-sized enterprises in the structure of average employment (Fig. 1.4).



100% = Enterprises in total

**Figure 1.4. Employment in the SME sector in Ukraine (2010-2018)**

Source: Own study based on: *Indicators activity of large, medium, small and microentrepreneurship entities in 2010-2019*, Official site of the State Statistics Service of Ukraine - <http://www.ukrstat.gov.ua/>

From 2010 to 2011, the share of employees in the small business sector in the total number of employees in Ukraine increased, in 2012-2014 there was a decrease in this indicator, and only in 2015 there was a growth again. In medium-sized enterprises, the decline in the share of employees occurred in 2011-2012 – 43.7 and 43.0%, respectively. Since 2013, there has been a gradual increase in the share of employees in SMEs in the total number of employees in Ukraine.

The process of internationalization of the Polish economy is progressing dynamically. The relation of exports of products and services to GDP value is systematically growing. In 2010-2019, it increased from 40 to 56%<sup>23</sup>. In 2016, for the first time in history, the Polish economy became more dependent on external than domestic demand, and Polish enterprises were more involved in satisfying the demand of foreign consumers than Polish ones. One of the basic measures of the internationalization of the economy is the number of exporting or importing enterprises. Unfortunately, this area is still not one of the strengths of the Polish economy. According to Central Statistical Office estimates<sup>24</sup>, in 2018 4.6% of companies in Poland (98.7 thousand) sell products abroad, and only 0.97% (20.9 thousand) – services. These low percentages are largely due to the very poor performance of microenterprises. In 2018, the percentage of companies importing products from abroad was 8.3% (178.9 thousand), and services – 1.5% (31.2 thousand). As with exports, the smallest percentage of importers was among microenterprises. On the other hand, import is clearly more often done by larger entities (Table 1.6).

**Table 1.6. The percentage of exporters and importers of goods and services in the SME sector in Poland**

<b>Exporters of goods</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	2.0	2.6	2.9	3.1	3.0	3.1	3.0	3.3	3.2
Small	32.4	28.6	30.0	31.5	31.1	29.9	31.5	36.5	37.8
Medium-Sized	47.5	47.5	45.0	47.1	47.3	46.8	46.3	48.9	51.5
<b>Importers of goods</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	3.4	5.4	5.5	5.8	6.0	6.0	5.7	6.1	6.3
Small	39.6	39.2	39.0	41.3	42.4	42.6	45.0	51.4	56.8
Medium-Sized	57.4	57.3	57.2	58.2	58.1	59.1	62.9	67.0	68.8
<b>Exporters of services</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	0.27	0.27	0.32	0.38	0.42	0.45	0.43	0.41	0.38
Small	6.2	6.5	7.1	8.1	8.9	9.9	10.0	11.0	11.7
Medium-Sized	16.3	16.4	19.1	22.4	23.7	24.6	26.1	27.4	29.5
<b>Importers of services</b>									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	0.43	0.41	0.48	0.59	0.63	0.68	0.68	0.64	0.62
Small	7.9	8.0	9.1	10.2	11.0	12.2	13.7	14.9	16.3
Medium-Sized	23.0	23.7	26.9	29.9	31.1	32.4	36.8	38.0	41.9

Source: Own study based on: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, pp. 28-35; dane Głównego Urzędu Statystycznego, Available: <https://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/obroty-towarowe-handlu-zagranicznego-ogolem-i-wedlug-krajow-w-okresie-styczen-luty-2021-roku,1,103.html>; <https://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/handel-zagraniczny-2020-polska-w-swiecie,6,14.html> [24.05.2021].

<sup>23</sup> Ibidem, pp. 28-30.

<sup>24</sup> <https://stat.gov.pl/wskazniki-makroekonomiczne/>

The presence of the Ukrainian SMEs in foreign markets is low (the large companies such as DTEK are dominating<sup>25</sup>). In 2015-2017, this sector accounted for 29% of the total volume of Ukrainian exports, and in 2018 the figure decreased to 26%, with half of the volume accounting for medium-sized enterprises. This is due to the effect of scale and transaction costs. There are factors that may underestimate official export statistics. First, some companies may not export directly, but through large wholesale companies. It is impossible to estimate in such practices. Secondly, some products can be sent by mail, formally – from individuals<sup>26</sup>. In 2018, the Ukrainian SMEs imported products on 30,307 million USD, i.e. 53% of all import. As in exports, the smallest percentage of importers was among microenterprises (Table 1.7).

**Table 1.7. The percentage of exporters and importers of goods in the SME sector in Ukraine in % to the total volume**

<b>Exporters of goods</b>				
Number of employees	2015	2016	2017	2018
Micro (up to 9 employees)	4.5	4.8	4.2	5.0
Small (10-49)	7.7	7.8	7.4	7.2
Medium-Sized (50-249)	15.9	15.7	15.4	15.5
<b>Importers of goods</b>				
Number of employees	2015	2016	2017	2018
Micro (up to 9 employees)	10.1	11.7	10.0	11.9
Small (10-49)	15.1	16.9	17.4	18.2
Medium-Sized (50-249)	21.9	25.0	23.4	21.0
Natural persons entrepreneurs	0.7	1.0	1.5	1.9

Source: Own study based on: дані Експорт товарів за кількістю найманих працівників за видами економічної діяльності у 2015 році; Експорт товарів за кількістю найманих працівників за видами економічної діяльності у 2016 році; Експорт товарів за кількістю найманих працівників за видами економічної діяльності у 2017 році; Експорт товарів за кількістю найманих працівників за видами економічної діяльності у 2018 році; Імпорт товарів за кількістю найманих працівників за видами економічної діяльності у 2015 році; Імпорт товарів за кількістю найманих працівників за видами економічної діяльності у 2016 році; Імпорт товарів за кількістю найманих працівників за видами економічної діяльності у 2017 році; Імпорт товарів за кількістю найманих працівників за видами економічної діяльності у 2018 році, Available: <http://www.ukrstat.gov.ua> [28.06.2021].

Moreover, Ukrainian companies should be aimed at world standards and actively interact with foreign partners, while at the same time taking into account the interests and peculiarities of national business<sup>27</sup>.

<sup>25</sup> Pichugina M. (2018) *Strategy of the company balanced development*, Proceedings of the 2nd International Conference “Contemporary Issues in Theory and Practice of Management”, CITPM 2018. Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa, No. 2, pp. 530-537.

<sup>26</sup> Based on: Огляд малого і середнього підприємництва в Україні 2018/2019 (2020), Kyiv, pp.14-15. Available: [https://drive.google.com/file/d/1I2ckLnFpxcbePvy\\_ymQIJMi5Wci5RKxP/view](https://drive.google.com/file/d/1I2ckLnFpxcbePvy_ymQIJMi5Wci5RKxP/view) [28.06.2021].

<sup>27</sup> Artemenko L.P. (2018), *Strategic benchmarking of Ukrainian public-private partnership in the conditions of European integration*, Proceedings of the 2nd International Conference “Contemporary Issues in Theory and Practice of Management”, CITPM 2018. Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa, No. 2, pp. 39-46.

Small and medium-sized enterprises play an important role not only in the general account of each country, but also in small local markets. This is due to the fact that companies from the SME sector play a huge role in the region socio-economic development in the areas<sup>28</sup>:

- development of innovation,
- impact on employment,
- ecological effect creation,
- development of local production,
- dealing effectively with the recession, economic crisis, economic slowdown in small enterprises,
- effect of regional decentralization,
- capital mobilization.

Innovative activity of enterprises is a very broad concept and refers to activities of a scientific, technical, organizational, financial and commercial nature that lead or are intended to lead to the implementation of innovation<sup>29</sup>. Some of these activities are innovative, while others are not new, but are necessary for the implementation of innovations. Innovative activities also include research and development (R&D) activities that are not directly related to the creation of a specific innovation. The phenomenon known as innovation is constantly changing and evolving<sup>30</sup>. According to the analyzes<sup>31</sup> conducted for the western part of Poland in 2018, the goal of innovative activities is the most common:

- improving the quality of products or services,
- increasing the range of products or services,
- expansion of companies – entering new markets or increasing market share,
- improving the health or safety of employees,
- reduction of harmfulness to the environment.

Innovation has a significant impact on the development of the economy. Innovative economy is an important instrument for shaping the high quality of life of the inhabitants and strengthening the competitiveness of the region. Therefore, the level of innovativeness of enterprises is an indicator studied in all European countries.

In this area, the priority opportunities of Ukrainian enterprises from European integration include: harmonization of domestic and international standards of production and product quality, access to the EU market, lower prices for equipment for modernization, reduction of customs tariffs and duty-free quotas, the possibility of expanded cooperation with foreign partners<sup>32</sup>.

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<sup>28</sup> Safin K. (2008), *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław.

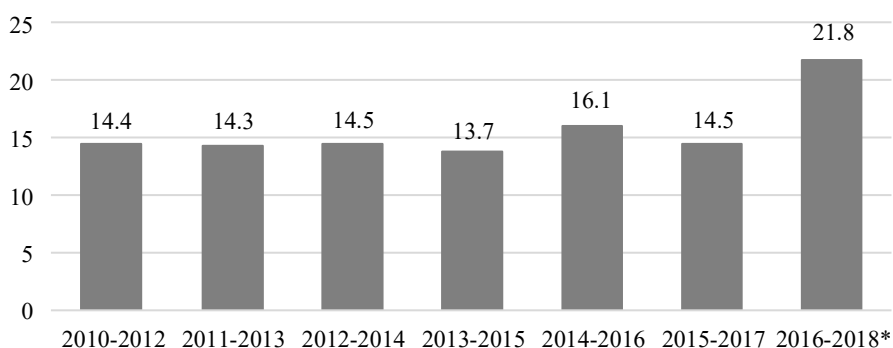
<sup>29</sup> Bilovodska O., Kholostenko A., Mandrychenko Z., Volokitenko O. (2021), *Innovation management of enterprises: Legal provision and analytical tools for evaluating business strategies*, Journal of Optimization in Industrial Engineering, Vol. 14(1), pp. 89-96.

<sup>30</sup> Gogokhia T., Berulava G. (2021), *Business environment reforms, innovation and firm productivity in transition economies*, Eurasian Business Review, Vol. 11(2), pp. 221-245.

<sup>31</sup> <http://eregion.wzp.pl/obszary/innowacyjnosc> [20.05.2021].

<sup>32</sup> *Методологія інноваційного розвитку промислових підприємств у контексті євроінтеграції*: монографія (2018), Розділ 3. Артеменко Л.П. Діагностика безпекового середовища промислових підприємств в європейському економічному просторі, Л.М. Шульгіна, Л.П. Артеменко; за ред.

According to the Central Statistical Office<sup>33</sup> research on innovative activity of enterprises, in 2010-2018 the total innovative enterprises was at the level of 14.2%, i.e. this percentage of the surveyed companies implemented innovations<sup>34</sup>. It can be indicated that the number of enterprises introducing innovations is increasing year by year. In 2016-2018, the percentage of enterprises in Poland that introduce innovations, according to the new methodology, is 21.8 (Fig. 1.5). The share of innovative enterprises in the industrial sector is higher than in the service sector. However, it is not a high percentage of enterprises that introduce innovations in total. Moreover, statistical data show that the larger the enterprise is, the higher the level of introduced innovations. This may indicate that in the SME sector the percentage of enterprises introducing innovations is even lower.



\* change of methodology, compared to previous years, some questions were abandoned, new ones appeared instead, and some questions were reworded or grouped in a different way.

**Figure 1.5. Share of innovative companies in the sector of industrial and service enterprises in Poland in 2010-2018 (in %)**

Source: Own study based on: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 43-54.

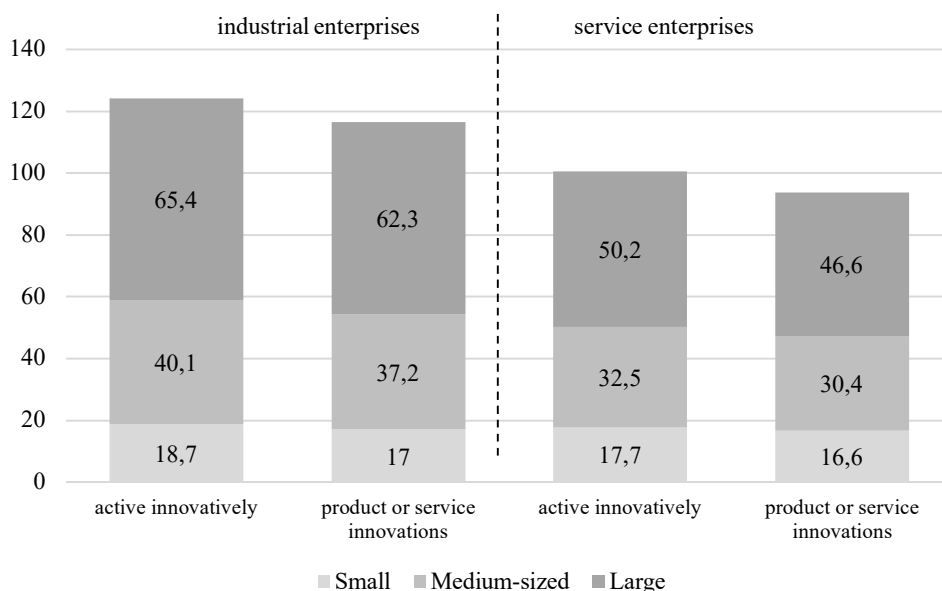
As in previous years, also in 2016-2018, the largest group of innovative enterprises is in the group of companies employing over 249 employees. This is the case both in the group of industrial and service companies. The percentage of large innovative companies in this period is 65.4% among industrial enterprises and 50.2% in the area of service enterprises. The share of innovative medium-sized companies in this period is 40.1% among industrial enterprises and 32.5% in the area of service enterprises. On the other hand, in the group of small enterprises it is only 18.7%

Л.М. Шульгіної, К.:КПІ ім. Ігоря Сікорського, с. 91-92; Артеменко Л.П., Пічугіна М.А., Артеменко О.Т. (2019), *Бенчмаркінг конкурентоспроможності фармпідприємств на європейському ринку*, Економічний вісник НТУУ «КПІ», No 16, с. 152-161, Available: <http://ev.fmm.kpi.ua/article/viewFile/181840/181718>.

<sup>33</sup> Central Statistical Office in Poland.

<sup>34</sup> Innovation research conducted by Center Statistical Office include enterprises with more than nine employees which means that they not provide information about innovation activities of microenterprises.

among industrial enterprises and 17.7% in the area of service enterprises. Product or business process innovations were most often introduced by business entities employing more than 250 people (62.3% of industrial enterprises and 46.6% of service enterprises), least often by small enterprises employing up to 49 employees (17.0% of industrial enterprises and 16.6% of service enterprises) (Fig. 1.6).



**Figure 1.6. Innovative enterprises in Poland in 2016-2018 (in %)**

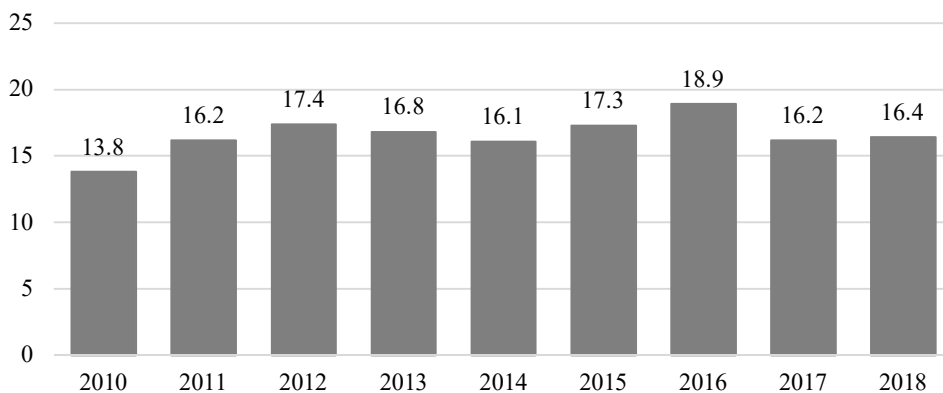
Source: Own study based on: *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 43-54.

The most innovative sectors of the industrial sector are: production of pharmaceutical products (52%), production of computers, electronic and optical products (51.6%), production of chemicals and chemical products (45.5%), while remediation is the least innovative industry (7.4%). The most innovative sectors of the service sector are: insurance, reinsurance and pension funds, excluding compulsory social insurance (77.6%), research and development (58.5%), activities related to software and IT consultancy (43.5%), while the least innovative industry is land transport via pipelines (12.7%)<sup>35</sup>.

In 2010-2018 the total Ukrainian innovative industrial enterprises was at the level of 16.6%, i.e. this percentage of the surveyed companies implemented innovations (Fig. 1.7).

<sup>35</sup> *Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce* (2020), PARP, Warszawa, p. 45.





**Figure 1.7. Share of innovative companies in the sector of industrial enterprises in Ukraine in 2010-2018\* (in %)**

\* data for 2015-2018 are given for legal entities from industrial sector with 50 and more employees

Source: *Наукова та інноваційна діяльність України 2018. Статистичний збірник* (2019), Держаналітінформ, Київ, p. 65.

The growth of the share of innovation-active enterprises<sup>36</sup> is facilitated by the agreement with the EU in 2014<sup>37</sup>, which is followed with an increase in the level of competition in the Ukrainian market. At the same time, there is a decrease in the share of enterprises implementing technological innovations. The gradual decrease in the share of this type of innovation is due to increasing demand for non-technical innovations, as well as innovations aimed at developing new ways of relationships between organizations. Growth in demand is also observed for marketing innovations<sup>38</sup>.

During period 2010-2018, the average level of innovation activity of small enterprises is 17% in industry and 16% – in services, while for medium enterprises the share of innovative enterprises is 25 and 23%, respectively (Figures 1.8 and 1.9). The largest group of innovative enterprises is in the group of companies employing over 249 employees.

There is also a tendency for interest of small businesses in carrying out innovative activities aimed at non-technological improvements in both services and industry<sup>39</sup>.

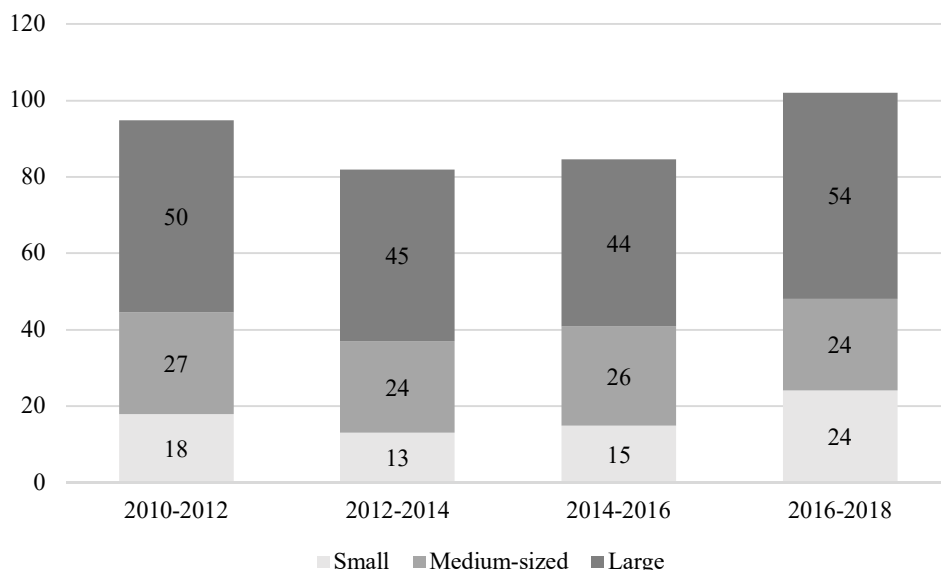
<sup>36</sup> Дьяченко О.А., Артеменко Л.П. (2015), *Економічна безпека інноваційно орієнтованих підприємств в умовах євроінтеграції*, Економічний вісник НТУУ «КПІ», No 12, Available: <http://ev.fmm.kpi.ua/article/view/45286>.

<sup>37</sup> Артеменко Л.П. (2015), *Вплив євроінтеграції на конкурентоспроможність та інноваційний розвиток країн*, Збірник наукових праць Державного університету інформаційно-комунікаційних технологій «Економіка. Менеджмент. Бізнес», No 2, с. 99-104.

<sup>38</sup> Vorona A. (2020), *Innovative activity of enterprises as a prospect of development of the national economy of Ukraine*, *Efektivna ekonomika* [Online], vol. 3, Available: <http://www.economy.nauka.com.ua/?op=1&z=7747> (Accessed 1.07.2021). DOI: 10.32702/2307-2105-2020.3.155.

<sup>39</sup> Лісовська П.О., Артеменко Л.П. (2017), *Проблеми та перспективи IT-підприємництва в Україні*, Сучасні наукові погляди на модернізацію і суспільний розвиток економічної системи: збірник тез наукових робіт учасників Міжнародної науково-практичної конференції для

The focus of the introduction of innovative ideas and methods of effective enterprise management by small enterprises is explained by a lower level of investment risk than the introduction of technical innovations. The SME innovative activity depend on factors that influence the innovation orientation and factors that influence the innovation ability<sup>40</sup>.



**Figure 1.8. Industrial innovative enterprises in Ukraine in 2010-2018 (in %)**

Source: Own study based on: *Наукова та інноваційна діяльність в Україні у 2015 році. Статистичний збірник* (2016), ДП «Інформаційно-аналітичне агентство», Київ, р. 185; *Наукова та інноваційна діяльність України, 2017 рік. Статистичний збірник* (2018), ДП «Інформаційно-аналітичне агентство», Київ, р. 115; Vorona A. (2020), “Innovative activity of enterprises as a prospect of development of the national economy of Ukraine”, *Efektivna ekonomika*, [Online], vol. 3, Available: <http://www.economy.nayka.com.ua/?op=1&z=7747> (Accessed 1.07.2021).

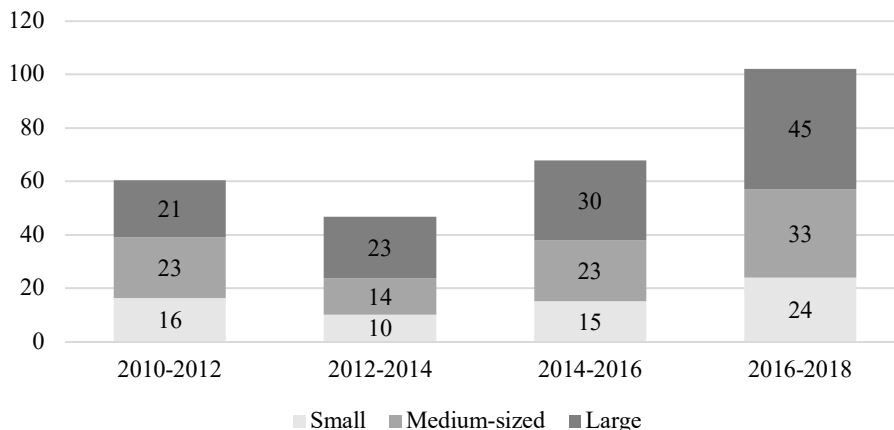
As technological innovation of production is accompanied by high risks of unsuccessful scientific and technological research at the initial stage of innovation implementation and, accordingly, inefficient investment costs, such activities are often carried out by large enterprises and organizations for which such costs are acceptable<sup>41</sup>.

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студентів, аспірантів та молодих учених (м. Київ, 24-25 листопада 2017 р.), К.: Аналітичний центр «Нова Економіка», с. 43-45.

<sup>40</sup> Pichugina M.A. (2015), *Key factors of enterprise innovation activity*, *Economic Processes Management: International Scientific E-Journal*, No 1, Available: <https://essuir.sumdu.edu.ua/bitstream/download/123456789/39006/1/Pichuhina.pdf>

<sup>41</sup> Vorona A. (2020), *Innovative activity of enterprises as a prospect of development of the national economy of ...*, op. cit.



**Figure 1.9. Innovative enterprises in service sector in Ukraine in 2010-2018 (in %)**

Source: Own study based on: Наукова та інноваційна діяльність в Україні у 2015 році. Статистичний збірник (2016), ДП «Інформаційно-аналітичне агентство», Київ, р. 185; Наукова та інноваційна діяльність України, 2017 рік. Статистичний збірник (2018), ДП «Інформаційно-аналітичне агентство», Київ, р. 115.; Vorona A. (2020), Innovative activity of enterprises as a prospect of development of the national economy of Ukraine, *Efektivna ekonomika*, [Online], vol. 3, Available: <http://www.economy.nayka.com.ua/?op=1&z=7747> (Accessed 1.07.2021).

The infrastructure to support small and medium enterprises differs by regions in Ukraine and also define the business environment: business centers in Kyiv (157), Dnipropetrovsk (54) and Kharkiv (26) regions; business incubators in Kyiv (13), Dnipropetrovsk (7) and Zaporizhia (6) regions; technology parks and / or industrial parks in Kyiv (33), Kharkiv (18) and Donetsk (9) regions; leasing centers of Kyiv (429), Donetsk (30) Dnipropetrovsk (19) regions; funds to support entrepreneurship in Kyiv (57), Poltava (13) and Chernivtsi (10) regions; investment funds and companies in Kyiv (1466), Donetsk (237) and Kharkiv (142) regions<sup>42</sup>.

Research on the enterprise sector conducted by both public institutions and research centres shows that more than a year after the introduction of the first lockdown of the economy, Polish entrepreneurs are divided when it comes to assessing the situation of their companies. Most entrepreneurs<sup>43</sup>, however, believe that the situation of their company is quite good, negative opinions dominate among micro-enterprises and in industries related to tourism. More than half of the companies gave up investments due to the pandemic. At the same time, in 2021, the implementation of new investments is currently planned by less than 30% of companies. The obstacle in running a business caused by the pandemic most often indicated by companies is a decrease in the number of customers (48%) and high

<sup>42</sup> Інфраструктура підтримки малого і середнього підприємництва по регіонах станом на 01.01.2019. Available: <https://me.gov.ua/Documents/Detail?lang=uk-UA&id=0ced3c9f-a057-4852-9072-151dd387356a&title=InstytutSchoZabezpechuiutPidtrimkuPidprimnitstva> [03.07.2021].

<sup>43</sup> The study commissioned by EY was carried out by IBRIS in January 2021, on a sample of 500 companies, including 200 microenterprises, 150 small enterprises, 100 medium-sized and 50 large enterprises.

costs of current operations (44%). Most often, they misjudge their current situation of micro-enterprises (51%) as well as service and tourism-related companies. In the opinion of entrepreneurs, during the pandemic, the industries related to medicine, pharmacy and the production of protective measures, as well as Internet trade and the IT industry, benefited the most. In order to adapt to the pandemic situation, nearly 60% of enterprises from the SME sector used own savings, and some Polish companies, after a year of the pandemic, declared problems with financial liquidity (29%) or an increase in the company's debt (27%). According to research, among the expectations of entrepreneurs from the SME sector, it is necessary to mention, among others, the lifting of restrictions related to the pandemic and the change of tax regulations<sup>44</sup>.

Conclusions from the study of Polish micro, small and medium-sized enterprises show that as many as 63% of medium-sized companies engaged in production limited their activities due to socio-economic changes resulting from the Covid-19 pandemic, and 51% of industrial enterprises reduced employment due to the situation caused by the Covid-19 threat. 36% of all companies participating in the survey believe that they are able to maintain financial liquidity and settle liabilities to contractors and employees for no more than 3 months. To sum up, almost 90% of companies from the SME sector in Poland reported disruptions to their operations resulting from social isolation and changes in customer behavior. The largest drop in revenues was recorded by micro-companies employing from 2 to 9 employees. In addition to the drop in revenues, delays in payments from customers are also a very important problem. Companies operating in the consumer services sector are most affected by the effects of the pandemic, and construction companies and companies operating in the area of business services are relatively least affected. One-third of companies reduce employment in response to the economic shock. The largest number of such companies is among small enterprises as much as 42.5%. Most companies (59.3%) are unable to maintain financial liquidity without dismissing employees for more than 3 months. This means that the situation may deteriorate significantly in the future.

The Ukrainian government responded to the pandemic economic crisis with a support package encompasses the targeted support for SMEs:

- partial unemployment allowance programme for SMEs, amounting to two-thirds of the salary rate for each hour of lost work time (up to the minimum wage – UAH 4,723);
- adjustment of the “Affordable Loans 5-7-9%” programme, initially started in January 2020, to help businesses refinance existing loan, cover the cost of payroll and have a facilitated access to finance: SMEs could borrow up to USD 110,000 with no interest until 31 March 2021;
- targeted support for individual entrepreneurs, including child assistance and temporary tax exemptions;
- tax measures;
- rent relief for the duration of the lockdown;

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<sup>44</sup> *Raport (2021), Badanie EY na grupie polskich przedsiębiorców*, Available: [https://www.ey.com/pl\\_pl/news/2021/03/badanie-ey-rok-z-covid](https://www.ey.com/pl_pl/news/2021/03/badanie-ey-rok-z-covid) [20.05.2021].

- prohibiting credit institutions from raising interest rates on loans already issued;
- legislative changes enabling businesses to adopt more flexible working hours<sup>45</sup>.

The pandemic formed changes for SME business in approaches to employees, the digital solutions<sup>46</sup>, the electronic document flow, the investment priorities<sup>47</sup>. According to survey of Youcontrol, after 2020 year 68% of managers believe that communication with employees has improved during the crisis. Even after the end of quarantine, many continued to work remotely or in mixed style. 39% of CEOs believe that the pandemic has accelerated the digital transformation<sup>48</sup> and a new generation operating model. SME companies start a set of short-term projects to implement a certain technology: robotization of business processes; introduction of chatbots for customer service; analytics in operational processes. 67% of managers answered that they mainly invest in the purchase of new technologies, and 33% – in staff development. Along with the decline of economic indicators in Ukraine, 72% of managers expect an increase in profits in the next 3 years<sup>49</sup>.

In 2020 more than 247.5 thousand of private entrepreneurs began their work. This is almost 5% less than in 2019, when almost 261.7 thousand opened<sup>50</sup>. However, in 2020 year 232 thousand of private entrepreneurs finished their activities (against 199.8 thousand in 2019). It is difficult to say how many SMEs were closed because of coronavirus restrictions. The statistics were rather influenced by a set of factors, and quarantine is only one of them.

### 1.3. The Specific Features of SMEs Management

Although for many decades the need to prepare a separate, specific theory for small enterprises has been pointed out, there are still no consistent scientific approaches to the theory of small business. Small economic entities are still viewed as if they operated in the same way as large enterprises. However, their organizational differences make the adoption of management principles, techniques and practices from large enterprises completely inadequate to their reality<sup>51</sup>. Likewise, the strategic

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<sup>45</sup> OECD (2020), Monitoring the Implementation of Ukraine's SME Development Strategy 2017-2020, OECD Publishing, Paris, Available: <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/Monitoring-the-Implementation-of-Ukraine%E2%80%99s-SME-Development-Strategy-2017-2020-ENG.pdf> [20.06.2021].

<sup>46</sup> Artemenko L., Zahorulko T. (2021), *Introduction of Internal Gamification in HR*, Global Scientific E-Journal "International Marketing and Management of Innovations", No 6, Available: [https://immi.ath.bielsko.pl/last-number/Microsoft Word – Zahorulko \(3\).docx](https://immi.ath.bielsko.pl/last-number/Microsoft Word – Zahorulko (3).docx) (bielsko.pl).

<sup>47</sup> Artemenko L., *Formation and Development of Cluster Policy in Ukraine* (2015), Zeszyty Naukowe Wyższej Szkoły Humanitas Zarządzanie (Humanitas University's Research Papers Management), Tom XVI, No 4, pp. 47-62.

<sup>48</sup> Артеменко Л.П., Салабай В.О. (2019), *Діджиталізація як цифрова стратегія розвитку бізнесу*, Міжнародна науково-практична конференція "Актуальні питання економіки, фінансів, обліку та права в Україні та світі", 23 грудня 2019: у 5 ч., Полтава: ЦФЕНД, 2019. Ч. 1., С. 9 -11.

<sup>49</sup> Ibidem.

<sup>50</sup> „Ревучий” 2020-й: як український бізнес пережив карантинно-кризовий рік (2021), Available: [https://youcontrol.com.ua/data-research/biznes-2020-analitika/\[03.07.2021\]](https://youcontrol.com.ua/data-research/biznes-2020-analitika/[03.07.2021]).

<sup>51</sup> Iacono A., Nagano M.S. (2009), *Interactions and Cooperation in Local Production Systems: An Analysis of Inhibiting Factors Related to Specificities of Small Enterprises*, Journal of Technology Management & Innovation, vol. 4(2), pp. 143-153.

management framework builds on resources and approaches unique to SMEs<sup>52</sup>. The problem, however, is the vast preponderance of management theory built on the basis of the analysis of problems arising in large organizations, and the insufficient reference to the different, specific features of small business, governed in practice by its own rules<sup>53</sup>.

In enterprises, survival tends to lengthen with the size of the company and the intensity of growth tends to decrease with age but increases with the size of the company<sup>54</sup>. Thus, the smaller the enterprise, the more difficult and demanding its economic situation is.

By indicating the basic elements related to the organization and management of the enterprise, clear differences resulting from the size of the entity are visible. The larger the enterprise, the greater the role of the formalization of structures, processes and decision-making is visible. In turn, the smaller the entity, the greater the role of flexibility in action, direct intra-organizational contacts and intuition in action (Fig. 1.10).

small organization	◀ organization size ▶	large organizations
<b>owner – entrepreneur</b>	performing managerial functions	Managers
<b>often insufficient</b>	knowledge of company management	Solid
<b>insufficient</b>	information system	formalized, expanded
<b>almost none</b>	the role of planning	decisive importance
<b>big</b>	the importance of intuition	negligible
<b>most often functional</b>	type of structure	varied
<b>short, direct</b>	organizational	formalized, long
<b>through direct personal contact</b>	the way of transmitting information	a formalized guidance system and command control
<b>to a limited extent</b>	giving directions and controlling commands	in a wide range
<b>short</b>	delegation of managerial powers	tall
<b>high</b>	the degree of formalization of tasks	short
<b>it is very rare</b>	flexibility of the organizational structure	often

**Figure 1.10. Specific elements of management and organization in small and large organizations**

Source: Poznańska K., Schulte-Zurhausen M. (1994), *Kryteria klasyfikacji małych i średnich przedsiębiorstw*, Przegląd Organizacji, vol. 2, pp. 26-27.

<sup>52</sup> Nimfa D.T., Latiff A.S.A., Latiff A., Wahab S.A. (2021), *Theories Underlying Sustainable Growth of Small and Medium Enterprises*, African Journal of Emerging Issues (AJOEI), vol. 3(1), pp. 43-66.

<sup>53</sup> Leone N.M.C.G. (1999), *As Especificidades das Pequenas e Médias Empresas*, Revista de Administração, vol. 34(2), pp. 91-94.

<sup>54</sup> Lekhanya L.M. (2016), *Business Characteristics of Small and Medium Enterprises in Rural Areas: A Case Study on Southern Region of KwaZulu-Natal Province of South Africa*, Problems and Perspectives in Management, vol. 14(3), pp. 108-114.

It is pointed out that the most important differences between small enterprises according to the large entities are: centralization of management, low propensity to risk, low level of formalism, diseconomy of scale and limited autonomy, cultural isolation and relationships based on trust. Numerous problems with the absorption of new technologies and adaptation to the requirements of Industry 4.0 are also indicated<sup>55</sup>. The digital transformation of SMEs is associated with many difficulties resulting from their specificity. These are i.e. limited funds, high labour costs, structural problems, slowness of administrative bodies and limited diffusion of technology can slow down the evolutionary paths of SMEs. To enter the path of development and evolution thanks to digital innovation, companies must embrace change through new products and organizational paradigms of Industry 4.0<sup>56</sup>.

Many authors invariably emphasize the specificity of small enterprises, which prompts to build dedicated management theories and tools. This specificity can be classified into 6 areas, i.e.<sup>57</sup>:

- Environmental specificity – aspects external to enterprises, i.e. the impact of macro-environmental forces on their management and their results. These forces can be economic, social, legal, political and technological in nature. In the case of small businesses, these forces are particularly problematic as operators have little or no control over the environment in which they operate. It is also much more difficult to protect against environmental risks. Examples of environmental factors are factors related to tax legislation, financing, taxes, economic models, interest rates, etc.
- Behavioural specificity – aspects related to the behaviour of people in enterprises in terms of values, motivation, competences and leadership styles. They are closely related to the behaviour of entrepreneurs-owners with regard to their tendency to be entrepreneurs or business managers. Examples of behavioural factors include business visions, management styles, and organizational cultures.
- The specificity of decisions – aspects related to decision-making processes involving problems and opportunities of enterprises. These include strategic, administrative and operational decisions, individual or collective decisions, programmed or random decisions, and rational or intuitive decisions. Examples of this group of characteristics are paternalism, management style and knowledge of management.
- Technological specificity – refers to the technological characteristics of small enterprises and the way in which they produce and use technologies in their processes. It includes process and service technologies, technological innovations and information technologies. Examples of such factors are: technology modernization, availability of technological resources, and product and process innovations.

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<sup>55</sup> Pech M., Vrchota J. (2020), *Classification of Small- and Medium-Sized Enterprises Based on the Level of Industry 4.0 Implementation*, Applied Sciences, vol. 10, 5150.

<sup>56</sup> Tortora A.M.R., Alfano M., Di Pasquale V., Iannone R., Pianese C. (2021), *A Survey Study on Industry 4.0 Readiness Level of Italian Small and Medium Enterprises*, Procedia Computer Science, vol. 180, pp. 744-753.

<sup>57</sup> Iacono A., Nagano M.S. (2009), *Interactions and Cooperation in Local Production ...*, op. cit.

- Structural specificity – these peculiarities relate to the way small businesses are divided, organized and coordinated. Examples of such factors are flexibility, agility, formalization, division of labour, qualifications of the workforce, and the organization of technical and administrative functions.
- Strategic specificity – these aspects relate to the internal and external vision of enterprises and the method of developing a strategy. These specific features include strategy formalization and planning, market types and scope, and product and target market creation.

In small enterprises, the specificity of operation results primarily from the dominant position of the entrepreneur – the founder of the company. The word “entrepreneur” comes from the French *entreprendre*, which means taking, initiating or starting, so an entrepreneur is someone who takes a risk and starts something new<sup>58</sup>. According to Schumpeter, the main factor of economic development is an entrepreneur who stimulates new products, new production methods and economic activities, and introduces innovations. In turn, entrepreneurship itself is a process of “creative destruction” in which entrepreneurs constantly change current products or production methods<sup>59</sup>. For Schumpeter, an entrepreneur is someone versatile, with the technical skills to know how to produce, and the “capitalist” skills to obtain funds, organize internal operations, and ensure the sale of products and services. This approach greatly expands the scope of the entrepreneur who is no longer solely the owner of the capital, but is a person who has been endowed by nature with an “entrepreneurial spirit”. This specific “sense of entrepreneurship” can characterize all members of the organization who are full of ideas and initiatives in overcoming barriers and breaking stereotypes<sup>60</sup>.

Entrepreneurship is a highly individualized activity, focusing on the characteristics, attitudes and goals of individual people. In the sphere of axiology, it is based on such universally accepted values as freedom and independence. At the same time, entrepreneurship can come into conflict with fundamental values such as equality and fairness<sup>61</sup>. A key aspect of entrepreneurship is recognizing emerging business opportunities that are often used by entrepreneurial entities to create new business entities<sup>62</sup>. When defining an entrepreneur – a small business owner, two important features are indicated: finding opportunities and taking risks<sup>63</sup>. The entrepreneur is

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<sup>58</sup> Coda R., de Castro Krakauer P.V., de França Berne D. (2017), *Are Small Business Owners Entrepreneurs? Exploring Small Business Manager Behavioral Profiles in the São Paulo Metropolitan Region*, RAUSP Management Journal, vol. 53(2), pp. 52-163.

<sup>59</sup> Kaya N. (2015), *Corporate Entrepreneurship, Generic Competitive Strategies, and Firm Performance in Small and Medium-Sized Enterprises*, Procedia – Social and Behavioral Sciences, vol. 207, pp. 662-668.

<sup>60</sup> Piecuch T. (2010), *Przedsiębiorczość. Podstawy teoretyczne*, Wydawnictwo C.H. Beck. Warszawa, p. 22.

<sup>61</sup> Ragoda B. (2014), *Granice przedsiębiorczości – aspekt ekonomiczny, technologiczny i społeczny*, [in:] Zieliński K. (ed.), *Formy i przejawy współczesnej przedsiębiorczości w Polsce*, Difin, Warszawa, pp. 31-60.

<sup>62</sup> Barroso-Martínez A., Sanguino-Galván R., Bañegil-Palacios T.M. (2016), *Entrepreneurial Orientation and Knowledge Transfer: Analysis in Spanish Family Businesses*, Tourism & Management Studies, vol. 12(1), pp. 211-219.

<sup>63</sup> Bławat F. (2003), *Przedsiębiorca w teorii przedsiębiorczości i praktyce małych firm*, Gdańskie Towarzystwo Naukowe, Gdańsk, p. 18.



distinguished by creative anxiety, which forces him to pursue his own vision of the future, different from the existing state of reality<sup>64</sup>.

Traditionally, the concept of entrepreneurship is equated with small business. Combining entrepreneurship with the functioning of small and medium-sized enterprises is quite common and results from the fact that they show the most fully enterprising attitudes and behaviors, personality traits of entrepreneurs, which affect their business activity<sup>65</sup>. It is indicated that there is a strong tendency to identify entrepreneurship with the dominant organizational personality, usually focused in the person of the owner, who makes independent strategic decisions in relation to his company<sup>66</sup>. An entrepreneur personifies entrepreneurial processes and performs various functions in socio-economic life: ownership, founding, organizational, managerial, economic, entrepreneurial, social and coordination<sup>67</sup>. The dominant personality of the owner has both positive and negative effects on the small business. Certain dimensions of behaviour, such as high need for achievement, high self-energy, high commitment to work, and the ability to handle multiple projects simultaneously, can bring better business results. However, entrepreneurial behaviour is also associated with hostility, anger and emotional instability, which can lead to interpersonal conflict and frustration if business success is poor<sup>68</sup>. The negative influence of the entrepreneur-owner may be particularly problematic in a situation where, along with the growth and greater complexity of the organization, there will be a need for its organizational renewal, innovation, constructive risk taking and conception and searching for new opportunities that often go beyond the capabilities and abilities of one key manager.

Taking into account the specificity of small enterprises and the dominant position of the owner in the area of management, barriers to development become visible. Particularly problematic here is the person of the owner, without whom the company would not be established, but who is often an obstacle on the way of later business changes. In the conditions of small and medium-sized enterprises, the owner-entrepreneur usually makes most of the strategic and operational decisions himself, and sets the tone for the regulatory processes in the company<sup>69</sup>. When analysing the results of many studies on the role and importance of leadership, Gayle<sup>70</sup> concludes

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<sup>64</sup> Glinka B., Gudkova S. (2011), *Przedsiębiorczość*, Oficyna a Wolters Kluwer business, Warszawa, p. 121.

<sup>65</sup> Wiatrak A.P. (2003), *Pojęcie przedsiębiorczości, jej cele i rodzaje*, [in:] Jeremczuk K. (ed.), *Uwarunkowania rozwoju przedsiębiorczości – szanse i zagrożenia*, Tarnobrzeg, p. 34

<sup>66</sup> Ferjencik M. (2020), *Practical Safety Management for Small or Medium Enterprises*, *Journal of Loss Prevention in the Process Industries*, vol. 68, 104281.

<sup>67</sup> Targalski J. (2014), *Przedsiębiorczość i zarządzanie małym i średnim przedsiębiorstwem*, Difin, Warszawa, p. 28.

<sup>68</sup> Viinikainen J., Heineck G., Böckerman P., Hintsanen M., Raitakari O., Pehkonen J. (2017), *Born Entrepreneurs? Adolescents' Personality Characteristics and Entrepreneurship in Adulthood*, *Journal of Business Venturing Insights*, vol. 8, pp. 9-12.

<sup>69</sup> Lachiewicz S., Matejun M. (2012), *Specyfika zarządzania małymi i średnimi przedsiębiorstwami*, [in:] Matejun M. (ed.), *Zarządzanie małą i średnią firmą w teorii i w ćwiczeniach*, Difin, Warszawa, pp. 13-45.

<sup>70</sup> Gayle C.A. (2009), *Przywództwo w organizacji. Paradygmaty i studia przypadków*, PWE, Warszawa, pp. 31-32.

that it has a greater impact on performance in small businesses than in large ones. For an organization to become a market leader, its employees must demonstrate values, norms and behaviours that improve business excellence. At the initial stage of the organization's development, the owner plays a decisive role in shaping the development and organizational culture of the organization. Later, these values, norms and behaviours should be institutionalized in the work environment and be "transferred" to employees<sup>71</sup>. Here, however, a conflict may arise between the owner and his dominant personality and the personalities of other organization members who, having the ability to act independently, do not have to (and often should not) agree to the existing solutions, which may be negatively perceived by the entrepreneur-owner. Hence, openness and flexibility of approach, as well as the knowledge of the entrepreneur, become very important at this stage.

An important aspect of the functioning of SMEs is related to the inspiring role of leaders. By the strength of their personality, leaders exert a great influence on their followers. The challenge for organization leaders is how to influence the way of thinking of the members of the organization by creating value, influencing the culture of the organization and building commitment to the mission, goals and strategies of the organization in order to achieve above-average organizational performance<sup>72</sup>. If the leader is the founder and manager of a small company in one person, then it is his responsibility to create an environment friendly to internal entrepreneurship and to gradually build an organizational culture based on entrepreneurship.

The specificity of SMEs also relates to the limited importance of strategic management. Strategic management is about setting long-term organizational goals and development that will support small businesses in achieving their goals<sup>73</sup>. Owner-manager, as the enterprise grows, faces the dilemma of continuing his own solutions or implementing strategic management (or at least its elements), independently or by employed managers, which involves the transfer of some management competences to persons outside the circle of the founder. For many small business owners, this is an uncomfortable situation that arouses his/her internal opposition. In corporations with complex organizational structures, complex competence and decision-making systems, strategic management usually takes the form of formalized procedures. In small and medium-sized enterprises, owners consider this type of formalization redundant, relatively easy controlling most of the important activity area in the enterprise. Strategic decisions are made based on the owner's own knowledge, without negotiating or consulting with anyone<sup>74</sup>. Strategic decisions of SMEs reflect

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<sup>71</sup> Balazs K. (2002), *Take One Entrepreneur: The Recipe for Success of France's Great Chefs*, European Management Journal, vol. 20(3), pp. 247-259.

<sup>72</sup> Ibidem.

<sup>73</sup> Aremu M.A., Adeyemi S.L. (2011), *Small and Medium Scale Enterprises as a Survival Strategy for Employment Generation in Nigeria*, International Journal of Sustainable Development, vol. 4(1), pp. 200-206.

<sup>74</sup> Kaleta A. (2005), *Zarządzanie strategiczne w małych przedsiębiorstwach – stereotypy a rzeczywiste potrzeby*, [in:] Krupski R. (ed.), *Zarządzanie strategiczne strategię małych firm*, Prace Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Seria: Zarządzanie i Marketing, Wałbrzych, pp. 69-82.

the personal orientations and attitudes of the owner of the company, whose attitude to strategic issues is crucial for the implementation of the strategy<sup>75</sup>. However, there is no organization too small to have an appropriate strategy, many entrepreneurs underestimate the role of strategic management in practice and do not believe that it can apply them. The planning function in the area of strategic management of a small business is underestimated. Plans in small organizations have a shorter time horizon, at the same time they should be prepared for individual life cycles through which a given enterprise will go through<sup>76</sup>. Meanwhile, centralization of management can negatively affect the organizational process. It can reduce the rationality of decision-making as the involvement of several people reduces knowledge sharing and information sharing and thus reduces the possibilities of analytical approach and innovative ideas to solve problems<sup>77</sup>. In turn, the short-term perspective does not allow building an appropriate organizational culture that takes into account the desired elements, such as internal entrepreneurship.

This type of approach to strategic management, without complex divisions into stages, components, organizational procedures, and where the process of strategy formulation and strategic decision making is the sole effect of the work of the owner of the enterprise, is not always optimal for small businesses. When managers have limited knowledge of the company's strategy, and the rank and file employees – negligible, and when no one but the owner has any influence on the decisions made, they have no motivation to take initiatives, seek innovative solutions or improve the organization. In order to prevent such a situation, it is worth formalizing the procedures of strategic management in small enterprises to some extent, assuming the staging of the process and involving a wider group of participants in its individual phases. Employees can provide information, ideas and initiatives that can significantly revitalize individual phases of strategic management, positively influencing its final effects. However, it should be ensured that the formalization combined with strategic management does not adversely affect such advantages of small enterprises as the speed of decisions and their consistency<sup>78</sup>.

An important element shaping the specificity of SME management are limited resources of the company, taking into account both material resources and resources of intangible assets<sup>79</sup>. Among the resources that play a key role in the management of SMEs, elements such as the ability to obtain and use financial capital; knowledge, potential, skills and quality of employees and managers; and the personal

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<sup>75</sup> Kraus S., Kauranen I. (2009), *Strategic Management and Entrepreneurship: Friends or Foes?* International Journal of Business Science and Applied Management, vol. 4(1), pp. 37-50.

<sup>76</sup> Lachiewicz S., Matejun M. (2012), *Specyfika zarządzania małymi i średnimi ...*, op. cit.

<sup>77</sup> Ürü F.O., Çalışkan S.C., Atan Ö., Aksu M. (2011), *How Much Entrepreneurial Characteristics Matter in Strategic Decision-Making?* Procedia Social and Behavioral Sciences, vol. 24, pp. 538-562.

<sup>78</sup> Kaleta A. (2005), *Zarządzanie strategiczne w małych ...*, op. cit.

<sup>79</sup> Urbanowska-Sojkin E., Banaszyk P., Witczak H. (2004), *Zarządzanie strategiczne przedsiębiorstwem*, Warszawa: PWE; Otola I. (2018), *The Impact of Resources Meeting VRIN Criteria on the Economic Performance of Enterprises, 7th International Scientific Conference Changes in Social and Business Environment (CISABE 2018)*, Zostautiene D., Susniene D., Wereda V. (eds.), Editografica, pp. 69-74.

characteristics of an entrepreneur are presented<sup>80</sup>. The low level of resources means that large corporations can easily compensate for even high financial losses or long waiting for the return of capital, and small companies are not able to survive even the smallest losses in the short term.

The Covid-19 pandemic had a significant impact on business operations, questioning many of the management tools used so far. Restrictions on the flow of goods and services, as well as repeated lockdowns for people and organizations, made it necessary to re-evaluate the ways of doing business. Since the beginning of the Covid-19 crisis, companies have increasingly focused on short-term issues, less and less interested in innovation and long-term planning<sup>81</sup>.

Research shows that not all enterprises were affected by the pandemic crisis equally, and it is not only related to the industry to which they belong, but also to the size of the enterprise<sup>82</sup>. It turns out that although the crisis has affected both large companies and SMEs, its effects are greater for smaller entities<sup>83</sup>. OECD studies<sup>84</sup> carried out in Member States and partner countries reveal that more than half of SMEs experience significant loss of income and a quarter of companies fear bankruptcy without adequate and prolonged public support. Many SMEs have gone out of business due to rising costs and the depletion of cash reserves, making them financially unstable<sup>85</sup>. SMEs are trying to adapt to the new conditions by e.g. increased digitization of their activities, but their specific features mean that without the use of policy instruments to mitigate the effects of the crisis, many will not survive the pandemic.

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<sup>80</sup> Wasilczuk J.E. (2005), *Wzrost małych i średnich przedsiębiorstw. Aspekty teoretyczne i badania empiryczne*, Wyd. Politechniki Gdańskiej, Gdańsk.

<sup>81</sup> Barbulescu O., Tecau A.S., Munteanu D., Constantin C.P. (2021), *Innovation of Startups, the Key to Unlocking Post-Crisis Sustainable Growth in Romanian Entrepreneurial Ecosystem*, *Sustainability*, vol. 13, 671.

<sup>82</sup> Bartik A.W., Bertrand M., Cullen Z., Glaeser E.L., Luca M., Stanton C. (2020), *The Impact of COVID-19 on Small Business Outcomes and Expectations*, *Proceedings of the National Academy of Sciences of the United States of America*, vol. 117(30), pp. 17656-17666.

<sup>83</sup> Beglaryan M., Shakhmuradyan G. (2020), *The Impact of COVID-19 on Small and Medium-Sized Enterprises in Armenia: Evidence from a Labor Force Survey*, *Small Business International Review*, vol. 4(2), 298.

<sup>84</sup> OECD (2020, July 15). *Coronavirus (COVID-19): SME policy responses*, Available: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>.

<sup>85</sup> Thukral E. (2021), *COVID-19: Small and Medium Enterprises Challenges and Responses with Creativity, Innovation, and Entrepreneurship*, *Briefing in Entrepreneurial Finance*, vol. 30(2), pp. 153-158.

# Chapter 2

## Entrepreneurial Orientation of Small and Medium-sized Enterprises

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### 2.1. Organizational Entrepreneurship as an Area in the Theory of Business Management

Entrepreneurship within the structures and processes of a company is referred to as organizational, corporate, internal entrepreneurship or intrapreneurship, and is seen as an important component of economic development and wealth creation<sup>86</sup>. Much research on corporate entrepreneurship (CE) highlights its positive consequences for organizational survival and growth<sup>87</sup>, as well as the positive relationship between this type of entrepreneurship and various measures of the company's effectiveness<sup>88</sup>. Given its importance to the growth, efficiency and survival of an organization, CE has attracted a lot of attention from policy researchers. However, the results of CE activities are not always easy to predict. They are full of significant challenges and problems in the area of resources, capabilities, structures, organizational and environmental conditions necessary to create entrepreneurial activities<sup>89</sup>.

CE is different from the traditional approach to entrepreneurship that results in starting a new business. CE focuses on the organization (not the person) as a “leading participant” in new business ventures (new products, services and programs) through one of the following paths: internal innovation, strategic alliances, joint ventures, networking, etc. In start-ups entrepreneurship is personified by the founders who typically form a company by managing a small number of employees with whom

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<sup>86</sup> Zehir C., Müceldili B., Zehir S. (2012), *The Impact of Corporate Entrepreneurship on Organizational Citizenship Behavior and Organizational Commitment: Evidence from Turkey SMEs*, *Procedia – Social and Behavioral Sciences*, Vol. 58, pp. 924-933; Betakova J., Haviernikova K., Okřeglicka M., Mynarzova M., Magda R. (2020), *The Role of Universities in Supporting Entrepreneurial Intentions of Students Toward Sustainable Entrepreneurship*, *Entrepreneurship and Sustainability Issues*, Vol. 8(1), pp. 573-589.

<sup>87</sup> Bhardwaj G., Camillus J.C., Hounshell D.A. (2006), *Continual Corporate Entrepreneurial Search for Long-Term Growth*, *Management Science*, Vol. 52(2), pp. 248-261.

<sup>88</sup> Bojica A.M., Fuentes M.M.F. (2012), *Knowledge Acquisition and Corporate Entrepreneurship: Insights from Spanish SMEs in the ICT Sector*, *Journal of World Business*, Vol. 47, pp. 397-408.

<sup>89</sup> Phan P.H., Wright M., Ucbasaran D., Tan W.-L. (2009), *Corporate Entrepreneurship: Current Research and Future Directions*, *Journal of Business Venturing*, Vol. 24(3), pp. 197-205; Okřeglicka M. (2018), *Commitment to the Sustainability of Students within a Responsible Management Education*, *European Journal of Sustainable Development*, Vol. 7(4), pp. 243-252.

they have daily, direct and personal interactions. As the organization grows, leadership becomes more indirect and institutional. The greater number of employees and a more complex organizational structure mean that entrepreneurial behavior cannot be personified only by the management board. To achieve goals, work must be done through all members of the organization and through institutional structures and processes<sup>90</sup>.

Identifying the idea of entrepreneurship with the person of the entrepreneur meant that until the early 1980s, internal entrepreneurship and strategic management activities were often considered a contradiction<sup>91</sup>. It has been argued that with strong growth of an organization comes its increased rigidity and established routines, thus reducing the proactivity and renewal capacity of the organization. A significant change in the approach took place in the early 1980s, when CE began to be recognized in the scientific community and practice as an important element of the results not only of large companies, but also of small and medium-sized enterprises operating in a dynamic and global economy<sup>92</sup>.

The evolution of research in the field of CE over the last four decades has shown changes that have occurred in the definition and understanding of this phenomenon. Initially, researchers conceptualized CE as the embodiment of entrepreneurial behavior requiring organizational sanctions and resource commitments to develop different types of value-creating innovations<sup>93</sup>, and bringing it in practice to a process of organizational renewal. In the 1990s, researchers focused on resuming entrepreneurial activity in the organization and increasing its ability to develop skills to create innovation<sup>94</sup>. In the 21st century, scientists joined CE to create sustainable competitive advantages that can serve as the basis for profitable growth<sup>95</sup>. Specific areas were indicated to which business entrepreneurial activities can be assigned. A strategic approach to entrepreneurship refers to a wide variety of business activities or innovations that are undertaken in an organization's pursuit of a competitive advantage, rather than simply resulting in new ventures. According to Bratnicki<sup>96</sup>, a more entrepreneurial view of management is now required, aimed at discovering

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<sup>90</sup> Van de Ven A.H., Engleman R.M. (2004), *Central Problems in Managing Corporate Innovation and Entrepreneurship*, [in:] Katz J.A., Shepherd D.A. (eds.), *Corporate Entrepreneurship*, Book Series: Advances in Entrepreneurship, Firm Emergence and Growth, 7, Elsevier, pp. 47-72.

<sup>91</sup> Höglund L. (2011), *Entrepreneurship in Established Firms from a Strategic Entrepreneurship Perspective*, [in:] *Studies in Industrial Renewal: Coping with Changing Contexts*, Mälardalen University Press, Västerås, pp. 317-327.

<sup>92</sup> Antoncic B. (2007), *Intrapreneurship: A comparative structural equation modeling study*, *Industrial Management & Data Systems*, Vol. 107(3), pp. 309-325.

<sup>93</sup> Burgelman R.A. (1984), *Designs for Corporate Entrepreneurship in Established Firms*, *California Management Review*, Vol. XXVI(3), pp. 154-167.

<sup>94</sup> Jennings D.F., Young D.M. (1990), *An Empirical Comparison Between Objective and Subjective Measures of the Product Innovation Domain of Corporate Entrepreneurship*, *Entrepreneurship Theory and Practice*, Vol. 15(1), pp. 53-66.

<sup>95</sup> Kuratko D.F., Ireland R.D., Hornsby J. (2001), *Improving Firm Performance through Entrepreneurial Actions: Acordia's Corporate Entrepreneurship Strategy*, *Academy of Management Executive*, Vol. 15(4), pp. 60-67.

<sup>96</sup> Bratnicki M. (2001), *Dylematy i pułapki współczesnego zarządzania*, Wyd. Gnome, Katowice, s. 164-165.

a wide range of potential versions of the future, so that the organization is able to identify or create opportunities and use them appropriately.

CE can fundamentally differentiate an organization from rivals in the industry. Therefore, there are two possible benchmarks that can be considered when an entity is strategically entrepreneurial. The first indicates how much the enterprise is transforming from the state it was in before, e.g. by transforming its products, markets, internal processes, etc. The second indicates how much the enterprise is transforming in the same areas but in relation to the convention or industry standards<sup>97</sup>.

Evolving over the past 40 years, CE has become a strategy that can help companies deal effectively with the competitive reality in today's global markets. Strategic thinkers have gone beyond traditional product and service innovations by introducing pioneering innovations in processes, value chains, business models and all management functions<sup>98</sup>. All organizations are facing a new global reality that requires creativity, courage, planning and entrepreneurial leadership. Organizations that demonstrate internal entrepreneurship are typically viewed as dynamic, flexible entities, prepared to take advantage of new business opportunities as they arise<sup>99</sup>.

It is often pointed out that CE is to be considered a behavioral concept and that the entire organization is on a continuum from "highly conservative" to "highly entrepreneurial". Entrepreneurial entities take risks, are innovative and proactive, while conservative entities are less risky, less innovative, and more observant and expectant. The company's position in this continuum is attributed to its entrepreneurial intensity<sup>100</sup>.

There is no consistent definition of CE in the literature, thus there is a large degree of ambiguity as to the construction of this concept. Wang, Chung and Lim define CE as the process by which an individual or group of people, in collaboration with an existing organization, creates a new organization or initiates renewal or innovation in an existing organization. Teng<sup>101</sup> points out that CE is when a company focuses on growth by actively seeking and using opportunities. This concept identifies the processes by which organizations innovate, start new businesses, and transform themselves by strategically renewing their processes and business environments. As these entities may have above-average economic results, they are referred to as the engines of economic growth<sup>102</sup>.

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<sup>97</sup> Kuratko D.F., Hornsby J.S., Hayton J. (2015), *Corporate Entrepreneurship: the Innovative Challenge for a New Global Economic Reality*, Small Business Economics, Vol. 45, pp. 245-253.

<sup>98</sup> Govindarajan V., Trimble C. (2005), *Building Breakthrough Businesses within Established Organizations*, Harvard Business Review, Vol. 83(5), pp. 58-68.

<sup>99</sup> Kuratko D.F., Hornsby J.S., Hayton J. (2015), *Corporate Entrepreneurship: the Innovative Challenge ...*, op. cit.

<sup>100</sup> Kaya N. (2015), *Corporate Entrepreneurship, Generic Competitive Strategies, and Firm Performance in Small and Medium-Sized Enterprises*, Procedia – Social and Behavioral Sciences, Vol. 207, pp. 662-668.

<sup>101</sup> Teng B.S. (2007), *Corporate Entrepreneurship Activities through Strategic Alliances: A Resource-Based Approach Toward Competitive Advantage*, Journal of Management Studies, Vol. 44(1), pp. 119-142.

<sup>102</sup> Bojica A.M., Fuentes M.M.F. (2012), *Knowledge Acquisition and Corporate Entrepreneurship: Insights from Spanish SMEs in the ICT Sector*, Journal of World Business, Vol. 47, pp. 397-408.

CE is the process by which individuals seek opportunities, no matter what resources they currently have at their disposal<sup>103</sup>. Entrepreneurship focuses on organizational behavior and is defined as a vision-oriented, organization-wide reliance on entrepreneurial behavior that deliberately and continuously renews the organization and shapes its scope of activities by recognizing and seizing the entrepreneurial opportunity<sup>104</sup>. CE refers to a process taking place inside an existing economic entity, regardless of its size, and leads to new business ventures, innovative activities and orientations, such as the development of new products, services, technologies, administrative techniques, strategies and competitive attitudes<sup>105</sup>. Karimi i Walter<sup>106</sup> emphasize that internal entrepreneurial activities refer to an organization's ability to regularly introduce new products or enter new markets, and to create and exploit new product market arenas. CE is a big challenge for managers and employees who need to rethink their values, processes and even resources to be successful<sup>107</sup>.

Bratnicki<sup>108</sup> proposed a configurational approach to CE, which is based on processes (preparing innovations, taking risks related to starting new businesses, strategic renewal) and on content elements (mind-set, organizational culture, redefinition of success and the domain of activity, strategic resource management, regeneration and renewal). Organizations that acquire the ability to integrate process attributes and content components under CE are capable not only of strategic self-renewal, but also of creating new value and wealth.

CE is focused on re-energizing and strengthening an organization's ability to develop skills that enable new solutions<sup>109</sup>. Novelty is a feature that defines organizational entrepreneurship regardless of the context (e.g. new ventures, strategic renewal) within which novelty is sought<sup>110</sup>.

One of the key areas of CE is to create a working environment that will foster innovation and entrepreneurial behavior. In such an environment, each employee can

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<sup>103</sup> Stevenson H.H., Jarillo J.C. (1990), *A Paradigm of Entrepreneurship: Entrepreneurial Management*, Strategic Management Journal, Vol. 11(5), pp. 17-27.

<sup>104</sup> Ireland R.D., Covin J.G., Kuratko D.F. (2009), *Conceptualizing Corporate Entrepreneurship Strategy*, Entrepreneurship Theory and Practice, Vol. 33(1), pp. 19-46.

<sup>105</sup> Antoncic B., Hisrich R.D. (2001), *Intrapreneurship: Construct Refinement and Cross-Cultural Validation*, Journal of Business Venturing, Vol. 16, pp. 495-527.

<sup>106</sup> Karimi J., Walter Z. (2016), *Corporate Entrepreneurship, Disruptive Business Model Innovation Adoption, and Its Performance: The Case of the Newspaper Industry*, Long Range Planning, Vol. 49, pp. 342-360.

<sup>107</sup> Ensign P.C., Robinson N.P. (2016), *Offensive and Defensive Corporate Entrepreneurship: Learning to Think Like an Outsider*, Journal of Enterprising Culture, Vol. 24(2), pp. 169-191.

<sup>108</sup> Bratnicki M. (2008), *Konfiguracyjne ujęcie przedsiębiorczości organizacyjnej*, Ekonomika i Organizacja Przedsiębiorstwa, No. 6, pp. 17-22.

<sup>109</sup> Kuratko D.F., Ireland R.D., Hornsby J. (2004), *Corporate Entrepreneurship Behavior among Managers: A Review of Theory, Research, and Practice*, [in:] Katz J.A., Shepherd D.A. (eds.), *Corporate Entrepreneurship*, Book Series: Advances in Entrepreneurship, Firm Emergence and Growth, 7, Elsevier, pp. 7-45.

<sup>110</sup> Smith, K.G., Di Gregorio D. (2002), *Bisociation, Discovery and the Role of Entrepreneurial Action*, [in:] Hitt M.A., Ireland R.D., Camp S.M., Sexton D.L. (eds.), *Strategic Entrepreneurship: Creating a New Mindset*, Blackwell, Oxford, UK, pp. 130-150.



use his innate entrepreneurial potential. Kuratko, Hornsby i Covin<sup>111</sup> identified and defined five basic determinants of corporate entrepreneurship:

1. Management support – support from the management of the organization facilitates and promotes the activation of entrepreneurial behavior. Support must relate to the provision of the necessary resources and psychological support.
2. Organizational boundaries – refer to the employee's perception that the organization is flexible enough and its boundaries induce, direct and favor coordinated innovative behavior.
3. Rewards and reinforcements – express the degree of perception that the organization rewards the activity and success of an entrepreneurial individual, encouraging risk taking.
4. Availability of time – perception that the organization has enough time to implement innovative ideas and results. Organizations need to structure work in such a way that individuals have enough time to innovate.
5. Freedom of work – the employee's perception of work organization that would tolerate failure, ensure freedom in making decisions and delegating powers and responsibilities to lower-level managers and employees<sup>112</sup>.

An internal work environment in which each person's entrepreneurial potential is nurtured and where organizational knowledge is widely available will foster innovation and the achievement of competitive advantages. The role of managers designing workplaces friendly to undertaking entrepreneurial activities and searching for new solutions is important here. While many forces in the external environment remain beyond the control of managers, the internal work environment can be shaped to become more entrepreneurial. Managers are therefore challenged to measure the existing CE and evaluate it by employees<sup>113</sup>. Entrepreneurial initiatives and top management expectations can be both convergent and divergent. If they diverge, two paradoxical situations may arise, i.e. there will be entrepreneurial initiatives but top management will not be interested in them, or the entrepreneurial preferences of the top management will not be accompanied by a significant number of entrepreneurial initiatives<sup>114</sup>.

By reflecting on the determinants that favor or inhibit CE, you can find references to several main elements of an external (environmental factors) and internal (internal structure and systems, leadership style and broadly understood communication) character.

Increasingly, environmental factors are interpreted by today's policymakers as those that call for the creation and use of CE as the basis of enterprise efforts to

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<sup>111</sup> Kuratko D.F., Hornsby J.S., Covin J.G. (2014), *Diagnosing a Firm's Internal Environment for Corporate Entrepreneurship*, Business Horizons, Vol. 57(1), pp. 37-47.

<sup>112</sup> Umrani W.A., Mahmood R., Ahmed U. (2016), *Unveiling the Direct Effect of Corporate Entrepreneurship's Dimensions on the Business Performance: A Case of Big Five Banks*, Pakistan Studies in Business & Economics, Vol. 11(1), pp. 181-195.

<sup>113</sup> Kuratko D.F., Hornsby J.S., Covin J.G. (2014), *Diagnosing a Firm's Internal Environment ...*, op. cit.

<sup>114</sup> Calisto M.L., Sarkar S. (2017), *Organizations as Biomes of Entrepreneurial Life: Towards a Clarification of the Corporate Entrepreneurship Process*, Journal of Business Research, Vol. 70, pp. 44-54.

strategically adapt. Lumpkin and Dess<sup>115</sup> already suggested that organizations standing in the face of a rapidly changing and dynamic competitors, can best serve the implementation of activities in the field of CE as an adaptive mechanism. Firms decide how to respond to the realities (i.e. threats and opportunities) arising from external environmental factors<sup>116</sup>. In either case, the goal of the option chosen is to help the company transform or adapt to increase the likelihood of its competitive success.

Choosing a strategy is a critical organizational decision that has a large impact on the effectiveness of the organization<sup>117</sup>. Strategies, available as strategic adaptation options, cover a range of solutions, incl. diversification, acquisition, restructuring, rotation or cooperation (e.g. strategic alliances, joint ventures)<sup>118</sup>. The CE strategy is another option that an organization can choose as soon as external factors require organizational change and strategic adaptation<sup>119</sup>. This strategy is a set of commitments and actions that are framed around entrepreneurial behavior and innovation to develop current and future competitive advantages that will lead to competitive success.

The operational essence of using the CE strategy as the basis for a company's adaptive responses is a call for the organization's employees to rely on entrepreneurial behavior as a source of the adjustments necessary to ensure current and future market success. We enter here the subject of entrepreneurial orientation as a CE area. In this context, the CE strategy encompasses the full set of commitments, decisions and entrepreneurial behavior required for a company to increase the likelihood of achieving current and future competitive success.

The shape of the organizational structure is one of the main factors contributing to the absorption of entrepreneurship within the organization. Typical hierarchical corporate structures are multi-level and time-consuming, with a bureaucratic decision-making system, which generally means that corporate culture can be seen as a potential enemy of CE. To intensify entrepreneurial activities, enterprises should strive to flatten the organizational structure in order to provide strong support to entrepreneurial units, increase decision-making efficiency and increase the ability to take business risks<sup>120</sup>.

The key problem in adjusting the organizational structure to the requirements of intrapreneurship is resistance to decentralization and delegation of powers.

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<sup>115</sup> Lumpkin G.T., Dess G.G. (1996), *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*, Academy of Management Review, Vol. 21(1), pp. 135-172.

<sup>116</sup> Boeker W. (1997), *Strategic Change: The Influence of Managerial Characteristics and Organizational Growth*, Academy of Management Journal, Vol. 40, pp. 152-170.

<sup>117</sup> Borch O.J., Huse M., Senneseth K. (1999), *Resource Configuration, Competitive Strategies, and Corporate Entrepreneurship: An Empirical Examination of Small Firms*, Entrepreneurship Theory and Practice, Vol. 24(1), pp. 49-70.

<sup>118</sup> Gulati R., Nohria N., Zaheer A. (2000), *Strategic Networks*, Strategic Management Journal, Vol. 21, pp. 203-215.

<sup>119</sup> Kuratko D.F., Ireland R.D., Hornsby J. (2004), *Corporate Entrepreneurship Behavior ...*, op. cit.

<sup>120</sup> Hornsby J., Kuratko D., Zahra S. (2002), *Middle Managers' Perception of the Internal Environment for Corporate Entrepreneurship: Assessing a Measurement Scale*, Journal of Business Venturing, Vol. 17, pp. 253-273.

In practice, owners or top managers are reluctant to transfer responsibility to separate units and middle and lower level management, even at the cost of less flexibility and quick reaction to changes<sup>121</sup>. Decentralization of systems can result in better coordination and more efficient decision-making, but managers may find it difficult to relinquish control, considering strict controls and direct oversight to be necessary<sup>122</sup>.

Building an entrepreneurial-friendly organizational structure also faces resistance from the bottom up. Transferring responsibility to lower management levels or even rank-and-file employees may generate stress and aversion to risky activities. The additional freedom comes with responsibilities<sup>123</sup>. When acting entrepreneurially, members of an organization must take risks and need an appropriate supportive organizational structure that allows them to risk failure without unnecessary repercussions.

It is now increasingly recognized that whether the organizational structure is centralized or decentralized, it is important that existing structures and systems are designed to facilitate decision making and conduct operations rather than create internal barriers and thus stimulate CE<sup>124</sup>.

Leadership style is the second key determinant of CE. Bratnicki<sup>125</sup> points out that the strategic thinking of managers cannot take place without entrepreneurial choices that relate to the creation and renewal, strategic solutions and changing the orientation of the organization to seize opportunities.

Organizations require strategic leadership if they are to develop the right culture for change<sup>126</sup>. Senior managers must have a “vision” to implement an entrepreneurial approach<sup>127</sup>, identifying problems, providing resources, directing activities and offering support to other managers in contributing to organizational entrepreneurship<sup>128</sup>. Effective leadership by senior management has a positive impact on both middle managers and staff, and relationships with wider stakeholders<sup>129</sup>. Good leaders create an atmosphere that encourages employees to think and act creatively and forward-looking, and indicates the direction in which the organization is

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<sup>121</sup> Ireland R., Kuratko D., Morris M. (2006), *A Health Audit for Corporate Entrepreneurship: Innovation at All Levels. Part I*, Journal of Business Strategy, Vol. 27(1), pp. 10-17.

<sup>122</sup> Altinay L., Altinay M. (2004), *The Influence of Organisational Structure on Entrepreneurial Orientation and Expansion Performance*, International Journal of Contemporary Hospitality Management, Vol. 16(6), pp. 334-344.

<sup>123</sup> Burgess C. (2013), *Factors Influencing Middle Managers' Ability to Contribute to Corporate Entrepreneurship*, International Journal of Hospitality Management, Vol. 32, pp. 193-201.

<sup>124</sup> Kuratko D., Goldsby M. (2004), *Corporate Entrepreneurs or Rogue Middle Managers? A Framework of Ethical Corporate Entrepreneurship*, Journal of Business Ethics, Vol. 55(1), pp. 13-30.

<sup>125</sup> Bratnicki M. (2002), *Przedsiębiorczość i przedsiębiorcy współczesnych organizacji*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice, p. 185.

<sup>126</sup> Brizek M., Khan M. (2007), *An Empirical Investigation of Corporate Entrepreneurship Intensity in the Casual Dining Sector*, International Journal of Hospitality Management, Vol. 26, pp. 871-885.

<sup>127</sup> Mantere S. (2008), *Role Expectations and Middle Manager Strategic Agency*, Journal of Management Studies, Vol. 45(2), pp. 294-316.

<sup>128</sup> Ireland R.D., Covin J.G., Kuratko D.F. (2009), *Conceptualizing Corporate Entrepreneurship Strategy*, Entrepreneurship Theory and Practice, Vol. 33(1), pp. 19-46.

<sup>129</sup> Li L., Tse E., Zhao J.-L. (2009), *An Empirical Study of Corporate Entrepreneurship in Hospitality Companies*, International Journal of Hospitality and Tourism Administration, Vol. 10, pp. 213-231.

heading<sup>130</sup>. Top management is expected to respond to requests from lower-level managers, thus providing an appropriate work environment in which employees work together to achieve their goals. This involvement in the decision-making process leads to an awareness of business goals and values<sup>131</sup>, which in turn can lead to shared goals and therefore to more effective operation<sup>132</sup>. Middle and junior managers should be actively involved in decision-making processes by identifying problems, directing activities and offering support to other managers in applying an entrepreneurial approach, thus being an active element of leadership in the organization.

Teamwork, collaboration and communication are qualities that should be demonstrated by entrepreneurial leaders<sup>133</sup>, thanks to which you can maintain certain standards, cultivate values and loyalty to the organization. To adopt a “collaborative” entrepreneurial approach, managers need to encourage teams to participate in creating visions, goals and plans, and to identify opportunities. An effective team integrates the skills of individuals who simultaneously learn specific expert skills from others and generate innovative activities<sup>134</sup>.

Entrepreneurial leadership is associated with a certain tolerance for mistakes made in the actions taken by subordinate personnel. It is crucial to create an environment in which an entrepreneurial initiative, inherently burdened with increased risk, will not be associated with restrictions in the event of failure. Hence, it is important to define the framework and conditions of tolerance for mistakes that will appear in entrepreneurial activity<sup>135</sup>.

Effective CE activities require that those involved have access to reliable means of communication and an integrated view of the organization. CE is an enterprise-level activity, and successful entrepreneurial initiatives are often the result of coordinated interactions between individuals and groups that occupy different hierarchical positions within the organization and, sometimes, are located in different geographic locations. Without proper communication channels and an integrated perspective that includes collaboration, information sharing and the inclusion of related activities, it would be difficult to envision and implement entrepreneurial plans<sup>136</sup>.

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<sup>130</sup> Burgess C. (2011), *Are Hotel Managers Becoming More Professional – the Case of Hotel Financial Controllers?* International Journal of Contemporary Hospitality Management, Vol. 23(5), pp. 681-695.

<sup>131</sup> Kyriakidou O., Gore J. (2005), *Learning by Example: Benchmarking Organizational Culture in Hospitality, Tourism and Leisure SEMs*, Benchmarking: An International Journal, Vol. 12(3), pp. 192-206.

<sup>132</sup> Asree S., Zain M., Razalli M. (2010), *Influence of Leadership: Competency and Organizational Culture on Responsiveness and Performance of Firms*, International Journal of Contemporary Hospitality Management, Vol. 22(4), pp. 500-516.

<sup>133</sup> Qiao J., Wang W. (2009), *Managerial Competencies for Middle Managers: Some Empirical Findings from China*, Journal of European Industrial Training, Vol. 33(1), pp. 69-80.

<sup>134</sup> Johnston R., Brignall S., Fitzgerald L. (2002), *The Involvement of Management Accountants in Operational Process Change*, International Journal of Operations and Production Management, Vol. 22(12), pp. 1325-1338.

<sup>135</sup> Burgess C. (2013), *Factors Influencing Middle Managers' Ability to Contribute to Corporate Entrepreneurship*, International Journal of Hospitality Management, Vol. 32, pp. 193-201.

<sup>136</sup> Chen M.-J., Miller D. (2015), *Reconceptualizing Competitive Dynamics: A Multidimensional Framework*, Strategic Management Journal, Vol. 36, pp. 758-775.

Among the determinants of entrepreneurship development, the importance of both formal and informal communication in contributing to strategic changes is emphasized<sup>137</sup>. Management must communicate clear messages to other team members as inconsistent or unclear directions can lead to misunderstandings and possible role conflicts, and consequently instill fear of risk and failure<sup>138</sup>.

Espino-Rodriguez and Taylor<sup>139</sup> argue that to ensure that the needs of individual units are met, senior management must consult all levels of the organization rather than adopting an organization-wide approach. Top management listen to the members of the organization learn from them and take better action when concerns and problems arise<sup>140</sup>. Lack of communication can lower the quality of decision making.

External and internal conditions have an impact on the formation of an organizational architecture that favors, or not, CE. Bratnicki<sup>141</sup> emphasizes that for entrepreneurs, a significant focus is on creating an organizational architecture in which organizational culture, leadership, strategy, organizational systems and structures, and members of the organization are both supported and flexibly selected to create a sustainable CE. These elements do not constitute separate domains, but interpenetrate, complement and determine each other, building together the CE concept.

## 2.2. The Concept and Multidimensionality of Entrepreneurial Orientation

The concept of “Entrepreneurial Orientation” (EO) was defined in 1989 by Covin and Slevin, who extended their existing scientific achievements to develop a solid conceptual model of organizational entrepreneurship<sup>142</sup>. They started to use the concept of “entrepreneurial orientation” instead of “attitude”, which emphasizes the dynamic dimension of the concept, referring to actions, while taking into account the psychological dimension, inclinations or preferences. They indicated that attributes at the organizational level unrelated to behavior, such as organizational structure or culture, do not yet make the enterprise an entrepreneurial organization,

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<sup>137</sup> Kavanagh M., Ashkanasy M. (2006), *The Impact of Leadership and Change Management Strategy on Organizational Culture and Individual Acceptance of Change during a Merger*, British Journal of Management, Vol. 17, pp. S81-S103.

<sup>138</sup> Qiao J., Wang W. (2009), *Managerial Competencies for Middle Managers: Some Empirical Findings from China*, Journal of European Industrial Training, Vol. 33(1), pp. 69-80.

<sup>139</sup> Espino-Rodriguez T., Taylor S. (2006), *The Perceived Influence of Centralising Operations in Chain Hotels*, Tourism and Hospitality Research, Vol. 6(4), pp. 251-266.

<sup>140</sup> Dutta D., Crossan M. (2005), *The Nature of Entrepreneurial Opportunities: Understanding the Process Using the 4I Organizational Learning Framework*, Entrepreneurship Theory and Practice, Vol. 29(4), pp. 425-449.

<sup>141</sup> Bratnicki M. (2004), *Organizational Entrepreneurship: Contradictions, Processes, Dimensions, Forms and Questions*, Academy of Business, Dabrowa Gornicza, s. 54.

<sup>142</sup> Covin J.G., Slevin D.P. (1991), *A Conceptual Model of Entrepreneurship as Firm Behavior*, Entrepreneurship: Theory and Practice, Vol. 16(1), pp. 7-24.

but only activities carried out in such dimensions as: innovation, proactivity and risk taking. Thus, behavior is a central and key element of the entrepreneurial process.

A key change in the approach to EO, which split the current of deliberations, came with the publication of the work of Lumpkin and Dess<sup>143</sup>. They extended the definition of EO, trying to indicate its distinctiveness from the concept of entrepreneurship. Based on the distinction between ‘how’ (process) and ‘what’ (outcomes), the authors clearly differentiate entrepreneurship and the processes that lead to it (dimensions of entrepreneurial orientation). EO refers to the strategic orientation of the company, mastering specific aspects of entrepreneurship in terms of decision-making styles, methods and practices. The terms: inclination, willingness and tendency, rarely appearing in previous works, are also systematically used. Finally, two new dimensions appear in the new approach to EO: aggressive competitiveness and autonomy, treated as distinct from the previous three: proactivity, innovation and risk taking<sup>144</sup>. These five elements can vary depending on the environmental and organizational context, which is a real breakthrough from the previous use and definition of the concept, building a multidimensional approach to the construct.

Currently, EO is one of the increasingly researched concepts of entrepreneurship that focuses on decision-making styles and practices related to entrepreneurial activity<sup>145</sup>. It reflects the organizational decision-making attitude regarding key activities at the enterprise level, strategic practices and management philosophy in search of new opportunities for dynamic development and renewal<sup>146</sup>. EO is an important measure of the direction in which a company is organized and should be considered as a strategic dimension that allows observing the strategic position of companies along the continuum from fully conservative to fully entrepreneurial orientation<sup>147</sup>.

Scientists generally adopt EO as a tool to measure a company’s propensity for entrepreneurship<sup>148</sup>. Krauss et al.<sup>149</sup> indicate that EO is a psychological construct that

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<sup>143</sup> Lumpkin G.T., Dess G.G. (1996), *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*, Academy of Management Review, Vol. 21(1), pp. 135-172.

<sup>144</sup> Hernández-Perlines F., Covin J.G., Ribeiro-Soriano D.E. (2021), *Entrepreneurial Orientation, Concern for Socioemotional Wealth Preservation, and Family Firm Performance*, Journal of Business Research, Vol. 126, pp. 197-208.

<sup>145</sup> Covin J.G., Coen Rigtering J.P., Hughes M., Kraus S., Cheng C.-F., Bouncken R.B. (2020), *Individual and Team Entrepreneurial Orientation: Scale Development and Configurations for Success*, Journal of Business Research, Vol. 112, pp. 1-12.

<sup>146</sup> Wales W.J., Parida V., Patel P.C. (2013), *Too Much of a Good Thing? Absorptive Capacity, Firm Performance, and the Moderating Role of Entrepreneurial Orientation*, Strategic Management Journal, Vol. 34(5), pp. 622-633; Okręglicka M. (2019), *Orientacja przedsiębiorcza a kultura organizacyjna w małym przedsiębiorstwie*, Wydawnictwo Politechniki Częstochowskiej, Częstochowa, p. 61-62.

<sup>147</sup> Covin J.G., Slevin D.P. (1988), *The Influence of Organization Structure on the Utility of an Entrepreneurial Top Management Style*, Journal of Management Studies, Vol. 25(3), pp. 217-234.

<sup>148</sup> Lages M., Marques C.S., Ferreira J.J.M., Ferreira F.A.F. (2017), *Intrapreneurship and Firm Entrepreneurial Orientation: Insights from the Health Care Service Industry*, International Entrepreneurship Management Journal, Vol. 13, pp. 837-854.

<sup>149</sup> Krauss S.I., Frese M., Friedrich C., Unger J.M. (2005), *Entrepreneurial Orientation: A Psychological Model of Success among Southern African Small Business Owners*, European Journal of Work & Organizational Psychology, Vol. 14, pp. 315-344.

reflects the intentions and propensities of the main players in an organization for entrepreneurial tasks and behaviors. Hence, EO presents itself not as an external expression of its strategic position in the market, but rather as a reflection of internal organizational practices and procedures<sup>150</sup>.

EO can be considered an intangible asset that is built into organizational procedures and dispersed among members of the organization<sup>151</sup>. In some cases, companies cannot take patterns from the market to a high level of entrepreneurial orientation, and then they should invest time and resources to promote a culture in which entrepreneurship will be embedded in all levels of the organization and thus EO becomes a source of sustainable competitive advantage<sup>152</sup>.

By taking initiatives and opportunistically shaping the environment, entrepreneurship organizations influence market trends and maybe even generate demand. Enterprises need a higher level of EO to discern the difference between today's market needs and what is needed to meet future opportunities<sup>153</sup>. In business, anticipation is the process of understanding the future needs of customers in order to gain a competitive advantage. Those entrepreneurs who tend to proactively respond to customer demand and are able to respond to their current and future needs achieve a competitive advantage<sup>154</sup>. In addition, to better understand customer orientation over time, it is important to focus on EO in the culture of the organization. As suggested by Griffith, Noble and Chen<sup>155</sup>, an entity with a stronger entrepreneurial orientation will be better able to acquire knowledge from its clients. On its basis, it is possible to anticipate or even shape future demand, which will bring mutual benefits – both for the client and the company<sup>156</sup>.

Many recent studies emphasize that EO cannot be the domain only of owners or top managers of enterprises, even if they declare an entrepreneurial attitude and willingness to operate an organization in an entrepreneurial manner. While managers may have a propensity for EO, adopting this attitude for the enterprise may be limited<sup>157</sup>. Entrepreneurship must “permeate” organizational structures and processes

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<sup>150</sup> De Clercq D., Rius I.B. (2007), *Organizational Commitment in Mexican Small and Medium-Sized Firms: The Role of Work Status, Organizational Climate, and Entrepreneurial Orientation*, Journal of Small Business Management, Vol. 45(4), pp. 467-490.

<sup>151</sup> Lisboa A., Skarmeas D., Saridakis C. (2016), *Entrepreneurial Orientation Pathways to Performance: A Fuzzys-set Analysis*, Journal of Business Research, Vol. 69(4), pp. 1319-1324.

<sup>152</sup> Lee C., Lee K., Pennings J.M. (2001), *Internal Capabilities, External Networks, and Performance: A Study on Technology-based Ventures*, Strategic Management Journal, Vol. 22(6/7), pp. 615-640.

<sup>153</sup> Slater S.F., Narver J.C. (1995), *Market Orientation and the Learning Organization*, Journal of Marketing, Vol. 59(3), pp. 3-74.

<sup>154</sup> Tajeddini K., Trueman M. (2008), *Effect of Customer Orientation and Innovativeness on Business Performance: A Study of Small-sized Service Retailers*, International Journal of Entrepreneurship and Small Business, Vol. 6(2), pp. 280-295.

<sup>155</sup> Griffith D.A., Noble S.M., Chen Q. (2006), *The Performance Implications of Entrepreneurial Proclivity: A Dynamic Capabilities Approach*, Journal of Retailing, Vol. 82 (1), pp. 51-62.

<sup>156</sup> Tajeddini K., Elg U., Trueman M. (2013), *Efficiency and Effectiveness of Small Retailers: The Role of Customer and Entrepreneurial Orientation*, Journal of Retailing and Consumer Services, Vol. 20, pp. 453-462.

<sup>157</sup> Boling J.R., Pieper T.M., Covin J.G. (2015), *CEO Tenure and Entrepreneurial Orientation within Family and Non-family Firms*, Entrepreneurship: Theory & Practice, Vol. 40(4), pp. 891-913.

in the organization, not only meeting the expectations of leaders, but also being an element of the company's organizational culture.

EO has now become a widely accepted way to explain the diversity of enterprise performance<sup>158</sup>. The relationship between EO and business outcomes has received much attention in modern management literature. Much empirical evidence suggests that there is a positive relationship between EO and organizational performance<sup>159</sup>, although this relationship is believed to be much more complicated and requires a broader analysis of the intermediate values between these two factors<sup>160</sup>.

EO dimensions drive exploration that allows an organization to reconfigure resources and knowledge to create new and better solutions in the product market to meet expected or anticipated changes<sup>161</sup>. Without EO, business would not be so dynamic or adaptive. When the dimensions of EO are properly set, they intensify experimentation and creativity, and consequently encourage new combinations of resources that allow to take advantage of opportunities in front of rivals and potentially implement activities that break the current business framework, which in turn determines the improvement of market outcomes. EO, as an organizational construct, manifests itself in such a way that entrepreneurial attitudes and behavior permeate the organization at all its levels<sup>162</sup>. Enterprises may sometimes benefit from a relatively uniform distribution of entrepreneurial attitudes and behavior throughout the structure, but typically different strategic requirements of different organizational levels, areas and time periods may result in the need for a more heterogeneous manifestation of entrepreneurial orientation. In fact, EO is exposed in different ways and to varying degrees across the organization, especially when it is more organisationally complex<sup>163</sup>.

There are two basic approaches to the concept of EO in the subject literature. The first is the unidimensional approach, also referred to as classic, created by

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<sup>158</sup> Wang L., Jiang W., Ma X. (2021), *The Effect of CEO Entrepreneurial Orientation on Firm Strategic Change: The Moderating Roles of Managerial Discretion*, Journal of Engineering and Technology Management, Vol. 59, 101616.

<sup>159</sup> Roxas B., Ashill N., Chadee D. (2016), *Effects of Entrepreneurial and Environmental Sustainability Orientations on Firm Performance: A Study of Small Businesses in the Philippines*, Journal of Small Business Management, Vol. 55(S1), pp. 163-178; Messersmith J.G., Wales W.J. (2013), *Entrepreneurial Orientation and Performance in Young Firms: The Role of Human Resource Management*, International Small Business Journal, Vol. 31(2), pp. 115-136.

<sup>160</sup> Riviere M., Romero-Martínez A.M. (2021), *Network Embeddedness, Headquarters Entrepreneurial Orientation, and MNE International Performance*, International Business Review, Vol. 30(3), 101811; Okręglińska M., Havierníková K., Mynarzová M., Lemańska-Majdzik A. (2017), *Entrepreneurial intention creation of students in Poland, Slovakia and Czechia*, Polish Journal of Management Studies, Vol. 15(2), pp. 162-172.

<sup>161</sup> Bhuian S.N., Menguc B., Bell S.J. (2005), *Just Entrepreneurial Enough: the Moderating Effect of Entrepreneurship on the Relationship between Market Orientation and Performance*, Journal of Business Research, Vol. 58, pp. 9-17.

<sup>162</sup> Atuahene-Gima K., Ko A. (2001), *An Empirical Investigation of the Effect of Market Orientation and Entrepreneurial Orientation Alignment on Product Innovation*, Organization Science, Vol. 12, pp. 54-74.

<sup>163</sup> Monsen E., Boss R.W. (2009), *The Impact of Strategic Entrepreneurship inside the Organization: Examining Job Stress and Employee Retention*, Entrepreneurship Theory and Practice, Vol. 33(1), pp. 71-104.



Miller<sup>164</sup>, and then developed by Covin and Slevin<sup>165</sup>, and the multidimensional construction which is commonly associated with the work of Lumpkin and Dess<sup>166</sup>. The main difference between the two conceptualizations is whether the individual dimensions of entrepreneurial orientation change independently of each other or concomitantly.

Dilemmas about the nature of the EO construct remain unresolved, but as this concept is developed, researchers are clearly leaning towards multidimensionality<sup>167</sup>.

It should be noted that in the multidimensional view of the organization's EO we deal with a different or even opposite approach to the one-dimensional approach. Covin and Wales<sup>168</sup> pointed out that multidimensional conceptualization is more domain-focused, i.e. where to look for EO, while the previous one-dimensional concept is more focused on the phenomenon, i.e. the answer to the question of what EO looks like.

A multidimensional construct consists of many related attributes and exists in multidimensional domains. The multidimensionality of the construct refers to a situation where we deal with several separate, but related dimensions, treated as one coherent theoretical concept<sup>169</sup>. It can be argued that EO should be considered as a multidimensional overarching structure with dimensions of proactivity, risk-taking and innovation, plus competitive aggressiveness and autonomy that Lumpkin and Dess<sup>170</sup> introduce as separate dimensions, but necessary in building EO construct. More researchers in this area are inclined to the five-dimensional structure of entrepreneurial orientation. For example, Voss, Voss and Moorman<sup>171</sup> define EO as a firm disposition to engage in behaviors reflecting risk-taking, innovation, proactivity, autonomy, and competitive aggressiveness that lead to changes in the organization or market. Whereas Pearce, Fritz and Davis<sup>172</sup> conceptualize the concept as distinct but related behaviors that are characterized by innovation, proactivity, aggressiveness, risk, and autonomy. As the amount of research on EO increased and

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<sup>164</sup> Miller D. (1983), *The Correlates of Entrepreneurship in Three Types of Firms*, Management Science, Vol. 29, pp. 770-791.

<sup>165</sup> Covin J.G., Slevin D.P. (1989), *Strategic Management of Small Firms in Hostile and Benign Environments*, Strategic Management Journal, Vol. 10(1), pp. 75-87.

<sup>166</sup> Lumpkin G.T., Dess G.G. (1996), *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*, Academy of Management Review, Vol. 21(1), pp. 135-172.

<sup>167</sup> Kreiser P.M., Marino L.D., Weaver K.M. (2002), *Assessing the Psychometric Properties of the Entrepreneurial Orientation Scale: A Multi-country Analysis*, Entrepreneurship Theory and Practice, Vol. 26(4), pp. 71-94.

<sup>168</sup> Covin J.G., Wales W.J. (2011), *The Measurement of Entrepreneurial Orientation*, Entrepreneurship Theory and Practice, Vol. 36(4), pp. 677-702.

<sup>169</sup> Law K.S., Wong C.S., Mobley W.H. (1998), *Toward a Taxonomy of Multidimensional Constructs ...*, op. cit., pp. 741-755.

<sup>170</sup> Lumpkin G.T., Dess G.G. (1996), *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*, Academy of Management Review, Vol. 21(1), pp. 135-172

<sup>171</sup> Voss Z.G., Voss G.B., Moorman C. (2005), *An Empirical Examination of the Complex Relationships between Entrepreneurial Orientation and Stakeholder Support*, European Journal of Marketing, Vol. 39(9/10), pp. 1132-1150.

<sup>172</sup> Pearce J., II, Fritz D., Davis P. (2010), *Entrepreneurial Orientation and the Performance of Religious Congregations as Predicted by Rational Choice Theory*, Entrepreneurship Theory and Practice, Vol. 34(1), pp. 219-248.

its association with other company characteristics, the number of dimensions was modified and both increased and decreased<sup>173</sup>.

Conceptual arguments suggest that the dimensions of EO should be viewed as separate but related constructs, not as a single unifying feature. This means that enterprises can change the degree of autonomy, proactivity, competitive aggressiveness, innovation or risk taking so that they are not equally entrepreneurial in all dimensions. The dynamics of changes in individual dimensions may be different, which does not prevent the company from being described as entrepreneurial-oriented<sup>174</sup>. However, it is suggested that dimensions are positively correlated and therefore an increase in any of the dimensions translates positively to the organization's EO.

### Organizational Autonomy

In universal terms, autonomy can be defined as the ability and willingness to think and act independently. Autonomy reflects the internal support of one's actions, i.e. the feeling that actions are not only independent, but also the result of one's own expectations and goals<sup>175</sup>. Thus, at the heart of autonomy is the pursuit of development and the realization of personal goals, values and interests<sup>176</sup>.

Currently, autonomy is one of the basic determinants of entrepreneurship. This underlines the emancipatory side of entrepreneurship, manifested, for example, by the slogan "to be your own boss". The need for autonomy refers to a strong sense of will and support for one's actions. Individuals want to experience choice in their behavior and be the initiators of their own actions<sup>177</sup>.

Autonomy is strongly related to entrepreneurship because of its decisive freedoms: you can decide what, how and when will be done<sup>178</sup>. People need autonomy because it is essential to meet other motives. Referring to the concept of autonomy considered from the point of view of EO, internal autonomy must be "dispersed" into separate groups, individuals or projects in the enterprise. Autonomy of an entrepreneur thus transforms into entrepreneurial autonomy, which gives members the freedom and flexibility to design and implement entrepreneurial initiatives.

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<sup>173</sup> George B.A., Marino L. (2011), *The Epistemology of Entrepreneurial Orientation: Conceptual Formation, Modelling and Operationalization*, Entrepreneurship: Theory and Practice, Vol. 35(5), pp. 989-1024.

<sup>174</sup> Wales W.J., Gupta V.K., Mousa F.T. (2011), *Empirical Research on Entrepreneurial Orientation: An Assessment and Suggestions for Future Research*, International Small Business Journal, Vol. 31(4), pp. 357-383.

<sup>175</sup> Van Gelderen M. (2010), *Autonomy as the Guiding Aim of Entrepreneurship Education*, Journal: Education + Training, Vol. 52(8/9), pp. 710-721

<sup>176</sup> Assor A., Kaplan H., Roth G. (2002), *Choice is Good, but Relevance is Excellent: Autonomy-enhancing and Suppressing Teacher Behaviours Predicting Students' Engagement in Schoolwork*, British Journal of Educational Psychology, Vol. 72, pp. 261-278.

<sup>177</sup> De Baerdemaeker J., Bruggeman W. (2015), *The Impact of Participation in Strategic Planning on Managers' Creation of Budgetary Slack: The Mediating Role of Autonomous motivation and Affective Organisational Commitment*, Management Accounting Research, Vol. 29, pp. 1-12.

<sup>178</sup> Schjoedt L. (2009), *Entrepreneurial Job Characteristics: An Examination of their Effect on Entrepreneurial Satisfaction*, Entrepreneurship Theory & Practice, Vol. 33(3), pp. 619-644.

The independent venture is the impetus necessary to explore business opportunities, develop business concepts and implement them to completion<sup>179</sup>.

In many companies, independent thinking and acting are encouraged in advance, which are the determinants of autonomy. Employees at various levels are stimulated to devote a portion of their working time to finding new ideas, which enables autonomous members of the organization to develop concepts for new ventures. This approach suggests that in the organization autonomy is equated with the chance to achieve success and builds a specific style of company management. In some organizations, even brilliant ideas are not welcomed by managers<sup>180</sup>. In such enterprises, additional effort and special incentives may be needed to develop and support entrepreneurship. The autonomy of all entities in the organization, individual and group, can motivate to take action in the enterprise, and thus improve business results<sup>181</sup>. Previous research in organizations supports the notion that entrepreneurial autonomy encourages innovation, promotes investment, and increases the competitiveness and effectiveness of firms<sup>182</sup>.

Autonomy in an organization is linked to a variety of outcomes when reviewing the literature in this area, such as increased sense of responsibility, identification with organizational problems, greater employee efficiency, innovation, development of collaboration and flexibility. The influence on changing the organizational culture is also emphasized, i.e. changing the control-oriented culture to the culture that promotes commitment. When it comes to negative effects, prompting a critical approach to autonomy, there are indicated increased pressure and stress at work, the requirements of a fairly long-term adaptation process in the organization or waste of resources<sup>183</sup>. For this reason, managers should be cautious about internal autonomy and rationally consider the circumstances for its deepening<sup>184</sup>.

Autonomy is an important feature of work that enables workers to find different combinations of working methods<sup>185</sup>. Increased autonomy in the workplace allows employees to go beyond routine work and try out better organizational solutions.

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<sup>179</sup> McMullen J.S., Shepherd D.A. (2006), *Entrepreneurial Action and the Role of Uncertainty in the Theory of the Entrepreneur*, Academy of Management Review, Vol. 31, pp. 132-152.

<sup>180</sup> Dougherty D., Hardy C. (1996), *Sustained Product Innovation in Large, Mature Organizations: Overcoming Innovation-to-Organization Problems*, Academy of Management Journal, Vol. 39, pp. 1120-1153.

<sup>181</sup> Kusumawardhani A., McCarthy G., Perera N. (2012), *Autonomy and Innovativeness: Understanding their Relationships with the Performance of Indonesian SMEs*, The Joint ACERE-DIANA International Entrepreneurship Conference (pp. 1-16). Fremantle, Western Australia: ACERE-DIANA, Available: <http://ro.uow.edu.au/gsbpapers/172>.

<sup>182</sup> Brock D.M. (2003), *Autonomy of Individuals and Organizations: Towards a Strategy Research Agenda*, International Journal of Business and Economics, Vol. 2, pp. 57-73.

<sup>183</sup> Elbanna S. (2016), *Managers' Autonomy, Strategic Control, Organizational Politics and Strategic Planning Effectiveness: An Empirical Investigation into Missing Links in the Hotel Sector*, Tourism Management, Vol. 52, pp. 210-220.

<sup>184</sup> Hughes M., Hughes P., Morgan R.E. (2007), *Exploitative Learning and Entrepreneurial Orientation Alignment in Emerging Young Firms: Implications for Market and Response Performance*, British Journal of Management, Vol. 18, pp. 359-375.

<sup>185</sup> Wang A.C., Cheng B.S. (2010), *When Does Benevolent Leadership Lead to Creativity? The Moderating Role of Creative Role Identity and Job Autonomy*, Journal of Organizational Behavior, Vol. 31(1), pp. 106-121.

Employees with greater professional autonomy develop a higher level of responsibility for their work<sup>186</sup>. With a high level of autonomy in the performance of their work, employees are able to exercise control over the performance of their work, and thus are less dependent on their employer. In this case, organizational support is less likely to impact the organisation's performance<sup>187</sup>.

Autonomy is often viewed as a hierarchical construct, i.e. depending on the types of actions or decisions that the group or individual can control, different levels or degrees of autonomy can be distinguished. There are two main types of autonomy within the activities undertaken by the organization: structural autonomy and strategic autonomy. The extent to which the group has control and can make decisions about factors in the working environment is known as structural autonomy. This kind of autonomy enables the team to solve the problem of self-determination about how resources are used within a given resource constraint<sup>188</sup>. Structural autonomy of units allows for faster reaction and modification of activities related to investments when new market information appears, which is of particular importance in the initial period of the operation of an enterprise. The speed of reaction certainly increases when the entity is structurally independent and it is not required to obtain the approval of the management board of the enterprise each time, but this does not mean that there is no control. Hence, the autonomy of the unit implementing a new project should be verified and limited so as not to interfere with the effective flow of information<sup>189</sup>.

Autonomy is not a positive phenomenon at all its levels if it is related to staff, not shareholders / owners. Although high autonomy theoretically provides opportunities to discover new opportunities for the success of an organization, it also stimulates less committed individuals to undertake initiatives that are not fully consistent with the company's strategy or are not the optimal economic solution. The extensive autonomy creates the temptation to act in self-interest and shift the focus from organizational interests to the individual interests of managers.

Autonomy from the EO perspective is primarily about strategic autonomy. It seems that strategic autonomy is a "derivative" and development of structural autonomy, taking over a more general and long-term nature. Lumpkin, Cogliser and Schneider<sup>190</sup> indicate that strategic autonomy refers to the extent to which the group or individual has control over the goals, i.e. the goals relative to the organization. Strategic autonomy allows organization actors to operate outside of normal organizational constraints to determine what their goals will be and how they will be

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<sup>186</sup> Dhar R.L. (2016), *Ethical Leadership and its Impact on Service Innovative Behavior: The Role of LMX and Job Autonomy*, *Tourism Management*, Vol. 57, pp. 139-148.

<sup>187</sup> Aubé C., Rousseau V., Morin E.M. (2007), *Perceived Organizational Support and Organizational Commitment: The Moderating Effect of Locus of Control and Work Autonomy*, *Journal of Managerial Psychology*, Vol. 22(5), pp. 479-495.

<sup>188</sup> Lumpkin G.T., Cogliser C.C., Schneider D.R. (2009), *Understanding and Measuring Autonomy: An Entrepreneurial Orientation Perspective*, *Entrepreneurship Theory and Practice*, Vol. 33(1), pp. 47-69.

<sup>189</sup> Johnson K.L. (2012), *The Role of Structural and Planning Autonomy in the Performance of Internal Corporate Ventures*, *Journal of Small Business Management*, Vol. 50(3), pp. 469-497.

<sup>190</sup> Lumpkin G.T., Cogliser C.C., Schneider D.R. (2009), *Understanding and Measuring Autonomy: An Entrepreneurial Orientation Perspective*, *Entrepreneurship Theory and Practice*, Vol. 33(1), pp. 47-69.

achieved. Thus, the strategic dimensions of autonomy enable the team or individual not only to solve problems, but also to define the problem and goals that should be met to solve the problem. As part of a specific economic undertaking, its individual goals, methods of implementation and monitoring of effectiveness are defined. Strategic autonomy gives the freedom to make independent decisions, which should contribute to the effectiveness of the project<sup>191</sup>.

### Proactivity

In the entrepreneurial literature, proactivity is conceptualized as actively facilitating significant personal and / or environmental change. Proactivity refers to directing predictions and actions to future expectations and needs in the market, thus creating a pioneering advantage over the competition<sup>192</sup>. Proactive organizations strive to be pioneers, and thus they capitalize on opportunities that emerge in the environment. They can create first-mover advantage by targeting premium market segments, setting high prices and taking the market ahead of competitors<sup>193</sup>.

In terms of the entrepreneurial orientation of the company, the natural proactivity of the founder / owner must be “translated” into the proactivity of the members of the organization and their groups, to speak of a proactive organization. Being proactive means anticipating and acting in anticipation of changes in the environment or future needs and problems. Venkatraman<sup>194</sup> defined proactivity as looking for new opportunities that may or may not be related to the current line of operations and the introduction of new products and brands ahead of the competition, strategically eliminating operations that are mature or declining life cycle stages. So being proactive suggests an opportunity prospect that is characteristic of a market leader who has an action plan in anticipation of changing market demands. Proactivity is also defined as free action, consisting in both recognizing threats and consciously, actively taking remedial actions, as well as posing challenges, “finding” goals and taking independent actions aimed at their consistent implementation<sup>195</sup>.

Being proactive can make your job easier because proactive people choose and create situations that increase the likelihood of high levels of economic performance<sup>196</sup>. From the perspective of the person-environment proactivity can help workers active in adapting their environment in a way that emphasizes the individual strengths and optimization of the results<sup>197</sup>. Proactive people can increase effectiveness by engaging in a variety of instrumental behaviors such as information-seeking,

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<sup>191</sup> Birkinshaw J., Van Basten Batenburg R., Murray G. (2002), *Venturing to Succeed*, Business Strategy Review, Vol. 13(4), pp. 10-17.

<sup>192</sup> Lumpkin G.T., Dess G.G. (1996), *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*, Academy of Management Review, Vol. 21(1), pp. 135-172.

<sup>193</sup> Zahra S., Covin J. (1995), *Contextual Influence on the Corporate Entrepreneurship-Performance Relationship: a Longitudinal Analysis*, Journal of Business Venturing, Vol. 10, pp. 43-58.

<sup>194</sup> Venkatraman N. (1989), *Strategic Orientation of Business Enterprises: The Construct, Dimensionality, and Measurement*, Management Science, Vol. 35, pp. 942-962.

<sup>195</sup> Penc J. (2011), *Zachowania organizacyjne w przedsiębiorstwie: Kreowanie twórczego nastawienia i aspiracji*, Wolters Kluwer Polska, Warszawa, s. 125.

<sup>196</sup> Seibert S.E., Crant M.J., Kraimer M.L. (1999), *Proactive Personality and Career Success*, Journal of Applied Psychology, Vol. 84, pp. 416-427.

<sup>197</sup> Crant J.M. (2000), *Proactive Behaviour at Work*, Journal of Management, Vol. 26, pp. 435-462.

skill development, negotiation, resource gathering, socialization, and role restructuring. In proactive behavior, individuals are forward-looking and oriented towards the future and acting for the benefit of the enterprise<sup>198</sup>.

Proactivity can relate to different perspectives. Grant and Ashford<sup>199</sup> indicate the organizational (focus on the organization), social (focus on the group) and individual (focus on the achievement of individual goals) perspective. These perspectives interpenetrate, e.g. the proactivity of an individual shapes not only the individual itself, but also affects other levels – an organization or a team<sup>200</sup>. On the other hand, the team's proactivity may intensify or inhibit the proactive behavior of individual individuals.

Proactivity as a personality trait tends to cause changes in environments. A proactive personality reflects an individual's relatively constant disposition to control situational factors and actively arouse<sup>201</sup>. Proactive personalities look for opportunities, show initiative, take up activities and show specific determination with regard to the implementation and completion of projects, while changing (self-development of the individual)<sup>202</sup>.

The proactive tendency of employees to shape the environment provides many benefits such as more likely to negotiate work procedures and content, influence the expansion of available labor resources, change or seek better ways to accomplish work-related tasks, and engage in career management<sup>203</sup>. By their nature, proactive people are more likely to perform tasks better, but also to be perceived by regulators as fully motivated and with greater potential for professional success than their less active counterparts<sup>204</sup>. It should be noted that employees need to be confident that they can engage in proactive behavior. This is a necessary condition as proactive behavior at work may involve challenging the status quo, which is not always perceived positively and may entail high social costs<sup>205</sup>.

Grant and Ashford<sup>206</sup> indicate that proactive behavior should not be treated as a state, but as a process that consists of at least several separate phases. Among them, there are: anticipation, planning and action aimed at the future result. It seems,

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<sup>198</sup> Thomas J.P., Whitman D.S., Viswesvaran C. (2010), *Employee Proactivity in Organizations: A Comparative Meta-analysis of Emergent Proactive Constructs*, Journal of Occupational and Organizational Psychology, Vol. 83, pp. 275-300.

<sup>199</sup> Grant A.M., Ashford S.J. (2008), *The Dynamics of Proactivity at Work*, Research in Organizational Behavior, Vol. 28, pp. 3-34.

<sup>200</sup> Griffin M.A., Neal A., Parker S.K. (2007), *A New Model of Work Role Performance: Positive Behavior in Uncertain and Interdependent Contexts*, Academy of Management Journal, Vol. 50, pp. 327-347.

<sup>201</sup> Bateman T.S., Crant J.M. (1993), *The Proactive Component of Organizational Behavior*, Journal of Organizational Behaviour, Vol. 14, pp. 103-118

<sup>202</sup> Siebert J.U., Kunz R.E., Rolf P. (2021), *Effects of Decision Training on Individuals' Decision-Making Proactivity*, European Journal of Operational Research, Vol. 294(1), pp. 264-282.

<sup>203</sup> Thompson J.A. (2005), *Proactive Personality and Job Performance: A Social Capital Perspective*, Journal of Applied Psychology, Vol. 90, pp. 1011-1017.

<sup>204</sup> Dai L., Maksimov V., Gilbert B.A., Fernhaber S.A. (2014), *Entrepreneurial Orientation and International Scope: The Differential Roles of Innovativeness, Proactiveness, and Risk-taking*, Journal of Business Venturing, Vol. 29, pp. 511-524.

<sup>205</sup> Crant J.M. (2000), *Proactive behaviour at work*, Journal of Management, Vol. 26, pp. 435-462.

<sup>206</sup> Grant A.M., Ashford S.J. (2008), *The Dynamics of Proactivity at Work*, Research in Organizational Behavior, Vol. 28, pp. 3-34.

however, that such a presentation of proactivity primarily emphasizes the cause-and-effect nature of proactive behavior.

Opinions about the positive impact of proactivity on the organization clearly dominate in the research on proactive behavior. There are a number of benefits, incl. better work efficiency, higher level of entrepreneurship, higher level of affective commitment, increased satisfaction or creating social networks. Proactivity also promotes conscientiousness, emotional stability, extraversion, and openness<sup>207</sup>.

Proactive behavior can be change-oriented at different levels, such as an individual task, a team, or the entire organization<sup>208</sup>. Team members' proactivity aims to change the team's situation and the way it operates. Proactivity of organization members refers to individual behaviors that change the way an organization operates and focuses not only on workgroups or individual departments, but on the organization as a whole, going beyond the normal organizational behavior of individuals<sup>209</sup>.

Bolino, Valcea and Harvey<sup>210</sup> indicate that being proactive is not just about benefits. There can also be significant costs to being proactive as this activity uses resources, time and energy. Being proactive is focused on the future: it includes anticipation and planning. Anticipation and planning are higher-order psychological functions that require the use of cognitive resources<sup>211</sup>. Additionally, the desire to be a pioneer and master new markets, which is inherent in organizational proactivity, is inherently highly capital-intensive. An example would be entering new markets where significant resources must be mobilized, for example to obtain the necessary information. Each new market placement requires companies to gain market knowledge of new suppliers, customers and partners<sup>212</sup>.

### **Competitive Aggressiveness**

Firms often operate in highly competitive industries where they must closely monitor their competitors' signals and take the information into account when planning their own actions to defend their market positions<sup>213</sup>. The actions and

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<sup>207</sup> Thomas J.P., Whitman D.S., Viswesvaran C. (2010), *Employee Proactivity in Organizations: A Comparative Meta-analysis of Emergent Proactive Constructs*, Journal of Occupational and Organizational Psychology, Vol. 83, pp. 275-300.

<sup>208</sup> Griffin M.A., Neal A., Parker S.K. (2007), *A New Model of Work Role Performance: Positive Behavior in Uncertain and Interdependent Contexts*, Academy of Management Journal, Vol. 50, pp. 327-347.

<sup>209</sup> Podsakoff P.M., MacKenzie S.B., Paine J.B., Bachrach D.G. (2000), *Organizational Citizenship Behaviors: A Critical Review of the Theoretical and Empirical Literature and Suggestions for Further Research*, Journal of Management, Vol. 26, pp. 513-563.

<sup>210</sup> Bolino M.C., Valcea S., Harvey J. (2010), *Employee, Manage Thyself: The Potentially Negative Implications of Expecting Employees to Behave Proactively*, Journal of Occupational and Organizational Psychology, Vol. 83(2), pp. 325-345.

<sup>211</sup> Strauss K., Parker S.K., O'Shea D. (2017), *When Does Proactivity Have a Cost? Motivation at Work Moderates the Effects of Proactive Work Behavior on Employee Job Strain*, Journal of Vocational Behavior, Vol. 100, pp. 15-26.

<sup>212</sup> Yu J., Gilbert B.A., Oviatt B.M. (2011), *Effects of Alliances, Time, and Network Cohesion on the Initiation of Foreign Sales by New Ventures*, Strategic Management Journal, Vol. 32(4), pp. 424-446.

<sup>213</sup> Chen T., Tribbitt M.A., Yang Y., Li X. (2017), *Does Rivals' Innovation Matter? A Competitive Dynamics Perspective on Firms' Product Strategy*, Journal of Business Research, Vol. 76, pp. 1-7.

countermeasures taken by companies in relation to their rivals are defined as competitive dynamics, which argues that the effectiveness of the enterprise is not simply a function of the company's strategy and actions, but must be understood in relation to the strategies and actions of competitors<sup>214</sup>. The phenomenon of temporary competitive advantage requires aggressive action, especially if the enterprise is to be economically successful. If an organization can successively derive a number of temporary benefits, it will be able to achieve a longer period of high performance. Such achievements, however, are the result of a series of temporary advantages, and not a permanent advantage over a longer period of time<sup>215</sup>.

Competitive aggressiveness denotes a company's tendency to directly and intensively challenge competitors in order to achieve or improve the market situation. Competitive aggressiveness is characterized by a reaction or response to the actions of competitors, as well as the use of the company's forces in relation to its market rivals<sup>216</sup>. An aggressive company will continuously assess the condition of its competitors in order to be able to identify their weaknesses and at the same time highlight its own strength, which will increase the likelihood of success<sup>217</sup>. While analyzing proactivity, it was indicated that it is a response to the emerging opportunities in the business environment, competitive aggressiveness is a response to threats, i.e. it refers to the way in which enterprises respond to the actions and requirements of rivals who already exist on the market<sup>218</sup>.

When using the term competitive aggressiveness, in practice, an aggressive attitude towards products, production and promotional activities is described. Firms that are more aggressive than their competitors can more effectively maximize the alignment of strategic assets with future opportunities because of the speed with which they develop and use these assets to achieve a competitive advantage<sup>219</sup>. Highly aggressive companies are intense, strong and violent, which means being ready to prepare and execute relevant competitive actions as the company directly challenges its competitors. It develops strategies aimed at maintaining a strong market positioning against the efforts of a competitor. These strategies are also

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<sup>214</sup> Payne G.T., Kennedy K.H., Davis J.L. (2009), *Competitive Dynamics among Service SMEs*, Journal of Small Business Management, Vol. 47(4), pp. 421-442.

<sup>215</sup> Chen M.-J., Lin H.-C., Michel J.G. (2010), *Navigating in a Hypercompetitive Environment: The Roles of Action Aggressiveness and TMT Integration*, Strategic Management Journal, Vol. 31(13), pp. 1410-1430.

<sup>216</sup> Lumpkin G.T., Dess G.G. (2001), *Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle*, Journal of Business Venturing, Vol. 16, pp. 429-451.

<sup>217</sup> Hughes M., Morgan R.E. (2007), *Deconstructing the Relationship between Entrepreneurial Orientation and Business Performance at the Embryonic Stage of Firm Growth*, Industrial Marketing Management, Vol. 36, pp. 651-661.

<sup>218</sup> Lumpkin G.T., Dess G.G. (1997), *Proactiveness Versus Competitive Aggressiveness: Teasing Apart Key Dimensions of an Entrepreneurial Orientation*, 17th Annual Babson-College-Kauffman-Foundation Entrepreneurship Research Conference, 17-19.04.1997, Babson College Wellesley, Wellesley, MA, pp. 47-67.

<sup>219</sup> Weinzimmer L.G., Bond III E.U., Houston M.B., Nystrom P.C. (2003), *Relating Marketing Expertise on the Top Management Team and Strategic Market Aggressiveness to Financial Performance and Shareholder Value*, Journal of Strategic Marketing, Vol. 11(2), pp. 133-159.



developed to adapt the enterprise to respond to changing market trends that may lead to the survival of a threatened organization<sup>220</sup>.

Competitive aggressiveness reflects the degree to which a firm engages strongly in competition through the competitive tools the firm uses over a period of time to proactively anticipate and respond to rivals. Acting aggressively in the marketplace can lead a company to take initiatives by setting ambitious market share goals and taking bold steps to achieve them, such as aggressively competing on prices when sacrificing profitability<sup>221</sup> or aggressive comparison with competitors in terms of marketing, service and product quality or production capacity. Aggressiveness allows to shorten the duration of your opponents' advantages. By taking more action and acting faster, enterprises can proactively cope with the time-dependent nature of competitive advantage<sup>222</sup>.

An aggressive strategy is not always appropriate for all organizations. Smaller firms with limited resources may not be able to reduce product costs because they cannot take advantage of the economy of scale. Moreover, they are more sensitive to changes in the market and therefore have to be more aggressive in order to defeat competition and create safe conditions for survival<sup>223</sup>. An aggressive competitive attitude is especially important for companies that seek to enter new markets and/or stand out in the face of intense competition.

The vast majority of research on the dynamics of competition shows that competitive aggressiveness is positively related to various business areas, such as revenue growth and market share growth, financial results, including profit margin, return on sales, return on assets and return on capital<sup>224</sup>, etc. It is assumed that while the relationship between competitive aggressiveness and enterprise performance is generally positive, the context may verify this relationship. It is emphasized that factors at the organizational level (e.g. the level of emphasis on cost leadership in the company's strategy) and factors at the market level (e.g. competitive density in the market) may affect the effectiveness of competitive activities, and thus be a moderator the relationship between competitive aggressiveness and organizational performance<sup>225</sup>.

As in the case of other dimensions of EO, with competitive aggressiveness, and even to a greater extent, it is difficult to transfer the values associated with aggressiveness from the dominant person of the owner to other employees at various

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<sup>220</sup> Short J.C., Broberg J.C., Coglisier C.C., Brigham K. (2010), *Construct Validation Using Computer-Aided Text Analysis (CATA): An Illustration Using Entrepreneurial Orientation*, *Organizational Research Methods*, Vol. 13, pp. 320-347.

<sup>221</sup> Hussain J., Ismail K., Akhtar C.S. (2015), *Linking Entrepreneurial Orientation with Organizational Performance of Small and Medium Sized Enterprises: A Conceptual Approach*, *Asian Social Science*, Vol. 11(7), pp. 1-10.

<sup>222</sup> Nadkarni S., Chen T., Chen J. (2016), *The Clock Is Ticking! Executive Temporal Depth, Industry Velocity, and Competitive Aggressiveness*, *Strategic Management Journal*, Vol. 37, pp. 1132-1153.

<sup>223</sup> Rahman A., Civelek M., Kozubíková L. (2016), *Proactiveness, Competitive Aggressiveness and Autonomy: A Comparative Study from the Czech Republic*, *EQUILIBRIUM Quarterly Journal of Economics and Economic Policy*, Vol. 11(3), pp. 631-650.

<sup>224</sup> Chen M.-J., Lin H.-C., Michel J.G. (2010), *Navigating in a Hypercompetitive Environment ...*, op. cit.

<sup>225</sup> Stambaugh J.E., Yu A., Dubinsky A.J. (2011), *Before the Attack: A Typology of Strategies for Competitive Aggressiveness*, *Journal of Management Policy and Practice*, Vol. 12(1), pp. 49-63.

organizational levels. While intense competition is somehow inscribed in the personality of an entrepreneur who treats survival and increasing market share as a chance for a better life for himself and his family and an opportunity to prove himself, the transfer of decision-making in this regard to lower levels of the organizational structure often arouses resistance and justified doubts. They result from the fact that competing as a trait in relation to personnel does not always relate to the goals of the organization, and is often focused on individual goals.

An important issue in promoting competitive aggressiveness within the enterprise is to indicate the right motives for competition, which should be the improvement of one's own competitive position, and not lowering the position of other entities. As indicated by Tjosvold et al.<sup>226</sup>, the stronger the incentive to get rid of others, the less constructive the competition will be.

Many people like to compete and pick out potential opportunities, so competition may be based on intrinsic motivation. It has been found that taking action voluntarily results in greater commitment to achieving the goal, pursuing the best, and a tendency to set goals higher than required. Internal motivation is related to an interest in competitiveness, and a person participating in competitive activities, internally motivated, enjoys the competition itself, which is a reward in itself<sup>227</sup>.

### Risk Taking

As the concept of entrepreneurship developed, risk-taking has become an integral part of it<sup>228</sup>. People who are more risk-averse become entrepreneurs and those who are more risk-averse become employees<sup>229</sup>. Interest in the construction of risk began in the 1940s, when Knight suggested that risk was an important part of business<sup>230</sup>.

Most generally, risk can be defined as the potential occurrence of an adverse event<sup>231</sup>. Risk refers to such concepts as: uncertainty, danger, hazard, threat, probability of not achieving the goal or the effect that took place when the decision was made<sup>232</sup>.

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<sup>226</sup> Tjosvold D., Johnson D.W., Johnson R.T., Sun H. (2006), *Competitive Motives and Strategies: Understanding Constructive Competition*, Group Dynamics: Theory, Research, and Practice, Vol. 10, pp. 87-99.

<sup>227</sup> Chang K.-I., Chen H.-J. (2012), *Effects of a Rival's Perceived Motives on Constructive Competition within Organizations: A Competitive Dynamics Perspective*, Asian Journal of Social Psychology, Vol. 15, pp. 167-177.

<sup>228</sup> Antoncic B., Hisrich R.D. (2003), *Clarifying the Intrapreneurship Concept*, Journal of Small Business and Enterprise Development, Vol. 10, pp. 7-24.

<sup>229</sup> Hvide H.K., Panos G.A. (2014), *Risk Tolerance and Entrepreneurship*, Journal of Financial Economics, Vol. 111, pp. 200-223; Korombel A. (2018), *Barriers to Risk Appetite Management in Polish Small and Medium-Sized Enterprises*, Proceedings of the 2nd International Conference Contemporary Issues in Theory and Practice of Management: CITPM 2018, Okręglicka M., Korombel A., Lemańska-Majdzik A. (eds.), Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa, pp. 290-296.

<sup>230</sup> Knight F. (1948), *Risk, Uncertainty and Profit*, Houghton-Mifflin, Boston, MA.

<sup>231</sup> Tarnóczy T., Kulcsár E., Droj L. (2015), *Risk and Growth Analysis of Small and Medium Size Enterprises between 2010 and 2012*, Procedia Economics and Finance, Vol. 32, pp. 1323-1331.

<sup>232</sup> Snieska V., Navickas V., Haviernikova K., Okręglicka M., Gajda W. (2020), *Technical, Information and Innovation Risks of Industry 4.0 in Small and Medium-Sized Enterprises – Case of Slovakia and Poland*, Journal of Business Economics and Management, Vol. 21(5), pp. 1269-1284.

To be successful with EO, companies typically need to take up new, riskier alternatives, even if that means a shift away from methods or products they have developed in the past. The risk arises in a situation where the entrepreneur knows a set of possible solutions and knows the probability of various results of his actions, both positive and negative, which allows him to make informed business decisions<sup>233</sup>. Entrepreneurial activities such as innovation, new venture and strategic renewal involve significant risks as time, work and resources must be invested before their returns are recognized<sup>234</sup>.

Risk is of particular importance at the strategic level as an inevitable element of running a business. In the strategic management literature, risk is understood as the uncertainty related to the sources of macroeconomic environmental (political, regulatory, social and instability) and organizational variables (strategic choices, behaviors, interactions) affecting the performance of the enterprise, in conditions of incomplete information about these variables. The definition of risk in strategic management differs significantly from that adopted in economics or finance<sup>235</sup>. From a management perspective, risk is defined as being close to the uncertainty in the organizational context, viewed from the perspective of the future (ex ante). Strategic management looks at risk related to human and organizational interactions, and also covers environmental impacts and changes<sup>236</sup>.

According to Ivascu and Cioca<sup>237</sup>, due to the significant potential impact of risk factors on the company's results and the impossibility of its full control by the company, risk analysis is an important aspect of strategic management of the company, which includes a number of activities in this area, collectively referred to as risk management: risk identification, risk analysis and assessment, defining intervention priorities in order to reduce and prevent risk, control and monitoring of undertaken actions. Today, risk management is becoming an extremely important management issue, and the ability to identify threats and adapt to the turbulent business environment becomes a key success factor for enterprises<sup>238</sup>.

In practice, all business activities involve a certain degree of risk. However, in the context of entrepreneurial orientation, such risk is not a hazard but rather it is moderated and calculated. Thus, risk taking does not relate to extreme and completely

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<sup>233</sup> Łuczak J. (2012), *Pewność, niepewność i ryzyko w decyzjach menedżerskich*, Zarządzanie i Finanse, 10(1/1), 77-89.

<sup>234</sup> De Jong J.P.J., Parker S.K., Wennekers S., Wu C. (2011), *Corporate Entrepreneurship at the Individual Level: Measurement and Determinants*, [in:] *EIM Research Reports*, EIM, Zoetermeer, Available: <http://ondernemerschap.panteia.nl/pdf-ez/h201108.pdf>.

<sup>235</sup> Acharyya M., Brady C. (2014), *Designing an Enterprise Risk Management Curriculum for Business Studies: Insights from a Pilot Program*, Risk Management and Insurance Review, Vol. 17(1), pp. 113-136.

<sup>236</sup> Chatterjee S., Wiseman R.M., Fiegenbaum A., Devers C.E. (2003), *Integrating Behavioural and Economic Concepts of Risk into Strategic Management: The Twain Shall Meet*, Long Range Planning, Vol. 36(1), pp. 61-79.

<sup>237</sup> Ivascu L., Cioca L.I. (2014), *Opportunity Risk: Integrated Approach to Risk Management for Creating Enterprise Opportunities*, Advances in Education Research, Vol. 49 (1), pp. 77-80.

<sup>238</sup> Arena M., Arnaboldi M., Azzone G. (2010), *The Organizational Dynamics of Enterprise Risk Management, Accounting, Organizations and Society*, Vol. 35(7), pp. 659-675.

uncontrolled risky undertakings, even though the consequences of an action cannot be fully understood<sup>239</sup>. Therefore, it seems that the risk related to economic activity should be of medium range<sup>240</sup>. Risk calculation is the most important consideration in virtually all business decisions.

Risk taking as a dimension of EO is in many respects linked to innovation and being proactive<sup>241</sup>. Proactivity prompts the organization to take advantage of market opportunities and new solutions. An organization's approach to risk taking can lead to creative and innovative ideas, which in the long run offers the chance of economic success<sup>242</sup>. However, too high an intensity of the proactivity-innovation-risk-taking relationship may be associated with the probability of a negative relationship between the environment and business success, and additionally requires continuous investment in resources and an effective risk management system<sup>243</sup>.

Risk-taking is not as deeply exposed at all organizational levels as the other dimensions of entrepreneurial orientation. The literature in this area focuses on the multilateral aspects of risk taking, but primarily in relation to the entrepreneur or management. We are talking about risk that is taken in order to benefit the organization, and not about personnel risk taken by employees in an attempt to achieve individual benefits.

The personality of the entrepreneur plays an irreplaceable role in risk taking. According to Dvir, Sadeh and Malach-Pines<sup>244</sup> entrepreneurs choose a form of economic activity that demonstrates consistency between their distinctive personality traits and the requirements of success. In their further activities, they also tend to manage the enterprise using their strong specific features, among which there is often a tendency or preference for risk<sup>245</sup>. It should be noted that entrepreneurs perceive risk differently when they evaluate the enterprises of other people than when it comes to their own enterprises. In the first case, they adopt an external perspective which takes into account general statistical regularities. However, when they assess the

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<sup>239</sup> DeepaBabu K.G., Manalel J. (2016), *Entrepreneurial Orientation and Firm Performance: A Critical Examination*, IOSR Journal of Business and Management, Vol. 18(4), pp. 21-28.

<sup>240</sup> Willebrands D., Lammers J., Ha J. (2012), *A Successful Businessman is Not a Gambler. Risk Attitude and Business Performance among Small Enterprises in Nigeria*, Journal of Economic Psychology, Vol. 33, pp. 342-354.

<sup>241</sup> Chen H.L., Hsu C.-H. (2013), *Entrepreneurial Orientation and Firm Performance in Non-Profit Service Organizations: Contingent Effect of Market Orientation*, The Service Industries Journal, Vol. 33(5), pp. 445-466

<sup>242</sup> Wagener S., Gorgievski M., Rijdsdijk S. (2010), *Businessman or Host? Individual Differences between Entrepreneurs and Small Business Owners in the Hospitality Industry*, The Service Industries Journal, Vol. 30(9), pp. 1513-1527.

<sup>243</sup> Hussain J., Ismail K., Akhtar C.S. (2015), *Linking Entrepreneurial Orientation with Organizational Performance of Small and Medium Sized Enterprises: A Conceptual Approach*, Asian Social Science, Vol. 11(7), pp. 1-10.

<sup>244</sup> Dvir D., Sadeh A., Malach-Pines A. (2010), *The Fit between Entrepreneurs' Personalities and the Profile of the Ventures the Manage and Business Success: An Exploratory Study*, Journal of High Technology Management Research, Vol. 21(1), pp. 43-51.

<sup>245</sup> Kozubíková L., Zoubková A. (2016), *Entrepreneur's Attitude Towards Innovativeness and Competitive Aggressiveness: The Case Study of Czech Micro-enterprises*, Journal of International Studies, Vol. 9(1), pp. 192-204.

chances of success of their own ideas, they adopt an internal perspective, in which general statistical regularities are of secondary importance, and only factors related to their own abilities, skills and efficiency are taken into account. This evokes optimism towards own projects at a much higher level than in the case of similar projects, but undertaken by other entities<sup>246</sup>. A “biased” analysis focusing on the positives and minimizing the negatives, with limited experience and knowledge, encourages the entrepreneur to take risks that are in practice excessively high<sup>247</sup>.

In research on risk management, the most important element in relation to social sciences is managerial decision-making<sup>248</sup>. Risk-taking falls to the owner and top managers, who are responsible for the company’s profits and losses, and refers to decisions such as: introducing a new product, entering a new market, hiring more employees and investing large amounts of resources in a risky venture<sup>249</sup>. Both entrepreneurs and managers calculate the risk, but in the case of managers who are not entrepreneurs it is lower than in the case of entrepreneurs themselves. Entrepreneurs have a more optimistic view of their business and show high confidence when it comes to achieving benefits compared to employed managers<sup>250</sup>. While the entrepreneur sets business patterns that reflect his entrepreneurial orientation and has the ability to make decisions under conditions of uncertainty, non-entrepreneurial managers tend to be more risk averse<sup>251</sup>.

Enterprise risk management does not work equally across all organizational cultures<sup>252</sup>. The implementation of risk management depends on the willingness to be open, share knowledge and experience, and develop group work in relation to the company’s management and employees<sup>253</sup>. Therefore, if we want to talk about risk-taking by the company as a dimension of entrepreneurial orientation, the perception of risk and the propensity to take risk for the benefit of the organization must also be transferred to lower levels of the organizational structure, although it seems that it is possible to a lesser extent than in the case of other dimensions of entrepreneurial orientation.

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<sup>246</sup> Macko A., Tyszka T. (2005), *Przedsiębiorczość i ryzykowanie*, Decyzje, Vol. 4, pp. 29-50.

<sup>247</sup> Hentic-Giliberto M. (2016), *Acceptabilité du Risque: Quelle Approche des Néo-entrepreneurs?* Revue Management et Avenir, Vol. 88, pp. 179-202.

<sup>248</sup> Acharyya M., Brady C. (2014), *Designing an Enterprise Risk Management Curriculum for Business Studies: Insights from a Pilot Program*, Risk Management and Insurance Review, Vol. 17(1), pp. 113-136.

<sup>249</sup> Rauch A., Frese M. (2009), *Entrepreneurial Orientation*, [in:] Bausch A., Schwenker B. (eds.), *Handbook of Utility Management*, Springer, Berlin, pp. 89-104.

<sup>250</sup> Alegre J., Chiva R. (2013), *Linking Entrepreneurial Orientation and Firm Performance: The Role of Organizational Learning Capability and Innovation Performance*, Journal of Small Business Management, Vol. 51(4), pp. 491-507.

<sup>251</sup> Tan J. (2001), *Innovation and Risk-Taking in a Transitional Economy: A Comparative Study of Chinese Managers and Entrepreneurs*, Journal of Business Venturing, Vol. 16, pp. 359-376.

<sup>252</sup> Korombel A. (2012), *Enterprise Risk Management in Practice of Polish Small Business – Own Research Results*, Business and Management 2012, The 7th International Scientific Conference, VGTU Publishing House „Technika”, pp. 1137-1143.

<sup>253</sup> Fraser J.R.S., Simkins B.J. (2016), *The Challenges of and Solutions for Implementing Enterprise Risk Management*, Business Horizons, Vol. 59, pp. 689-698.

When analyzing the risk in relation to employees, it can be concluded that entrepreneurial units are more involved in situations characterized by the risk of potential losses. It is enterprising employees who play an important role in initiating new ventures, often in the face of opposition from employers<sup>254</sup>. It emphasizes activities such as undertaking organizational activity or ventures without the consent of the senior management, striving to exploit opportunities beyond the currently controlled resources, questioning the current status quo, etc. Intrapreneurs take more risks than the average employee, but not as big as the founding entrepreneur<sup>255</sup>.

### Innovativeness

The innovativeness of economic entities is one of the most frequently discussed topic in management. Innovation means the ability to create, absorb and implement innovation<sup>256</sup>. Innovation is indicated as one of the key sources of competitive advantage, next to architecture, i.e. a network of connections with other entities, reputation and material and intangible strategic resources<sup>257</sup>. Innovation is a way of harnessing humanity's creative potential for survival, progress and wealth building<sup>258</sup>. Innovations are a necessity and a specific reaction to the intense transformations of markets and customer behavior, which forced organizations to introduce new or improved solutions in their products, services and processes<sup>259</sup>.

There are two approaches to defining innovation. In the first one, innovation is approached as a process. Cavagnoli<sup>260</sup> defines innovation as a process of creative use of knowledge, transformation of knowledge possessed by an organization or acquired from the environment into new products, services or processes. The second trend emphasizes the result of innovation, i.e. new solutions. Kozubíková and Zoubková<sup>261</sup> indicate that innovation reflects the tendency of economic operators to promote new ideas, new experiments and creative processes that may trigger new products, services or technological processes. Innovation is understood as introducing significant changes that improve the products and services of a given organization,

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<sup>254</sup> Zahra S.A., Jennings D.F., Kuratko D.F. (1999), *The Antecedents and Consequences of Firm-level Entrepreneurship: The State of the Field*, Entrepreneurship Theory and Practice, Vol. 24, pp. 45-66.

<sup>255</sup> De Jong J.P.J., Parker S.K., Wennekers S., Wu C. (2011), *Corporate Entrepreneurship at the Individual Level ...*, op. cit.

<sup>256</sup> Kamińska A. (2016), *Uwarunkowania aktywności innowacyjnej przedsiębiorstw przemysłowych*, Nauki o Zarządzaniu (Management Sciences), Vol. 1(26), pp. 77-90.

<sup>257</sup> Romanowska M. (2017), *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa, s. 229.

<sup>258</sup> Gow J.I. (2014), *Public Sector Innovation Theory Revisited*, Innovation Journal, Vol. 19(2), pp. 2-22.

<sup>259</sup> Arzubaga U., Iturralde T., Maseda A. (2012), *The Entrepreneurial Orientation Construct, Dimensions and Measurement Scales in the Case of Family Firm: A Literature Review and some Considerations*, European Journal of Social Sciences, Vol. 33(3), pp. 437-454

<sup>260</sup> Cavagnoli D. (2011), *A Conceptual Framework for Innovation: An Application to Human Resource Management Policies in Australia*, Innovation: Management, Policy & Practice, Vol. 13(1), pp. 111-125.

<sup>261</sup> Kozubíková L., Zoubková A. (2016), *Entrepreneur's Attitude towards Innovativeness and Competitive Aggressiveness: The Case Study of Czech Micro-enterprises*, Journal of International Studies, Vol. 9(1), pp. 192-204.

its processes, procedures and business model, thus providing new value to stakeholders<sup>262</sup>.

Currently, innovation is indicated as one of the main paradigms of modern enterprise management, next to knowledge, trust and entrepreneurship, enabling building a competitive advantage and achieving market success. Hence, the particular importance of innovation relates to economic entities and is identified with the company's willingness to adopt new ideas<sup>263</sup>. Innovativeness is generally treated as a feature (phenomenon, process) conditioning the occurrence of definitely positively assessed and highly desirable phenomena and processes<sup>264</sup>. It refers to the extent to which the organization creates new, different and unique things and is perceived as a valuable skill. Innovation covers almost all aspects of the company's functioning: organizational structures, communication, relations with staff, IT systems, team work, relationships with cooperators, relations with clients and public entities<sup>265</sup>. It involves various organizational mechanisms such as experimentation, creativity, novelty and a tendency to foster new ideas to be competitive in a dynamic business environment<sup>266</sup>.

Active economic units, by generating valuable innovations, move from a passive position to the position of a market leader, dynamizing the situation in the industry and creating challenges for other participants of the market game, who must adapt to the situation created by innovations<sup>267</sup>. This innovative approach of the company distinguishes it from its competitors in the market and ensures unique positioning in the market.

When referring the concept of innovation to entrepreneurship, it should be emphasized that the concept of entrepreneurship cannot be disseminated without the existence of innovations in organizational processes, products or services. Entrepreneurial-oriented companies will actively seek new paths and focus on research and development activities, and will empower employees to innovate in products that create a competitive advantage over market rivals<sup>268</sup>. Innovation must exist regardless of the existence of any other dimension of entrepreneurial orientation.

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<sup>262</sup> Timmerman J.C. (2009), *A Systematic Approach for Making Innovation a Core Competency*, The Journal for Quality and Participation, Vol. 31(4), pp. 4-10.

<sup>263</sup> Syed I., Butler J.C., Smith R.M., Cao X. (2020), *The Role of Entrepreneurial Passion, Innovativeness, and Curiosity in Driving Entrepreneurial Intentions*, Personality and Individual Differences, Vol. 157, 109758.

<sup>264</sup> Lichtarski J. (2008), *O granicach innowacyjności przedsiębiorstwa*, [in:] Bieniok H., Kraśnicka T. (eds.), *Innowacje zarządcze w biznesie i sektorze publicznym*, Wyd. Akademii Ekonomicznej w Katowicach, Katowice, pp. 313-320.

<sup>265</sup> Gonciarski W. (2012), *Kapitał ludzki w koncepcji Zarządzania 2.0*, Studia Ekonomiczne, Vol. 110, pp. 21-28.

<sup>266</sup> Ryan J.C., Tipu S.A.A. (2013), *Leadership Effects on Innovation Propensity: A Two-Factor Full Range Leadership Model*, Journal of Business Research, Vol. 66, pp. 2116-2129.

<sup>267</sup> Nogalski B. (2004), *Wybór paradygmatów zarządzania przedsiębiorstwem przyszłości*, [in:] Hejduk I.K. (ed.), *Przedsiębiorstwo przyszłości. Fikcja i rzeczywistość*, Orgmasz, Warszawa.

<sup>268</sup> Zortea-Johnston E., Darroch J., Matear S., (2012), *Business orientation and innovation in small medium-sized enterprises*, International Entrepreneurship Management Journal, Vol. 8, pp. 145-164.

It is a key part of the company's strategy, and without innovation, we cannot speak of entrepreneurship at all<sup>269</sup>.

The ability to generate and implement innovations depends primarily on the employment of employees with the appropriate potential of knowledge, skills, creative abilities and creativity, and the proper organization of their work<sup>270</sup>. The selection of employees with various, complementary qualifications, predispositions for creative thinking, able to create new solutions both individually and working as a team, is of great importance here.

Among the numerous determinants of enterprises' innovativeness, the key features, attitudes and skills are those that characterize the people managing and employed in the enterprise. Entrepreneurs and managers, driven by personal entrepreneurial qualities: creativity, ambition and risk-aversion, have a key influence on decisions related to innovation. In terms of the human factor, the leadership style used by decision-makers, integrating employees in the implementation of the company's projects and goals, the ability to work in a team, an effective incentive system encouraging pro-innovation initiatives, an organizational culture favoring innovation, and the knowledge and skills of all people employed in the enterprise are also important<sup>271</sup>. Equally important is the climate of an innovation promoting organization, which emphasizes learning, sharing knowledge, promoting and expressing new ideas and encouraging a high level of flexibility. The frequency of occurrence of activities promoting high efficiency of human resources in response to a changing environment gives the impression to employees that their organization is trying to support them and cares about their well-being, which leads to an increase in their level of commitment<sup>272</sup>. An innovative work environment may spontaneously motivate employees to present innovative behaviors in response to organizational activities aimed at high human resource efficiency, and perceived as support from the organization. Moreover, the presence of a strong climate for innovation leads to a marked increase in the affective commitment of employees<sup>273</sup>, which is especially valuable to an organization, whether it relates to executives or rank-and-file employees.

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<sup>269</sup> Kusumawardhani A., McCarthy G., Perera N. (2012), *Autonomy and Innovativeness: Understanding their Relationships with the Performance of Indonesian SMEs*, The Joint ACERE-DIANA International Entrepreneurship Conference (pp. 1-16). Fremantle, Western Australia. <http://ro.uow.edu.au/gsbpapers/172>.

<sup>270</sup> Kiełtyka L. (2017), *Inspiracje i innowacyjność w zarządzaniu współczesnymi organizacjami. Wykorzystanie nowoczesnych technologii w tworzeniu innowacyjnych strategii organizacji*, *Przegląd Organizacji*, Vol. 7/2017, pp. 32-37.

<sup>271</sup> Romanowska M. (2016), *Determinanty innowacyjności polskich przedsiębiorstw*, *Przegląd Organizacji*, Vol. 2/2016, pp. 29-35.

<sup>272</sup> Sun L.-Y., Pan W. (2011), *Differentiation Strategy, High-Performance Human Resource Practices, and Firm Performance: Moderation by Employee Commitment*, *International Journal of Human Resource Management*, Vol. 22(15), pp. 3068-3079.

<sup>273</sup> Cole M.S., Bruch H., Vogel B. (2006), *Emotion as Mediators of the Relations between Perceived Supervisor Support and Psychological Hardiness on Employee Cynicism*, *Journal of Organizational Behavior*, Vol. 27(4), pp. 463-484.



It seems that innovation is the EO dimension that spreads “most widely” in the organization, permeating all levels and structures. Innovation can be implemented by both management board members and regular employees. Although the scope of innovative activities (and resources involved in them) will vary, all activities of this type lead to building an entrepreneurial enterprise. In this context, promoting innovative attitudes and behaviors becomes an extremely important element of strategic management.

The pro-innovative attitude means being focused on constant search and is a function of personality traits, ambitions, motivation and a strong desire for change for the better. Individuals with a pro-innovation attitude reject stable norms and rules of conduct, which they perceive as obstacles on the way to dynamic changes. As innovation is inherently associated with risk, the condition of a pro-innovative attitude is a high degree of tolerance of uncertainty, resulting in the satisfaction of discovering something new outweighing the advantages of being confident in operating safely on the basis of established organizational rules and procedures<sup>274</sup>.

Both shaping innovative attitudes and encouraging the behaviors in question are conditioned by the fact that employees willing to innovate and involved in introducing new ways of carrying out tasks are appreciated and are not punished for mistakes made during this process, which are an inherent part of high-risk activities. Tolerance for mistakes becomes the key factor in building an organizational culture based on innovation<sup>275</sup>. An entrepreneurial organization rewards for achievements, but also analyzes and learns from failures. Such openness enables employees to intellectually go beyond the sphere of their workplaces, which gives the opportunity to create new knowledge in the enterprise<sup>276</sup>.

De Jong and Den Hartog<sup>277</sup> point out that to develop innovation at the employee level, employees must be both ready and capable of innovating. It is important that employees recognize the importance of a wide range of skills, knowledge and behavior in order to operate effectively. When employees are unable to recognize their own potential, they cannot innovate on it. Employees should be convinced (also by their superiors) that their potential is valuable for the company, which encourages them to take up challenges and allows them to find themselves in an environment of changes. Employees with strong aspirations for a particular idea can convince others of the value of the idea, find allies and sponsors, and provide the necessary resources to implement those ideas<sup>278</sup>.

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<sup>274</sup> Sikorski C. (1999), *Zachowania ludzi w organizacji*, PWN, Warszawa, p. 137.

<sup>275</sup> Lemańska-Majdzik A. (2019), *The Factors Affecting the Level of Flexibility in Building Organizational Culture. The Perspective of Family Businesses*, [in:] *Vision 2025: Education Excellence and Management of Innovations Through Sustainable Economic Competitive Advantage*, Soliman Khalid S. (ed.), International Business Information Management Association (IBIMA), Norristown, pp. 11921-11932.

<sup>276</sup> Hussain J., Ismail K., Akhtar C.S. (2015), *Linking Entrepreneurial Orientation with Organizational Performance of Small and Medium Sized Enterprises: A Conceptual Approach*, Asian Social Science, Vol. 11(7), pp. 1-10.

<sup>277</sup> De Jong J.P.J., Den Hartog D.N. (2007), *How Leaders Influence Employees' Innovative Behavior*, European Journal of Innovation Management, Vol. 10(1), pp. 41-64.

<sup>278</sup> Young L.D. (2012), *How to Promote Innovative Behavior at Work? The Role of Justice and Support within Organizations*, The Journal of Creative Behavior, Vol. 46(3), pp. 220-24

### 2.3. Entrepreneurial Orientation in Small and Medium-sized Enterprises

The operation of a small business is most often based on a traditional management style which maintains that since the owner of the enterprise is the one who started the business, any change or innovation should be initiated by the owner, not the employees. However, in order for a small enterprise to survive in a dynamic business environment, it is indicated that its organizational culture should be related to such elements as: vision development; encouraging innovation; building an organization structure for organizational entrepreneurship; developing people for organizational entrepreneurship; creating entrepreneurial employee teams<sup>279</sup>. It took on particular significance in the era of pandemic Covid-19.

The enterprising owner often stands in opposition to the entrepreneurship of the organization. In the early stages of business, some small business owners may have a tendency to not free themselves from control and self-management of the business<sup>280</sup>. Up to a certain point, they try to get things done on their own, set strategies and make decisions. Despite its advantages, such as quick and centralized decision-making and quick reaction to changing situations, in the long run it causes serious problems with dependence on the leader. These types of entrepreneurs control and take initiative so much that they do not allow others to take initiative, and the remaining members of the organization develop dependence on the opinion and decisions of the leader<sup>281</sup>. Such employees may find that there is no need to take any initiatives and contribute creatively, which leads to “Traps of control”<sup>282</sup>. Later, even when the entrepreneur decides it is time to give others a chance to take the initiative, the time-generated dependence on the leader causes employees to feel stressed when the culture of the organization suddenly changes<sup>283</sup>.

In small enterprises, the founders have a direct influence on the creation of organizational cultures by embedding their own values, beliefs and assumptions<sup>284</sup>. They create cultures by reflecting their own values on an organizational basis. Although it is the people in the organization that define the organizational culture and practices, the so-called The “worldview trap” may cause leaders to employ only people who share similar values and assumptions<sup>285</sup>.

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<sup>279</sup> Chivasa S. (2014), *Entrepreneurship Culture among SMEs in Zimbabwe: A Case of Bulawayo SMEs*, International Journal of Economics, Commerce and Management, Vol. II(9), pp. 1-13.

<sup>280</sup> Kets DeVries M.F.R (1985), *The Dark Side of Entrepreneurship*, Harvard Business Review, Vol. 63(6), pp. 160-167.

<sup>281</sup> Kark R., Shamir B., Chen G. (2003), *The Two Faces of Transformational Leadership: Empowerment and Dependency*, Journal of Applied Psychology, Vol. 88, pp. 246-255.

<sup>282</sup> Bayraktar S. (2016), *Do Entrepreneurs Really Create Entrepreneurial Cultures? When Intentions do not Match Actions*, Boğaziçi Journal Review of Social, Economic and Administrative Studies, Vol. 30(2), pp. 79-98.

<sup>283</sup> Rafferty A.E., Griffin M.A. (2006), *Perceptions of Organizational Change: A Stress and Coping Perspective*, Journal of Applied Psychology, Vol. 91(5), pp. 1154-1162.

<sup>284</sup> Schein E.H. (1985), *Organizational Culture and Leadership*, Jossey-Bass, San Francisco.

<sup>285</sup> Bayraktar S. (2016), *Do Entrepreneurs Really Create Entrepreneurial Cultures? When Intentions do not Match Actions*, Boğaziçi Journal Review of Social, Economic and Administrative Studies, Vol. 30(2), pp. 79-98.

In practice, entrepreneurs may not show a significant propensity to change. The tendency to prefer protection against change can be due to two main causes: a sense of ownership or a fear of failure. Small business owners may feel a strong attachment to the initial business idea they implemented to make their idea a monument to them<sup>286</sup>. This “status quo” trap reduces the company’s strategic flexibility. A culture that is not conducive to change may also result from the entrepreneur’s passion for what he does and what is associated with a significant and valuable identity<sup>287</sup>. On the other hand, an entrepreneur “wants” success for his idea at all costs. The fear of failure in the next steps may appear on the decision-making path. So instead of trying and testing new strategies, he makes decisions according to the previous patterns that he owes his success to<sup>288</sup>. However, if the environment is too unstable, such as during the Covid-19 pandemic, this may not be enough.

The factor limiting the EO in small enterprises is the over-emphasis on the individual identity of the entrepreneur, as opposed to the focus on collective identity. In order to foster an entrepreneurial culture, it is important for entrepreneurs to emphasize collaboration, shared achievements, teamwork and shared authority throughout the organization. Group members identify more strongly with the collective identity of their group if the leader represents the collective identity and is perceived as the ringleader in the group<sup>289</sup>. Sometimes, however, the entrepreneur’s identity as the owner of a small business is so overwhelming that he is seen as a hero and the negative aspects of his actions are ignored as the group thinks biased, agreeing with the ideas of the leader<sup>290</sup>.

The size of the company is particularly determining when it comes to human resource management and organizational change. Human resource management (HRM) practices change with the size of the organization, but are very limited in the initial stages of development. Kotey and Slade<sup>291</sup> emphasize that in a small enterprise the implementation of a formal HRM policy lags behind other operational aspects. Entrepreneurship culture is therefore based on ad hoc solutions, not standards in this regard. There is a lack of specialized human resource management, poor management capacity and limited capital resources, as well as endogenous barriers such as reactive management styles, poor formalization of processes, etc. These deficiencies contribute to strengthening the climate of organizational uncertainty and chaotic development in changing environmental conditions<sup>292</sup>. In addition, managers tend to

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<sup>286</sup> Conger J.A. (1990), *The Dark Side of Leadership*, Organizational Dynamics, Vol. 19, pp. 44-55.

<sup>287</sup> Cardon M.S., Wincent J., Singh J., Drnovsek M. (2009), *The Nature and Experience of Entrepreneurial Passion*, Academy of Management Review, Vol. 34(3), pp. 511-532.

<sup>288</sup> Drummond H. (2004), *See You Next Week? A Study of Entrapment in a Small Business*, International Small Business Journal, Vol. 22(5), pp. 487-502.

<sup>289</sup> Van Knippenberg D., Van Knippenberg B., De Cremer D., Hogg M.A. (2004), *Leadership, Self, and Identity: A Review and Research Agenda*, The Leadership Quarterly, Vol. 15, pp. 825-856.

<sup>290</sup> Jaussi K.S., Dionne S.D. (2003), *Leading for Creativity: The Role of Unconventional Leader Behaviour*, The Leadership Quarterly, Vol. 14, pp. 475-498.

<sup>291</sup> Kotey B., Slade P. (2005), *Formal Human Resource Management Practices in Small Growing Firms*, Journal of Small Business Management, Vol. 43, pp. 16-40.

<sup>292</sup> Jack S., Hyman J., Osborne F. (2006), *Small Entrepreneurial Ventures Culture, Change and the Impact on HRM: A Critical Review*, Human Resource Management Review, Vol. 16, pp. 456-466.

initiate and follow managerial ideas traditionally associated with large organizations, which is a cardinal mistake in managing them.

The motives and ideologies informing about the behavior of the owner-manager are the basis for understanding the management processes in a small, entrepreneurial company. Individualism and its relationship to unitarism and random behavior is an important or even defining influence on management and relationships in small organizations. Orientation to relational informality is permanently built into the organizational culture of small and medium-sized enterprises<sup>293</sup>. The consequence is that there are rarely any formal policies, such as personnel policies, including those stimulating organizational entrepreneurship.

Small businesses often base their culture on close interpersonal relationships, which increases employee attachment and ensures employee engagement, as opposed to obtaining forced consent through direct control<sup>294</sup>. Large organizations are generally more complex in terms of structure, functional and vertical differentiation as well as the complexity and synchronicity of the management role, requiring significant formalization of activities. In the case of smaller companies, the rules are often informal, set and verified on an ongoing basis by the owners. The owners evaluate the actions of employees on an ongoing basis and individually, deciding on the “value” of a given entrepreneurial activity<sup>295</sup>.

A strong entrepreneurial culture should allow for a certain flexibility of human resources, also in terms of working conditions. In small organizations, low employment generates barriers in this regard, as they do not have a great chance for ongoing changes in the distribution of staff due to its small number and partial irreplaceability. In smaller enterprises, the manipulation of human resources is done by owner-managers according to personal circumstances, and a more “formal” approach only applies to key employees due to the desire to retain their services<sup>296</sup>.

The style of leadership and management are becoming key aspects for small entrepreneurial companies, and can also have a significant impact on shaping an entrepreneurial organizational culture. This is directly related to effective HRM, as there is a belief that the probability of success can increase if human resources are properly built and effectively used<sup>297</sup>. The ability not only to find competent employees, but also to motivate and manage them effectively, is extremely important for the profitability of smaller ventures.

Entrepreneurial culture requires constant learning and training which is important for improving the performance, stability, adaptability and survival of an organization.

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<sup>293</sup> Vickers I., James P., Smallbone D., Baldock R. (2005), *Understanding small firm responses to regulation: The Case of Workplace Health and Safety*, Policy Studies, Vol. 26, Vol. 149-169.

<sup>294</sup> Walton R. (1985), *From Control to Commitment in the Workplace*, Harvard Business Review, March-April, pp. 77-84.

<sup>295</sup> Kotey B., Slade P. (2005), *Formal Human Resource Management Practices in Small ...*, op. cit.

<sup>296</sup> Jack S., Hyman J., Osborne F. (2006), *Small Entrepreneurial Ventures Culture, Change and the Impact ...*, op. cit.

<sup>297</sup> Rauch A., Freese M., Utsch A. (2005), *Effects of Human Capital and Long-term Human Resources Development and Utilization on Employment Growth of Small-scale Businesses: A Causal Analysis*, Entrepreneurship: Theory and Practice, Vol. 29, pp. 681-698.

Organizational learning and systematic training of employees at various levels are permanently inscribed in the organizational culture of large enterprises, constituting a kind of “standard”. In small businesses, training is rarely scheduled, short-term, profit-driven and usually only provided on an ad hoc basis. Increasing the knowledge and skills of members of small organizations is one of the success factors of entrepreneurial companies through the innovation initiative generated in this way<sup>298</sup>. Moreover, in small enterprises, learning tends to take place informally 'in the workplace' rather than from structured external and accredited sources. This approach may respond to the needs of entities with lower employment, where employee roles and responsibilities are changing rapidly<sup>299</sup>.

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<sup>298</sup> Chaston I., Badger B., Sadler-Smith E. (1999), *The Organisational Learning System within Small UK Manufacturing Firms*, International Journal of Training and Development, Vol. 9, pp. 269-277.

<sup>299</sup> Cardon M.S., Stevens C.E. (2004), *Managing Human Resources in Small Organizations: What Do We Know?* Human Resource Management Review, Vol. 14, pp. 295-323.

# Chapter 3

## Organizational Flexibility in the Activities of Enterprises

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### 3.1. The Essence and Definitions of Organization Flexibility

In the literature on the subject, the concept of organizational flexibility (OF) is very widely described. This is due to the fact that it is a multifaceted and complex concept that is difficult to explain with a single definition. The multidimensionality of the concept prompts consideration of organizational behavior from the perspective of enterprise management. The precursors of research on flexibility in the management science literature were Ansoff, his research was continued by, among others, Carlsson, Sanchez, Volberda, Sushil and Sharma et al.<sup>300</sup>. The concept of organizational flexibility began to be paid more attention in the management science literature, along with the growing turbulence in the business environment of enterprises. The research of Suárez, Cusumano and Fine<sup>301</sup>, Dreyer and Grønhaug<sup>302</sup> as well as De Toni and Tonchia<sup>303</sup> confirm the complexity of this phenomenon, which

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<sup>300</sup> Ansoff H.I. (1965), *Corporate Strategy: Business Policy for Growth and Expansion*, McGraw-Hill, New York; Ansoff H.I., Brandenburg R.G. (1971), *A Language for Organization Design: Parts I and II*, Management Science, 17/12, B705-31; Ansoff H.I. (1978), *The Changing Shape of The Strategic Problem*, [in:] Schendel D.E., Hofer C.W. (Eds.), *Strategic Management: A New View of Business Policy and Planning*, Little, Brown and Company, Boston and Toronto, pp. 30-44; Carlsson B. (1989), *Flexibility and the Theory of the Firm*, International Journal of Industrial Organization, Vol. 7(2), pp. 179-203; Sanchez R. (1993), *Strategic Flexibility, Firm Organisation, and Managerial Work in Dynamic Markets: A Strategic Options Perspective*, Advances in Strategic Management, Vol. 9, pp. 251-291; Sanchez R. (1995), *Strategic Flexibility in Product Competition*, Strategic Management Journal, Vol. 16(5), pp. 135-159; Volberda H.W. (1998), *Building the Flexible Firm. How to Remain Competitive*, Oxford University Press, New York; Sushil A. (2001), *Enterprise Flexibility*, Global Journal of Flexible Systems Management, Vol. 2(4), pp. 53-58; Sushil A. (2001), *Flexibility Metaphors*, System Research and Behavior Science, Vol. 18(6), pp. 569-575; Sharma M.K., Sushil J.P.K. (2010), *Revisiting Flexibility in Organizations: Exploring its Impact on Performance*, Global Journal of Flexible Systems Management, Vol. 11(3), pp. 51-68.

<sup>301</sup> Suarez F.F., Cusumano M.A., Fine C.H. (1995), *An Empirical Study of Flexibility in Manufacturing*, Sloan Management Review, Vol. 37(1), p. 25-32; Suarez F.F., Cusumano M.A., Fine C.H. (1996), *An Empirical Study of Manufacturing Flexibility in Printed Circuit Board Assembly*, Operations Research, Vol. 44(1), pp. 223-240.

<sup>302</sup> Dreyer B., Grønhaug K. (2004), *Uncertainty, Flexibility and Sustained Competitive Advantage*, Journal of Business Research, Vol. 57(5), pp. 484-94.

<sup>303</sup> De Toni A., Tonchia S. (2005), *Definitions and Linkages between Operational and Strategic Flexibilities*, Omega, Vol. 33(6), pp. 525-540.

is related to the adaptation of the organization to changing environmental conditions. However, in order for the organization to be flexible, it should have specific features and meet specific conditions that will allow it to react appropriately in a turbulent environment. In Poland, research was conducted in the area of organizational flexibility, among others Krupski<sup>304</sup>, Kasiewicz<sup>305</sup> and Osbert-Pociecha<sup>306</sup>. A review of the literature shows that there is no single definition of flexibility that is widely accepted. De Toni and Tonchia<sup>307</sup> emphasize that the difficulty of conceptual unification of terminology related to flexibility results from its great variability in terms of applications in the process of the organization's functioning.

Penc<sup>308</sup> points out that, in general, the flexibility of a company can be described as the ability to initiate and change the rules of the organization in order to better adapt to the market needs and the requirements of the environment. It is the ability of an organization to effectively respond to changes, both inside the company and in its environment. On the other hand, Krupski<sup>309</sup> defines flexibility as a specific response of an organization to the uncertainty of the conditions of the company's functioning and the inability to operate the company at present. Reaction to changes in the environment, treated as uncertainty of action, understood in this case as the ability of the organization to respond to changes. Both predictable and unpredictable, by introducing new options for functioning and development<sup>310</sup>. Strabryła<sup>311</sup> defines flexibility as the ability of an organization to make transformations of the structure or properties of the system, which are to influence the maintenance or building of the static or dynamic balance of the company. The definition of flexibility applies both to the product and to the effective management of material and intangible resources, which are necessary in the process of quick and efficient implementation of the enterprise to the environmental conditions<sup>312</sup>.

Thus, the broadly defined organizational flexibility reflects the organization's ability to react to various external changes, but also internal ones resulting from the

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<sup>304</sup> Krupski R. (2005), *Elastyczność organizacji*, [in:] Krupski R. (ed.), *Zarządzanie przedsiębiorstwem w turbulentnym otoczeniu*, PWE, Warszawa; Krupski R. (2006), *Elastyczność organizacji – elementy teorii, Refleksje społeczno-gospodarcze*, Zeszyty Naukowe WWSZiP, No 9(2), pp. 4-11.

<sup>305</sup> Kasiewicz S., Ormińska J., Rogowski W., Urban W. (2009), *Metody osiągania elastyczności przedsiębiorstw*, Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie, Warszawa.

<sup>306</sup> Osbert-Pociecha G., (2007), *Relacja między efektywnością a elastycznością organizacji*, Prace Naukowe Akademii Ekonomicznej we Wrocławiu, No 1183, pp. 337-349; Osbert-Pociecha G. (2011), *Zdolność do zmian jako siła sprawcza elastyczności organizacji*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław.

<sup>307</sup> De Toni A., Tonchia S. (2005), *Definitions and Linkages ...*, op. cit.

<sup>308</sup> Penc J. (1997), *Leksykon biznesu*, Wydawnictwo Placet, Warszawa, p. 109.

<sup>309</sup> Krupski R. (2008) (ed.), *Elastyczność organizacji*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Warszawa, s. 9-11.

<sup>310</sup> Jagoda A. (2015), *Elastyczność funkcjonalna jako czynnik przewagi konkurencyjnej małych i średnich przedsiębiorstw*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, No 382, pp. 316-323.

<sup>311</sup> Strabryła A. (2005), *Analiza elastyczności systemu jako instrument programowania zmian i rozwoju*, [in:] Rokita J., Grudzewski W. (eds.), *Elastyczność organizacji*, Wydawnictwo GWSH, Katowice, p. 20.

<sup>312</sup> Nogalski P., Niewiadomski B. (2013), *The Strategic Dimension of Product Flexibility of a Manufacturing Plant – The Concept and it's Application*, Organizacja i Kierowanie, No 1(154), pp. 47-64.

organizational specificity of the enterprise<sup>313</sup>. OF depends on the presence of dynamic change abilities and the organisation's responsiveness to facilitate these changes in a turbulent environment<sup>314</sup>.

In the literature, flexibility has been defined as the ability of an entity to change the policies, practices or procedures of an organization to quickly and easily adapt to the diverse and changing environment in which the organization operates<sup>315</sup>. It is the ability of the organization to respond effectively to the changing environment. However, in terms of the subject, it is the sum of the flexibility of individual entities participating in the life of the organization<sup>316</sup>. OF is treated primarily as an attribute that helps a company to cope with changes in the environment. Instead of influencing the environment, the company tries to respond to them by making internal changes<sup>317</sup>. Thus, flexibility demonstrates the ability of an organization to introduce changes within it<sup>318</sup>. The original definition of Eppink<sup>319</sup> indicates that flexibility can be perceived as a feature of an organization that makes the company less sensitive to unforeseen changes in the external environment<sup>320</sup> and is able to respond to them. The organization is in a better position to see the need for change. In turn, Volberda's<sup>321</sup> definition focuses on the perception of flexibility as a degree of organizational ability to control the management of an organization. In this case, flexibility is measured by the ability and speed to respond to environmental changes. Flexibility is similarly defined by Sharma, Sushil and Jain<sup>322</sup>. They define flexibility as the degree to which an organization has different managerial abilities and the speed at which an organization can activate these capabilities to improve control of the organization<sup>323</sup>.

Flexibility is not a static state, but is a dynamic process in which time plays a vital role in influencing the effectiveness of behavior aimed at organizational flexibility<sup>324</sup>.

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<sup>313</sup> Han Ch., Zhang S. (2021), *Multiple Strategic Orientations and Strategic Flexibility in Product Innovation*, European Research on Management and Business Economics, Vol. 27(1), pp. 100136.

<sup>314</sup> Volberda H.W. (1996), *Toward the Flexible Form: How to Remain Vital in Hypercompetitive Environments*, Organization Science, Vol. 7(4), pp. 359-374.

<sup>315</sup> Rowe W.G., Wright P.M. (1997), *Related and Unrelated Diversification and their Effect on Human-Resource Management Controls*, Strategic Management Journal, Vol. 18(4), pp. 329-338.

<sup>316</sup> Volberda H.W. (1998), *Building the Flexible Firm. How to Remain Competitive*, Oxford University Press, New York.

<sup>317</sup> Ansoff H.I. (1965), *Corporate Strategy ...*, op. cit.

<sup>318</sup> Watts N.A., Hahn C.K., Sohn B.K. (1993), *Manufacturing Flexibility: Concept and Measurement*, Operations Management Review, Vol. 9(4), pp. 33-44.

<sup>319</sup> Eppink D.J. (1978), *Planning for Strategic Flexibility*, Long Range Planning, Vol. 11(4), pp. 9-15.

<sup>320</sup> Lemańska-Majdzik A., Sipa M., Skibiński A. (2017), *The Impact of the External Environment on the Functioning of SMEs – Results of Own Studies*, 8th International Conference on the Economies of the Balkan and Eastern European Countries in the Changing World, Economy, Finance and Business in Southeastern and Central Europe, Karasavoglou A., Goic S., Polychronidou P., Delias P. (eds.), Springer, Cham, pp. 497-512.

<sup>321</sup> Volberda H.W. (1996), *Toward the Flexible Form ...*, op. cit.

<sup>322</sup> Sharma M.K., Sushil Jain P.K. (2010), *Revisiting Flexibility in ...*, op. cit.

<sup>323</sup> Lemańska-Majdzik A. (2019), *Elastyczność organizacyjna w przedsiębiorstwie rodzinnym (Organizational flexibility in the family business)*, Wydawnictwo Politechniki Częstochowskiej, Częstochowa, pp. 16-17.

<sup>324</sup> Sopolana A., Kunc M., Hernáez O.R. (2010), *Organizational Flexibility: A Dynamic Evaluation of Volberda's Theory*, Paper presented at The 28th International Conference of The System Dynamics Society, Seoul (<http://www.systemdynamics.org/conferences/2010/proceed/papers/P1191.pdf>).



Changes inside and outside the company, i.e. in its environment, which affect OF, should not be treated as a threat, but as an opportunity to introduce changes and new activities on the market<sup>325</sup>. At the same time, a flexible organization is one whose organizational structure and culture enable changes that result from customer needs and turbulence on the competitive market. These changes should occur quickly, according to changing conditions<sup>326</sup>. Moreover, Verdú and Gómez-Gras<sup>327</sup> argue that organizational flexibility is the main function that enables enterprises to cope with environmental fluctuations (business environment) and makes the organization responsive to changes.

Summing up, it can be said that OF can be perceived through the prism of relations with the environment. In this case, it acts as a filter that buffers the system against external disturbances resulting from environmental variability, and flexibility acts as an uncertainty absorber<sup>328</sup>. The external turbulences of the environment in this case are characterized by their extent, frequency, novelty, and certainty or rather uncertainty. OF is also the degree of control of the organization and its dynamic effectiveness. Therefore, it can be defined that OF is the ability of an organization to adapt to the conditions of constant change. The flexibility of activities functions and mediates between the uncertainty of the operating conditions of the enterprise and the use of its resources. Therefore, the flexibility of activities affects the appropriate combination of the organization's resources, which will positively affect the functioning of the company under the conditions of economic uncertainty and risk<sup>329</sup>.

Organizational flexibility is mainly the ability that enables an organization to survive in the face of environmental fluctuations. It turns out that the greater the changes occurring in the organization's environment, the more it should react to changes. Within organizational flexibility, the degree of environmental turbulence represents a variable that is operationalized as the product of the level of dynamism in the market environment and the degree to which changes are unpredictable<sup>330</sup>. Flexibility requires changes in the organization, often leading to a temporary change in the level of activity of the company, which may, due to the volatility of the environment, become the company's final activity<sup>331</sup>. However, organizational change is a process that must be accepted by members of the organization at all levels in order for it to start, and the more adopt a flexible nature. Positive dynamization of

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<sup>325</sup> Penc J. (1997), *Leksykon biznesu* ..., op. cit., p. 109.

<sup>326</sup> Chajęcki A., Krzakiewicz C., Chajęcki M. (2012), *Elastyczność organizacji a turbulentne otoczenie*, Zeszyty Naukowe Uniwersytetu Szczecińskiego No 737, Finanse, Rynki Finansowe, Ubezpieczenia, No 56, p. 10.

<sup>327</sup> Verdú A.J., Gómez-Gras J.-M. (2009), *Measuring the Organizational Responsiveness through Managerial Flexibility*, Journal of Organizational Change Management, Vol. 22(6), pp. 668-690.

<sup>328</sup> De Toni A., Tonchia S. (2005), *Definitions and Linkages* ..., op. cit.

<sup>329</sup> Peng X.B., Liu Y.L., Lin Y. (2015), *The Impact of Environment Uncertainty and Effectual Flexibility on Entrepreneurial Resource Combination: The Moderating Effect of Entrepreneurial Self-efficacy*, Frontiers of Business Research in China, Vol. 9(4), pp. 559-575; Korombel A. (2012), *Enterprise Risk Management* ..., op. cit.

<sup>330</sup> Volberda H.W. (1998), *Building The Flexible Firm. How to Remain Competitive*, Oxford University Press, New York.

<sup>331</sup> Sharma M.K., Sushil Jain P.K. (2010), *Revisiting Flexibility in* ..., op. cit.

changes in the organization, manifested in the flexibility of the organization's activities, must be preceded by the identification of new environmental conditions by comparing them with the existing ones. Only then there is a reaction in the form of the organization's involvement in introducing changes. At this point, acceptance of organizational activity determines organizational activities, or the lack of them<sup>332</sup>.

Flexible organizations enable rapid identification of significant market changes<sup>333</sup>. This is due to the quick reaction of the organization and the involvement of resources in new solutions at the right time, therefore the essence of organizational flexibility is perceived through the prism of adapting to the environmental conditions. The concept of fit plays a key role in the theory of organizational flexibility, as it is assumed that the flexibility and adequacy of an organization's design depend on environmental turbulence. The organizational flexibility model presenting its framework can be considered by internal factors resulting from the organization itself and external factors resulting from environmental variability. At the same time, it may include the analysis of external institutions influencing the internal and external practices of the enterprise<sup>334</sup>.

OF should be at least two-dimensional, and its basic manifestations should be the speed of reaction and the degree of adjustment in each of the elements of the organization separately and in all at the same time, or the degree of coverage<sup>335</sup>.

The temporal dimension of flexibility manifests itself through:

- adjustment within the time limit, i.e. it determines the efficiency of operation,
- the length of time needed for changes, i.e. it determines the efficiency of operation and the ability to respond to change.

In turn, the scope (scale) dimension manifests itself through:

- anticipated changes – determines the versatility of the organization,
- unforeseen changes – determines the versatility of the organization and good condition.

The literature shows that apart from the time dimension and the scope dimension, there are also the purposefulness dimension and the focusing dimension. The time dimension indicates the length of time needed for the organization's response to adapt to external and internal changes. The scale dimension shows the amount of action of the organization in response to certain and unpredictable changes. The purposefulness dimension indicates whether the organization introduces changes as a result of anticipating changes in its environment, and thus acts proactively, or whether they behave reactively, waiting for changes, and then forced to react to the situation.

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<sup>332</sup> Ziółkowska B. (2013), *Zarządzanie procesami tworzenia wartości w przedsiębiorstwie*, Wydawnictwo Politechniki Częstochowskiej, Częstochowa, pp. 25-26.

<sup>333</sup> Shimizu K., Hitt M.A. (2004), *Strategic Flexibility: Organizational Preparedness to Reverse Ineffective Strategic Decisions*, Academy of Management Executive, Vol. 18(4), pp. 44-59.

<sup>334</sup> Van der Weerd N.P. (2009), *Organizational Flexibility for Hypercompetitive Markets. Empirical Evidence of The Composition and Context Specificity of Dynamic Capabilities and Organization Design Parameters*, ERIM Ph.D. Series Research in Management, Erasmus Research Institute of Management, access: <http://hdl.handle.net/1765/16182>.

<sup>335</sup> Krupski R. (2006), *Elastyczność organizacji – elementy teorii, Refleksje społeczno-gospodarcze*, Zeszyty Naukowe WWSZiP, No 9(2), pp. 4-11.

In turn, the focus of attention dimension shows whether the organization makes changes using internal factors resulting from a given organization or external factors belonging to the organizational environment<sup>336</sup>.

Sushil<sup>337</sup>, considering flexibility in the context of metaphors, proposed assigning appropriate features to a flexible organization that would distinguish it and affect its functioning on the market. According to him, flexible enterprises should be characterized by the ability to survive in difficult business conditions and the ability to change, while being agile, free and balanced. Flexible organizations should have autonomy, but at the same time they should be open, which is closely related to their response to changes. They should be liberal in their approach to management, but at the same time they should be devoted and consistent in action. These types of features give companies an advantage that can have a manifestation in flexible organizational activities. On the other hand, Evans<sup>338</sup> emphasizes that flexibility is associated with numerous features that can be called efficiencies, because they allow, among other things, the mobility and adaptability of an organization, as well as the organization's ability to modify and improve. These types of features make organizations characterized by dexterity and fluency in market operations. Organizational agility affects the performance of the organization in relation to the provision of products and / or services, the activities of related organizations and plays an important role in relation to customers, business partners<sup>339</sup>.

A review of the literature shows that an ideal flexible organization is characterized by specific features:

- the first group of features is the ability to keep up with changes in the environment and develop faster than competitors,
- the second group concerns the efficient system of getting to know customer opinions and quick response to their expectations,
- the third group of features is related to decision-making processes in the enterprise, which should be short and characterized by a flat structure,
- the fourth group of characteristics is related to the company's employees, who should be used to the flexibility of the organization's activities, i.e. to changes.

Brilman<sup>340</sup> emphasizes that a flexible organization is one in which both the organizational structure and organizational culture allow it to quickly adapt to changing conditions, including customer needs and the requirements of market competition. Ng and Dastmalchian<sup>341</sup>, when defining organizational flexibility,

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<sup>336</sup> Osbert-Pociecha G. (2008), *Określenia, definicje, problemy*, [in:] Krupski R. (ed.), *Elastyczność organizacji*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław pp. 9-27.

<sup>337</sup> Sushil A. (2001b), *Flexibility Methapors ...*, op. cit.

<sup>338</sup> Evans J.S. (1991), *Strategic Flexibility for High Technology Manoeuvres: A Conceptual Framework*, *The Journal of Management Studies*, Vol. 28(1), pp. 69-89.

<sup>339</sup> Yusuf Y.Y., Gunasekaran A., Musa A., Dauda M., El-Berishy N.M., Cang S. (2014), *A Relational Study of Supply Chain Agility, Competitiveness and Business Performance in the Oil and Gas Industry*, *International Journal of Production Economics*, Vol. 147, pp. 531-543.

<sup>340</sup> Brilman J. (2002), *Nowoczesne koncepcje i metody zarządzania*, PWE, Warszawa, p. 391.

<sup>341</sup> Ng I., Dastmalchian A. (2001), *Organizational Flexibility in Western and Asian Firms: An Examination of Control and Safeguard Rules in Five Countries*, *Canadian Journal of Administrative Science – Revue Canadienne d'Administration*, Vol. 18(1), pp. 17-24.

emphasize that this type of entity should be characterized by fewer rules and regulations, which, as a result, will allow freedom in acquiring and getting rid of employees, assigning employees to various tasks and allowing freedom in their remuneration. In this aspect, organizational flexibility is perceived as the adaptation of the entire organization to the changing environmental conditions, without distinguishing its specific, changing areas.

Flexibility as an organizational feature may therefore result from the nature and connections in organizational structures. It can be pointed out that flexibility in this case may result from<sup>342</sup>:

- modular structure of the organization – flexibility results from the organizational form of the enterprise, in a situation where individual elements of the structure create separate units,
- personal characteristics of the person managing the enterprise, which are particularly strongly related to the nature of activities in the organization, including the tendency to change, lack of internal regulations, which more often applies to small enterprises that do not have typical organizational structures, shaping internal relations in the organization that determine organizational behavior, and shape the organizational culture,
- frequent changes, which is certainly not conducive to strategic continuity and efficiency, but at the same time it is the simplest possibility to achieve flexibility, specificity of operations, which is related to the fact that some market niches or even industries require constant flexibility in introducing changes resulting from particularly high volatility of the environment.

Another feature of a flexible organization is, as previously mentioned, a flexible organizational culture. In general, organizational culture serves to eliminate organizational ambiguity of behavior, which in turn affects the proactive behavior of all employees in the organization. Having an organizational culture influences the formation of patterns of behavior resulting from the environment and the organization itself<sup>343</sup>. On the other hand, a flexible organizational culture means that most managers care for employees, customers and shareholders. A flexible organizational culture is related to the basic values of the company, among which one should distinguish the appreciation of people and processes that result in favorable organizational changes. Among the activities supporting the development of culture in flexible organizations, one should mention, among others, selection of innovative employees, taking into account the creative ideas of employees, training creativity, allowing and participating in risk taking, benchmarking<sup>344</sup>.

The literature indicates that the features of a flexible organization include, first of all, the ability of the organization to change, i.e. keeping up with changes in the

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<sup>342</sup> Krupski R. (2005), *Elastyczność organizacji*, [in:] Krupski R. (ed.), *Zarządzanie przedsiębiorstwem w turbulentnym otoczeniu ...*, op. cit., pp. 78-75; Chajęcki A., Krzakiewicz C., Chajęcki M. (2012), *Elastyczność organizacji ...*, op. cit., pp. 9-36.

<sup>343</sup> Serafin K. (2015), *Kultura organizacyjna jako element wspierający realizację strategii przedsiębiorstwa*, *Studia Ekonomiczne. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach*, No 222, pp. 87-100.

<sup>344</sup> Pierchawka S. (2005), *Kultura elastycznej organizacji*, [in:] Krupski R. (ed.) *Zarządzanie przedsiębiorstwem ...*, op. cit., p. 282.

environment, which causes the company to develop faster than the competition. This should be related to a short decision-making process, i.e. with a flat organizational structure and a low degree of formalization in the organization. At the same time, a flexible organization should quickly respond to customer expectations, which is tantamount to having an efficient system of obtaining customer opinions. So the enterprise does not change only as a result of adapting to changes in the environment, but as a result of customer expectations and changes in the environment<sup>345</sup>.

A feature of a flexible organization is also the diversification of activities and redundancy of resources. Resource redundancy is, in addition to diversity and monitoring, a necessary condition for an organization to be flexible<sup>346</sup>. Resource redundancy is a response to “organizational slack”. It is the creation of an excess of resources in the company, which at the same time is characterized by diversity, thanks to which the company can efficiently and relatively quickly react to the changing environment, simultaneously creating new products or services, and sometimes even new market needs<sup>347</sup>. “Organizational slack” allows organizations to distract from situations they will not cope with anyway, but it allows them to focus on expansive thinking and often risky and innovative ventures that have the potential to bring immeasurably large benefits<sup>348</sup>. The latest literature shows a resurgence and interest in the concept of “organizational slack”<sup>349</sup>.

On the other hand, diversity in the aspect of flexible organization is perceived as the company’s ability to create various productions in terms of assortment, and it is a feature attributed to flexible organizations. The decision on the quantity and type of manufactured products should be made by managers / owners of companies, taking into account the economic and non-economic conditions of production. Diversity allows the organization to choose such a production option that will guarantee the company to achieve the best financial results. The company’s behavior on the market can then be perceived as flexible, resulting from changing environmental conditions<sup>350</sup>.

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<sup>345</sup> Ćwik K. (2007), *Elastyczność i innowacyjność a zachowania strategiczne przedsiębiorstw*, [in:] Przybyła M. (ed.), *Zarządzanie – kontekst strategiczny, kulturowy i zasobowy*, Prace Naukowe Akademii Ekonomicznej we Wrocławiu, No 1187, Zarządzanie No 5, pp. 43-51.

<sup>346</sup> Pierzchawka S., Sus-Januchowska A. (2005), *Organizacja przyszłości – próba konceptualizacji podstawowych kategorii epistemologicznych*, [in:] Stabryła A. (ed.), *Innowacyjność we współczesnych organizacjach*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków, pp. 237-246.

<sup>347</sup> Olejczyk-Kita K. (2012), *Elastyczność przedsiębiorstw usługowych (wyniki badań empirycznych)*, [in:] Stabryła A., Małkus T. (eds.), *Strategie rozwoju organizacji*, Mfiles.pl, Encyklopedia Zarządzania, Kraków, pp. 190-191.

<sup>348</sup> Lecuona J.R., Reitzig M. (2014), *Knowledge Worth Having in “Excess”: The Value of Tacit and Firm-Specific Human Resource Slack*, *Strategic Management Journal*, Vol. 35(7), pp. 954-973.

<sup>349</sup> Vanacker T., Collewaert V., Zahra S.A. (2017), *Slack Resources, Firm Performance, and the Institutional Context: Evidence from Privately Held European Firms*, *Strategic Management Journal*, Vol. 38(6), pp. 1305-1326; Phillips F., Chang J., Su Y.-S. (2019), *When Do Efficiency and Flexibility Determine a Firm’s Performance? A Simulation Study*, *Journal of Innovation & Knowledge*, Vol. 4(2), pp. 88-96.

<sup>350</sup> Nogalski B., Niewiadomski P. (2014), *Zarządzanie różnorodnością produktową atrybutem elastycznej organizacji – holistyczne ujęcie portfela produktowego*, [in:] Stabryła A., Małkus T. (eds.), *Strategie zarządzania organizacjami w społeczeństwie informacyjnym*, Wydawnictwo Mfiles, Kraków, pp. 145-156.

OF is determined by employees and knowledge, and the greatest impact on improving flexibility has, among others, human resource management<sup>351</sup>. This is confirmed by the conclusions of some researchers who claim that learning from an organization can strengthen a company's ability to recognize opportunities, successfully run new ventures, and achieve continuous adaptation to its environment<sup>352</sup>. It can be assumed that learning organizations are distinguished by a higher level of organizational flexibility compared to organizations that do not increase their knowledge<sup>353</sup>. This reasoning reinforces the considerations about learning organizations that, having a dynamic ability, can quickly adapt to changing conditions. In this case, the ability to learn enables the company to modify itself in such a way as to continue production (effectively and/or efficiently) and to effectively offer its products/services to the relevant market segments<sup>354</sup>. Therefore, it can be concluded that the learning factor should be among the features of a flexible organization. Learning allows the organization to introduce the learning factor into the goals and vision of the enterprise, which can ultimately influence the organizational culture that strengthens the learning environment<sup>355</sup>. The higher effectiveness and efficiency of the learning organizations' operation results from the very fact of learning. To meet the increased demand for organizational flexibility caused by market volatility and uncertainty, enterprises require flexible organizational boundaries, appropriate structures, and proper management of information processes<sup>356</sup>.

In addition, flexible organization can be attributed to the characteristics of an organization in motion, as the continuous process of adapting to changes in the business environment can be seen as a continuous movement of the organization<sup>357</sup>. An organization in motion should be characterized by certain features, which include the ability to analyze the environment of the organization, including market conditions and the internal situation in the company, to find oneself in an environment

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<sup>351</sup> Kasiewicz S. (2009), *Zarządzanie elastycznością w przedsiębiorstwach produkcyjnych w Polsce – opis wyników badania ankietowego*, [in:] Kasiewicz S., Ormiańska J., Rogowski W., Urban W. (2009), *Metody osiągnięcia ...*, op. cit., pp. 185-221.

<sup>352</sup> Beer M., Voelpel S.C., Leibold M., Tekie E.B., (2005), *Strategic Management as Organizational Learning: Developing Fit and Alignment through a Disciplined Process*, *Long Range Planning*, Vol. 38(5), pp. 445-465; Lumpkin G.T., Lichtenstein B.B., (2005), *The Role of Organizational Learning in The Opportunity-Recognition Process*, *Entrepreneurship Theory and Practice*, Vol. 29(4), pp. 451-472.

<sup>353</sup> Han Ch., Zhang S. (2021), *Multiple strategic ...*, op. cit.

<sup>354</sup> Madhavaram S., Hunt S.D. (2008), *The Service-Dominant Logic and a Hierarchy of Operant Resources: Developing Masterful Operant Resources and Implications for Marketing Strategy*, *Journal of The Academy of Marketing Science*, Vol. 36, pp. 67-82; Dewsnap B., Micevski M., Cadogan J.W., Kadic-Maglajlic S. (2020), *Flexibility in Marketing & Sales Interfacing Processes*, *Industrial Marketing Management*, Vol. 91, pp. 285-300.

<sup>355</sup> Kanten P., Kanten S., Gurlek M. (2015), *The Effects of Organizational Structures and Learning Organization on Job Embeddedness and Individual Adaptive Performance*, *Procedia Economics and Finance*, Vol. 23, pp. 1358-1366.

<sup>356</sup> Juceviciene P., Leonaviciene R. (2007), *The Change of Human Resource Development Concepts in The Process of Becoming a Learning Organisation*, *Economics and Management*, Vol. 12, pp. 569-575.

<sup>357</sup> Nwobodo-Anyadiegwu, E.N., Tapuwanashe, K.D., Kabamba, A.L. (2018), *Adaptation and Speed: Key Reasons to Adopt Agile Project Management within the IT Industry*, *Proceedings of the International Conference on Industrial Engineering and Operations Management*, 2018 (NOV), pp. 877-885.

with a high level of uncertainty related to changes and to deal with them. It is also typical of an organization to keep the company in the youth phase, which from a life cycle perspective will allow it to maintain enthusiasm, zeal, energy and creativity. Therefore, there are no significant differences between the features of a flexible organization and the features of an organization in motion, as continuous adaptation to the environmental conditions makes the organization “move” on the market. The movement of the organization is made in order to improve the level of competitiveness and market needs that a flexible organization is to meet<sup>358</sup>.

A review of the literature on organizational changes shows that flexibility is one of the dynamic possibilities thanks to which the organization can counteract and react to changes in the environment<sup>359</sup>. Thus, OF is one of the elements, perhaps even the most important, for the success of a company in a turbulent environment. Undoubtedly, however, organizational change considered through the prism of organizational flexibility is one of the basic conditions for both the development and survival of the organization<sup>360</sup>. This situation applies in particular to the crisis conditions for the development of enterprises. Understanding the necessity to make changes allows you to overcome the crisis thanks to the ability to adapt to changing environmental conditions<sup>361</sup>.

At the general level, OF is difficult to identify and unambiguously grasp due to the fact that it is subject to a continuous process of conceptualization. Organizational variability of an enterprise occurs in different places of the organization and with different intensity and scope<sup>362</sup>. The contemporary turbulence of the environment, resulting from the speed of changes taking place in the competitive market environment, means that OF can be treated as an organizational necessity at a given moment and place of the organization. The understanding of organizational flexibility is facilitated by theories of control systems, thanks to which a company operating in the market has the opportunity to respond to changes resulting from competitive volatility. It follows that enterprises, controlling their competitiveness against the environment, are able to flexibly introduce appropriate changes. In stable environments, flexibility is not a serious option to achieving organizational control. Stable environmental conditions with infrequent and predictable changes increase the likelihood of identifying critical variables and allow for the development of plans. However, in extremely turbulent environmental conditions where changes are

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<sup>358</sup> Masłyk-Musiał E. (2003), *Organizacje w ruchu. Strategie zarządzania zmianami*, Oficyna Ekonomiczna, Kraków, pp. 15-16.

<sup>359</sup> Zajac E.J., Kraatz M.S., Bresser R.K.F. (2000), *Modeling the Dynamics of Strategic Fit: A Normative Approach to Strategic Change*, Strategic Management Journal, Vol. 21(4), pp. 429-453; Wright P.M., Snell S.A. (1998), *Toward a Unifying Framework for Exploring Fit and Flexibility in Strategic Human Resource Management*, Academy of Management Review, Vol. 23(4), pp. 756-772.

<sup>360</sup> Olejczyk-Kita K. (2012), *Elastyczność przedsiębiorstw usługowych ...*, op. cit., p. 139.

<sup>361</sup> Nogalski B., Macinkiewicz H. (2004), *Zarządzanie antykryzysowe przedsiębiorstwem. Pokonać kryzys i wygrać*, Difin, Warszawa, p. 45.

<sup>362</sup> Moroz M. (2012), *Przesłanki i przejawy elastyczności przedsiębiorstwa – studium przypadku sklepu internetowego*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, No 260, pp. 284-293; Moroz M. (2013), *Kształtowanie elastyczności przedsiębiorstw internetowych*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław, p. 39.

frequent and radical, organizations that choose the planning option can easily lose the ability to adapt to the changes that occur. Therefore, it turns out that the best alternative in this case is the option of organizational flexibility, which requires from it a high reactivity (control) of the organization and managerial skills. OF is therefore the result of the interaction between the organisation's controllability or responsiveness and the dynamic controllability of management. The reactions occurring in the organization should be in balance, however, they are not substitute reactions, but complementary ones, which should complement each other. Thus, flexibility is a function of the interaction of two sets of management variables, and OF is a function of management control ability and organizational variability<sup>363</sup>.

Summing up, the review of international literature shows that the essence of organizational flexibility is based on principles<sup>364</sup>:

- flexibility is a specific buffer for today's highly competitive enterprise environment;
- flexibility is the ability to react to changes;
- flexibility is the ability to cope with both precarious and predictable environments;
- flexibility is a reflection of organizational sensitivity;
- flexibility is the possibility of adaptation (not only the necessity to adapt);
- flexibility is an organizational attribute increasing the chances of survival, development and success;
- flexibility is an instrument to reduce uncertainty and risk,
- flexibility is a feature of modern organizations.

The combination of dynamic possibilities that give the enterprise flexibility can be viewed in the form of a hierarchy in the capability to change<sup>365</sup>. The capability hierarchy has grades where only changes to normal procedures are recorded for the first level, but successive levels of capability are based on activities related to extending objectives, procedures, and modifying current routines<sup>366</sup>. The capabilities of OF can at this point mean changes above the first degree, that is, more than changes to the normal procedures of the organization. Possible changes are then based on the existing organizational structures and the main goals of the organization and result in the ability to change the size and combination of activities or to introduce operational flexibility.<sup>367</sup> In turn, the highest levels of flexible change may include higher types of change<sup>368</sup>, which reflect the ability of management to reconfigure the company's resource set more fundamentally, adjust organizational structures and even change

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<sup>363</sup> Volberda H.W. (1996), *Towards the Flexible Form ...*, op. cit.

<sup>364</sup> Kasiewicz S., Ormińska J., Rogowski W., Urban W. (2009), *Metody osiągnięcia elastyczności ...*, op. cit.; Krupski R. (ed.) (2008), *Elastyczność organizacji ...*, op. cit., s. 23-27.

<sup>365</sup> Helfat C.E., Finkelstein S., Mitchell W., Peteraf M.A., Singh H., Teece D.J., Winter S. (2007), *Dynamic Capabilities; Understanding Strategic Change in Organizations*, Blackwell Publishing.

<sup>366</sup> Winter S.G. (2003), *Understanding Dynamic Capabilities*, *Strategic Management Journal*, Vol. 24(10), pp. 991-995.

<sup>367</sup> Zollo M., Winter S.G. (2002), *Deliberate Learning and the Evolution of Dynamic Capabilities*, *Organizational Science*, Vol. 13(3), pp. 339-51.

<sup>368</sup> Helfat C.E., Finkelstein S., Mitchell W., Peteraf M.A., Singh H., Teece D.J., Winter S. (2007), *Dynamic Capabilities ...*, op. cit.



the nature of organizational activities<sup>369</sup>. Thus, at the highest level of dynamic possibilities, there is strategic flexibility (SF)<sup>370</sup>, which is characterized by great variety and high speed, and structural flexibility characterized by low speed and great variety. At the entry level, there is operational flexibility (OF) which has high speed and little variety. Conversely, at the level of normal procedures, there are only steady-state activities that are slow and varied. The hierarchy of dynamic capabilities is reflected in the hierarchy of flexibility types, ranging from steady state flexibility (zero routine – lowest level) to operational flexibility, structural flexibility and strategic flexibility. The different kinds of flexibility are distinguished by the speed of reaction and the variety of possibilities associated with each type of change resulting from the dynamics of the environment<sup>371</sup>.

### 3.2. Dimensions of Flexibility in the Activities of Enterprises

The division of organizational flexibility and the distinction of kinds and types of flexibility is necessary both in scientific research and in the practice of enterprise management. The classification of flexibility affects organizational goals and managerial decisions that determine the behavior and functioning of the company on the market<sup>372</sup>.

The company's flexible response to unexpected changes in the environment is critical when it comes to influencing organizational responses. Therefore, in the process of organizing a company, especially in crisis situations, on the one hand, organizational discipline should be ensured, consisting in observing the rules when creating organizational structures and processes, and on the other hand, organizational agility should be allowed, which will be expressed in creativity, improvisation and ability to adaptive<sup>373</sup>.

The multifaceted nature, definition diversity and interdisciplinary nature of determinants influencing flexibility do not allow for its simple division. The kinds and types of flexibility distinguished in the literature result from the specificity of the organization, its activities, intentions, as well as internal and external conditions included in the business environment. The essence of OF shows that it is difficult to express it unambiguously by assigning constant criteria of division. This is mainly due to the multidimensionality of the phenomenon, in which causes and effects are

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<sup>369</sup> Van der Weerd N.P. (2009), *Organizational Flexibility ...*, op. cit.

<sup>370</sup> Miroshnychenko I., Strobl A., Matzler K., De Massis A. (2020), *Absorptive Capacity, Strategic Flexibility, and Business Model Innovation: Empirical Evidence from Italian SMEs*, *Journal of Business Research*, Vol. 130, pp. 670-682.

<sup>371</sup> Johnson J.L., Lee R.P., Saini A., Grohmann, B. (2003), *Market-Focused Strategic Flexibility: Conceptual Advances and an Integrative Model*, *Journal of The Academy of Marketing*, Vol. 31(1), pp. 74-89; De Toni A., Tonchia S. (2005), *Definitions and Linkages ...*, op. cit.

<sup>372</sup> Kasiewicz S. (2009), *Elastyczność przedsiębiorstwa w koncepcjach zarządzania zasobowego*, [in:] Kasiewicz S., Ormińska J., Rogowski W., Urban W., *Metody osiągnięcia ...*, op. cit., pp. 11-55.

<sup>373</sup> Harrald J.R. (2006), *Agility and Discipline: Critical Success Factors for Disaster Response*, *The Annals of The American Academy*, Vol. 604(1), pp. 256-272; Shams R., Vrontis D., Belyaeva Z., Ferraris A., Czinkota M.R. (2021), *Strategic Agility in International Business: A Conceptual Framework for "Agile" Multinationals*, *Journal of International Management*, Vol. 27(1), p. 100737.

intertwined with simultaneous flexibility at various organizational levels<sup>374</sup>. Modern organizations have to cope with internal and external conditions that result from the company's business environment, therefore the simplest division of OF is distinguished by external flexibility and internal flexibility<sup>375</sup>.

Internal flexibility of the organization (IFO) is defined as the ability of the organization's management to adapt to the requirements of the business environment<sup>376</sup> and constitutes a protection (buffer) against the negative effects of the company's environment<sup>377</sup>. Changes in the environment make the organization flexible, and as a result, it can be described as stable. Instability is the result of lack of flexibility or over-flexibility, so flexibility is the middle stage between stiffness and over-response<sup>378</sup>. This type of flexibility is considered in the internal dimension of the enterprise and includes the set of the organization's ability to compete<sup>379</sup>. IOF is the organization's ability to cope with the variability of internal resources, including production of goods, provision of services by the enterprise, but also management style, quality management, organizational culture and climate, and relations between organizations, including relations with partners<sup>380</sup>. Thus, internal organizational variability can have a positive as well as negative impact on the overall flexibility of an organization.

External flexibility of the organization (EFO) is defined as the management's ability to influence the external environment, making the company less sensitive to changes in the business environment<sup>381</sup>. External flexibility is the organization's ability to actively influence the environment, thus reducing the organisation's sensitivity. This is based on a more liberal approach, which implies that there is a "loose" strategy that can be adjusted differently to the environment. External flexibility can influence the organization's defense actions as well as offensive actions<sup>382</sup> and is considered through the prism of external flexibility requirements, as well as through the sources of competitive advantage<sup>383</sup>. An efficient and successful business needs an external flexibility strategy to meet unexpected changes in market competition and customer needs. This strategy covers all market sectors and is

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<sup>374</sup> Osbert-Pociecha G., Moroz M., Lichtarski J. (2008), *Elastyczność przedsiębiorstwa jako konfiguracja elastyczności cząstkowych*, *Gospodarka Narodowa*, No 4, pp. 59-84.

<sup>375</sup> Sharma M.K., Sushil Jain P.K. (2010), *Revisiting Flexibility ...*, op. cit.

<sup>376</sup> Volberda H.W. (1997), *Building Flexible Organizations for Fast-moving Market*, *Long Range Planning*, Vol. 30(2), pp. 169-183.

<sup>377</sup> Ansoff H.I. (1965), *Corporate Strategy ...*, op. cit.

<sup>378</sup> De Leeuw T., Volberda H.W. (1996), *On the Concept of Flexibility: A Dual Control Perspective*, *Omega*, Vol. 24(2), pp. 121-139.

<sup>379</sup> Krupski R. (2006), *Elastyczność organizacji ...*, op. cit.

<sup>380</sup> Harvey J., Lefebvre L.A., Lefebvre E. (1997), *Flexibility and Technology in Services: A Conceptual Model*, *International Journal of Operations & Production Management*, Vol. 17(1), pp. 29-45; Otolá I. (2018), *The Impact of Resources ...*, op. cit.

<sup>381</sup> Volberda H.W. (1997), *Building the Flexible Firm ...*, op. cit.

<sup>382</sup> Ansoff H.I. (1965), *Corporate Strategy ...*, op. cit.; Ansoff H.I. (1978), *The Changing Shape ...*, op. cit.

<sup>383</sup> Krupski R. (2006), *Elastyczność organizacji ...*, op. cit.; Trigeorgis L., Baldi F., Katsikeas C.S. (2021), *Valuation of Brand Equity and Retailer Growth Strategies Using Real Options*, *Journal of Retailing* (<https://doi.org/10.1016/j.jretai.2021.01.002>, Available online 19 February 2021).

constantly evolving in the changing market environment<sup>384</sup>. EFO can be achieved defensively or offensively. Defensively by introducing to the market an appropriately diversified product and/or service<sup>385</sup> that is sufficiently diversified to minimize the negative effects of the economic environment. Offensive, however, by introducing the company to the appropriate market in which the company will be successful. Offensive external flexibility is more elusive and more difficult to implement in the organization compared to the defensive one, but it maximizes the chance for innovation in the organization<sup>386</sup>.

The literature review shows that the organizational flexibility can be considered for the enterprise as for the entire organization or refer to the elements of the organization, while the flexibility of individual elements of the organization affects the flexibility of the entire enterprise. The complexity and ambiguity of the phenomenon of organizational flexibility forces its perception from the perspective of the logic of partial flexibility. Such an approach influences a more precise presentation of the company's flexibility, and at the same time getting to know it, which is possible thanks to the use of a system approach. The logic of partial flexibility has advantages such as affect the precise capture of the degree of flexibility of the company, resulting from the functions, processes, resources and areas of the organization<sup>387</sup>.

When looking at partial flexibility, it is worth paying attention to the division proposed by Dixon, Nanni and Vollmann<sup>388</sup>, where partial flexibility result from where a given flexibility can be exercised. Thus, the partial flexibility related to quality, distinguishing the flexibility of materials and the flexibility of production (flexibility at the output), consisting in the ability of the enterprise to manufacture various products in accordance with the quality level requirements. Flexibility is related to the product, where we can distinguish the flexibility of a new product, i.e. the possibility of introducing new products quickly and at relatively low cost, or the flexibility of modification, i.e. the possibility of modifying existing products. Flexibility related to the service, in this case, we can distinguish delivery flexibility, i.e. the ability to change the content of the order or its date, volume flexibility, i.e. the ability of the company to change the production quantity in total, or mixed flexibility, where it is possible to modify various products in a given period with limited costs additional. In turn, cost flexibility is related to the ability to change factors such as materials, labor, and capital used in the production process.

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<sup>384</sup> Alolayyan M., Mohd Ali K., Idris F., Ibrehem A. (2011), *Advance Mathematical Model to Study and Analyse the Effects of Total Quality Management (TQM) and Operational Flexibility on Hospital Performance*, Total Quality Management & Business Excellence, Vol. 22(12), pp. 1371-1393.

<sup>385</sup> Lemańska-Majdzik A., Tomski P. (2013), *O sukcesie przedsiębiorstwa (On the Success of an Enterprise)*, Zeszyty Naukowe Uniwersytetu Przyrodniczo-Humanistycznego w Siedlcach. Seria: Administracja i Zarządzanie, Nr 98, pp. 203-214.

<sup>386</sup> Sharma M.K., Sushil Jain P.K. (2010), *Revisiting Flexibility ...*, op. cit.; Saunila M. (2020), *Innovation Capability in SMEs: A Systematic Review of The Literature*, Journal of Innovation & Knowledge, Vol 5(4), pp. 260-265.

<sup>387</sup> Moroz M. (2013), *Kształtowanie elastyczności ...*, op. cit., p. 55.

<sup>388</sup> Dixon J.R., Nanni Jr. A.J., Vollmann T.E. (1990), *The New Performance Challenge (Measuring Operations for World-Class Competition)*, Irwin, Homewood, IL.

In the literature on the subject, a mixed typology is adopted, which in turn is consistent in terms of one variable, such as the production phase, the purpose of the change, the level of analysis or the time horizon. This type of distribution of flexibility reflects the horizon of vertical logic. The vertical (or hierarchical) classification of flexibility concerns the degree of detail of the analyzed object. In this case, flexibility can be estimated for individual resources (micro level) or the whole system (aggregate flexibility or macro level)<sup>389</sup>.

Thus, the concept of mixed flexibility appears here, which can be considered through the prism of the entire organization capable of changing to the environmental conditions. The variability in individual areas of the organization may be one-off or continuous, depending on the adaptation needs. It can take place suddenly and/or with a time shift, but in general terms it can be called mixed flexibility. Moreover, in different parts of the organization or at different stages of its development, there may be different varieties of organizational flexibility.

International literature increasingly recognizes that strategic flexibility of the organization (SFO) is a critical organizational competence necessary to achieve and maintain a competitive advantage and achieve high entrepreneurial performance.<sup>390</sup> The company's ability to implement a variety of dynamic capabilities in response to environmental changes is reflected in the combination of flexibility and especially in the level of strategic flexibility<sup>391</sup>. Changing the company's strategy is an attempt to change its relationship with the business environment. An attempt to change may cover the entire enterprise or selected elements of its strategy<sup>392</sup>. The organization's perception of strategic phenomena for the changes introduced in the enterprise results from the need to "meet" the changing environment. Such activities allow companies to respond to changing conditions without being surprised<sup>393</sup>. Dreyer and Grønhaug<sup>394</sup> emphasize the growing importance of strategic flexibility as a source of entrepreneurial advantage in highly competitive, uncertain and dynamic markets. Strategic flexibility also includes the ability to quickly identify market trends and respond to new market needs<sup>395</sup>. Flexible enterprises have the ability to react based on unused resources that can be mobilized when needed, which is especially valuable in developing entrepreneurial activities<sup>396</sup>.

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<sup>389</sup> De Toni A., Tonchia S. (2005), *Definition and Linkages* ..., op. cit.

<sup>390</sup> Johnson J.L., Lee R.P., Saini A., Grohmann, B. (2003), *Market-Focused Strategic* ..., op. cit.; Matthyssens P., Pauwels P., Vandenbempt K. (2005), *Strategic Flexibility, Rigidity and Barriers to the Development of Absorptive Capacity in Business Markets: Themes and Research Perspectives*, *Industrial Marketing Management*, Vol. 34, pp. 547-54; Miroshnychenko I., Strobl A., Matzler K., De Massis A. (2020), *Absorptive Capacity* ..., op. cit.

<sup>391</sup> Volberda H.W. (1996), *Toward the Flexible Form* ..., op. cit.

<sup>392</sup> Poznańska K. (2014), *Zarządzanie zmianami. Doskonalenie organizacji*, [in:] Strużycki M. (ed.), *Podstawy zarządzania*, Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie, Warszawa, pp. 191-214.

<sup>393</sup> Han Ch., Zhang S. (2021), *Multiple strategic* ..., op. cit.; Klimek J., Klimek S. (2016), *Przedsiębiorczość bez tajemnic*, Wydawnictwo Adam Marszałek, Toruń, p. 171.

<sup>394</sup> Dreyer B., Grønhaug K. (2004), *Uncertainty, Flexibility* ..., op. cit.

<sup>395</sup> Hitt M.A., Ireland R.D., Hoskisson R.E. (2007), *Strategic Management: Competitiveness and Globalization*, Concepts and Cases (7<sup>th</sup> ed.), South-Western College Pub.

<sup>396</sup> Tang J., Wang L. (2010), *Flexibility – Efficiency Tradeoff and Performance Implications among Chinese SOEs*, *Journal of Business Research*, Vol. 63(4), pp. 356-362.

The positive relationship between environmental dynamics and enterprise strategic flexibility stems from the fact that organizations can use strategic flexibility to actively counter market uncertainty. SFO refers to a company's ability to react and adapt to environmental changes. One of the most important factors influencing strategic flexibility is therefore environmental dynamism. Companies operating in a dynamic and rapidly changing environment must create strategic flexibility to gain a sustainable competitive advantage<sup>397</sup>.

The research results presented in the literature show that the degree of strategic flexibility is positively related to the degree of strategic change. Strategic flexibility is positively influenced by the size, timeliness and integrity of information in the enterprise<sup>398</sup>. Research on strategic flexibility focuses on three interrelated aspects, these are resource flexibility, process flexibility and strategic options<sup>399</sup>. In terms of resources, flexibility is limited not only by the level of resources, but also by the ways in which the enterprise exploits resources. Flexibility requires an organization to have access to flexible resources<sup>400</sup> and the flexibility to coordinate these resources towards alternative uses. This perspective suggests that the organization must have access to flexible resources and be able to flexibly coordinate these resources in alternative applications to create a range of strategic options. Process flexibility is related to the fact that strategic flexibility emphasizes the flexible use of resources and reconfiguration of processes, enabling companies to gain a competitive advantage in turbulent markets. In this sense, strategic flexibility can help an organization achieve the full potential of its key resources when used together in a process system. Conversely, a strategic view of options, which focuses on dynamic opportunities that enable enterprises to identify, create and maintain options, is intended to include flexible perspectives on resources and processes. A business unit has the ability to be strategically flexible only if it is able to build and implement an optimal set of strategic options along the strategic paths of the organization.

SFO creates benefits for the organization. It turns out that companies with strategic flexibility tend to have flexible resources and diverse portfolios of strategic options, which enable them to plan big changes in market activity<sup>401</sup>. Strategic flexibility enables enterprises to perform better in a dynamic and competitive business environment<sup>402</sup>. Firms with strategic flexibility tend to be more effective in

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<sup>397</sup> Cingöz A., Akdoğan A.A. (2013), *Strategic Flexibility, Environmental Dynamism, and Innovation Performance: An Empirical Study*, *Procedia – Social and Behavioral Sciences*, Vol. 99, pp. 582-589.

<sup>398</sup> Srour M. (2016), *The Role of Strategic Flexibility in the Associations between Management Control System Characteristics and Strategic Change*, *Contemporary Management Research*, Vol. 12(3), pp. 371-406.

<sup>399</sup> Kazozcu S.B. (2011), *Role of Strategic Flexibility in the Choice of Turnaround Strategies: A Resource Based Approach*, *Procedia – Social and Behavioral Sciences*, Vol. 24, pp. 444-459.

<sup>400</sup> Otolá I., Tylec A. (2017), *Elastyczność zasobów przedsiębiorstwa w kontekście posiadanych aktywów*, [in:] *Nowe kierunki w zarządzaniu przedsiębiorstwem. Procesy i projekty w zarządzaniu zmianami*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, Nr 463, pp. 97-106.

<sup>401</sup> Overby E., Bharadwaj A., Sambamuthy V. (2005), *A Framework for Enterprise Agility and the Enabling Role of Digital Options*, [in:] Baskerville R., Mathiassen L., Pries-Heje J., DeGross J.I. (Eds.), *Business Agility and Information Technology Diffusion*, Springer Verlag, New York, pp. 295-311.

<sup>402</sup> Yang J., Zhang F., Jiang X., Sun W. (2015), *Strategic Flexibility, Green Management, and Firm Competitiveness in an Emerging Economy*, *Technological Forecasting and Social Change*, Vol. 101,

managing economic and political risk by proactively responding to market threats and opportunities. Strategic flexibility is therefore a critical organizational competence that makes enterprises more active. Therefore, flexible organizations can analyze changes in the environment and business environment and take advantage of the opportunities created by dynamic conditions<sup>403</sup>. Moreover, strategic flexibility is essential to the company's growth. Tamayo-Torres, Ruiz-Moreno and Verdú<sup>404</sup> believe that the long-term growth of the organization is supported by a continuous process of acquiring new sources generating an increase in the level of market competition. In addition, SFO can increase the company's innovation. Innovation is the most important source of competitive advantage. This is because innovation can result in new products that better meet customer needs, can improve the quality of existing products, or reduce the manufacturing costs of products that customers expect<sup>405</sup>. The concept of strategic flexibility determines the ability to take various actions in response to environmental changes<sup>406</sup>, and as such it reflects the presence of dynamic abilities in the company<sup>407</sup>. Strategic flexible capabilities make it easier for management to change the nature of activities and are linked to the goals of the organization or the environment<sup>408</sup>. Implementing flexible opportunities requires changing strategies and tactics to adapt to rapidly changing markets. Moreover, strategic flexibility can potentially contribute to the growth of differentiation strategies and cost leadership strategies, enabling the enterprise to avoid the trade-off between them in offering high-quality products and services at low cost<sup>409</sup>.

A literature review provides evidence that SFO is critical to creating value in operational and production strategies, including<sup>410</sup>:

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pp. 347-356; Nadkarni S., Herrmann P. (2010), *CEO Personality, Strategic Flexibility, and Firm Performance: The Case of The Indian Business Process Outsourcing Industry*, *Academy of Management Journal*, Vol. 53(5), pp. 1050-1073.

<sup>403</sup> Cingöz A., Akdoğan A.A. (2013), *Strategic Flexibility ...*, op. cit.; Korombel A. (2018), *Barriers to Risk Appetite ...*, op. cit.

<sup>404</sup> Tamayo-Torres I., Ruiz-Moreno A., Verdú, A.J. (2010), *The Moderating Effect of Innovative Capacity on The Relationship between Real Options and Strategic Flexibility*, *Industrial Marketing Management*, Vol. 39, pp. 1120-1127.

<sup>405</sup> Hill W.L.C., Jones G.R. (2008), *Strategic Management: An Integrated Approach*, 8th Edition, Boston, Houghton Mifflin Company.

<sup>406</sup> Johnson J.L., Lee R.P., Saini A., Grohmann, B. (2003), *Market-Focused Strategic ...*, op. cit.

<sup>407</sup> Eisenhardt K.M., Furr N.R., Bingham C.B. (2010), *Crossroads – Microfoundations of Performance: Balancing Efficiency and Flexibility in Dynamic Environments*, *Organization Science*, Vol. 21(6), pp. 1263-1273; Eisenhardt K.M., Martin J.A. (2000), *Dynamic Capabilities: What are They?* *Strategic Management Journal*, Vol. 21(10/11), pp. 1105-1121.

<sup>408</sup> Kamasaka R., Yavuzb M., Karagullec A.O., Agcad T. (2016), *Importance of Strategic Flexibility on The Knowledge and Innovation Relationship: An Emerging Market Study*, *Procedia – Social and Behavioral Sciences*, Vol. 229, pp. 126-132.

<sup>409</sup> Hoskisson R.E., Hitt M.A., Ireland R.D. (2008), *Competing for Advantage* (2<sup>nd</sup> ed.), Thomson South-Western, Cincinnati; Miroshnychenko I., Strobl A., Matzler K., De Massis A. (2020), *Absorptive Capacity ...*, op. cit.

<sup>410</sup> Khin S., Ahmad N.H., Ramayah T. (2012), *The Integrated Effect of Strategic Orientations on Product Innovativeness: Moderating Role of Strategic Flexibility*, *Procedia – Social and Behavioral Sciences*, Vol. 65, pp. 743-748; Kortmann S., Gelhard C., Zimmermann C., Piller F.T. (2014), *Linking Strategic Flexibility and Operational Efficiency: The Mediating Role of Ambidextrous Operational Capabilities*, *Journal of Operations Management*, Vol. 32(7), pp. 475-490; Perez-Valls M., Cespedes-Lorente J.,

- mass personalization,
- time of product launch on the market,
- operational excellence,
- lean manufacturing,
- stock variety.

Positive results in these organizational areas improve the company's productivity, and thus are an opportunity to reduce production costs. The results of international research show a positive correlation between the flexibility of an enterprise and its performance, which suggests that achieving flexibility may be the beginning of implementing cost leadership in an organization<sup>411</sup>. Moreover, SFO increases the positive impact of technological possibilities on innovation. The literature confirms that the impact of technological capabilities of enterprises on innovation depends on strategic flexibility<sup>412</sup>. Given this view, it is possible that strategic flexibility can either strengthen or weaken the relationship between product innovation and market orientation, and also strengthen or weaken technology orientation<sup>413</sup>.

The SFO covers both the operational and tactical domains as it is a long-term perspective of flexibility that emphasizes the company's managerial ability to identify, generate and maintain a variety of strategic options while responding to environmental changes and market uncertainty<sup>414</sup>. In a highly uncertain and changing environment, managers must use strategic flexibility to respond to changes. However, maintaining strategic flexibility is not an easy task for managers in a dynamic and volatile environment. There are some barriers to strategic flexibility, such as:

- organizational inertia,
- advanced age of the organization,
- size of the organization,
- low level of management skills,
- low organizational and social culture.

These features make it easy to make mistakes in the organization management process, and maintaining strategic flexibility in this case is very difficult.

The operational flexibility of the organization (OFO) or the so-called a company's routine maneuverability consists of procedures that are based on the organisation's existing structures or objectives<sup>415</sup>. This is the most common type of flexibility and refers to the number of activities rather than the types of activities undertaken within

Moreno-Garcia J. (2015), *Green Practices and Organizational Design as Sources of Strategic Flexibility and Performance*, Business Strategy and The Environment, Vol. 25(8), pp. 529-544; Srour M. (2016), *the Role of Strategic Flexibility in the Associations between Management Control System Characteristics and Strategic Change*, Contemporary Management Research, Vol. 12(3), pp. 371-406; Vanacker T., Collewaert V., Zahra S.A. (2017), *Slack Resources, Firm Performance, and the Institutional Context: Evidence from Privately Held European Firms*, Strategic Management Journal, Vol. 38(6), pp. 1305-1326; Arafa A., ElMaraghy W.H., (2012), *Enterprise Strategic Flexibility*, Procedia CIRP, Vol. 3, pp. 537-542.

<sup>411</sup> Dreyer B., Grønhaug K. (2004), *Uncertainty, Flexibility ...*, op. cit.

<sup>412</sup> Zhou K.S., Wu F. (2010), *Technological Capability, Strategic Flexibility, and Product Innovation*, Strategic Management Journal, Vol. 31(5), pp. 547-561.

<sup>413</sup> Khin S., Ahmad N.H., Ramayah T. (2012), *The Integrated Effect ...*, op. cit.

<sup>414</sup> Johnson J.L., Lee R.P., Saini A., Grohmann B. (2003), *Market-Focused Strategic ...*, op. cit.

<sup>415</sup> Volberda H.W. (1997), *Building Flexible ...*, op. cit.

the organization. These procedures are primarily operational and reactive in nature<sup>416</sup>. Kasiewicz<sup>417</sup> points out that OFO concerns both the decision-making level of the organization, i.e. decisions made on an ongoing basis in the enterprise, and the functional level of the organization. This involves the identification, evaluation and measurement of flexibility and includes the improvement of flexibility through planning or control in the enterprise. The flexibility of the enterprise requires changes that are necessary and often lead to a temporary change in the level of activity of the organization. In the case of operational flexibility, however, there is no significant shift in the relationship between the organization and its environment. Operational flexibility ensures, above all, a quick reaction to already known changes. Such changes usually lead to a temporary, short-term fluctuation in the level of the company's activity. Although the diversity in the environment can be high, the types of combinations are reasonably predictable such that an organization, based on experience and extrapolation, is able to develop certain procedures to reduce this uncertainty<sup>418</sup>.

In the strategic management literature, operational flexibility is also referred to as production flexibility<sup>419</sup>, since this type of organizational flexibility has been perceived as a basic feature of production systems at some point in time. In the context of production systems, this type of flexibility usually refers to the ability of the system to deal with change<sup>420</sup>. This definition of flexibility does not in itself explain what it means to "cope" with change, but many researchers imply that it tries to develop the meaning of "coping" in terms of the producer's ability and his response to changes in the organization's environment<sup>421</sup>.

Thus, the definition of productive flexibility combines two aspects, on the one hand it is the ability of the company to change or the ability to react, on the other hand this type of flexibility is associated with a relatively low time shift, low cost of change and quite low effort of the company.

OFO influences the timely fulfillment of customers' expectations and requirements as to products or services offered<sup>422</sup>, and the operational response of the company to changes in the environment, called quantitative flexibility, allows for the production of an appropriate amount of products based on the resources held, without incurring additional negative costs that arise as a result of changes in the planned

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<sup>416</sup> Grant R.M. (1996), *Prospering in Dynamically-Competitive Environments: Organizational Capability as Knowledge Integration*, Organization Science, Vol. 7(4), pp. 375-387; Zollo M., Winter S.G. (2002), *Deliberate Learning ...*, op. cit.

<sup>417</sup> Kasiewicz S. (2009), *Elastyczność przedsiębiorstwa w koncepcjach zarządzania zasobowego*, [in:] Kasiewicz S., Ormińska J., Rogowski W., Urban W., *Metody osiągnięcia ...*, op. cit., pp. 11-55.

<sup>418</sup> Sharma M.K., Sushil Jain P.K. (2010), *Revisiting Flexibility ...*, op. cit.

<sup>419</sup> Van der Weerd N.P. (2009), *Organizational Flexibility ...*, op. cit.

<sup>420</sup> Gupta D., Buzacott J.A. (1989), *A Framework for Understanding Flexibility of Manufacturing Systems*, Integrated Manufacturing Systems, Vol. 8(2), pp. 89-97.

<sup>421</sup> Yu K., Cadeaux J., Luo B.N. (2015), *Operational Flexibility: Review and Meta-Analysis*, International Journal of Production Economics, Vol. 169, pp. 190-202.

<sup>422</sup> Karpacz J. (2014), *Identyfikacja zdolności operacyjnych organizacji: zdolność technologiczna*, [in:] Stabryła A., Małkus T. (eds.), *Strategie zarządzania organizacjami w społeczeństwie informacyjnym*, Mfiles.pl, Encyklopedia Zarządzania, Kraków, pp. 167-184.



production of the company<sup>423</sup>. Operational response also allows for the production of a variety of production, adapted to changes in the environment, and at the same time not having a negative impact on the company's performance<sup>424</sup>. The existence of operational flexibility in the enterprise gives employees greater autonomy in carrying out day-to-day duties, which leads to greater productivity, while increasing employee satisfaction at the same time. The simultaneous occurrence of operational flexibility and time flexibility has a positive effect on employee relationships and motivations<sup>425</sup>. Since OFO typically responds quickly to changes, it typically leads to temporary fluctuations in the company's operations. The purpose of operational flexibility is to maximize efficiency and minimize risk in a volatile market. In summary, examples of internal operational flexibility are:

- diversification of the production volume in the organization,
- inventory building,
- maintaining overcapacity in terms of financial resources.

In turn, external operational flexibility can be achieved by focusing on certain peripheral activities or using temporary workforce to adjust the size of the resources and workforce to the market situation.

The literature distinguishes between the elements of coverage, mobility and uniformity of operational flexibility. Scope refers to the ability to provide a large range of a change dimension, which can be represented as the number of possible actions within the scope. Mobility refers to the ability to deliver change, which can be measured by time or at the cost of the change, and refers to management activities, and uniformity indicates the similarity of organizational performance in terms of the change made<sup>426</sup>. The scope of operational flexibility represents the extent of a flexible response in terms of the full utilization and diversity of an organization's resources used, while mobility and homogeneity represent the flexibility to respond, largely reflecting the company's ability to act to reduce the cost and reconfiguration time needed to introduce a new product or services to the market<sup>427</sup>. Moreover, the mobility and uniformity of flexible response in the case of operational flexibility is largely determined by the coordination abilities of the enterprise<sup>428</sup>.

Operational flexibility is of particular importance in the case of multinational companies. Research shows that the ability of this type of organization to be operational increases the company's efficiency. In this case, operational flexibility

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<sup>423</sup> Krupski R. (2008) (ed.), *Elastyczność organizacji ...*, op. cit., p. 18.

<sup>424</sup> Sánchez A.M., Pérez P.M. (2005), *Supply Chain Flexibility and Firm Performance: A Conceptual Model and Empirical Study in the Automotive Industry*, International Journal of Operations & Production Management, Vol. 25(7), pp. 681-700.

<sup>425</sup> Rastogi M., Rangnekar S., Rastogi R. (2016), *Flexibility as a Predictor of Work-Family Enrichment*, Global Journal of Flexible Systems Management, Vol. 17(1), pp. 5-14.

<sup>426</sup> Upton D.M. (1994), *The Management of Manufacturing Flexibility*, California Management Review, Vol. 36(2), pp. 72-89; Upton D.M. (1995), *What Really Makes Factories Flexible?* Harvard Business Review, Vol. 73(4), pp. 74-84.

<sup>427</sup> Koste L.L., Malhotra M.K., Sharma S. (2004), *Measuring Dimensions of Manufacturing Flexibility*, Journal of Operations Management, Vol. 22(2), pp. 171-196.

<sup>428</sup> Suarez F.F., Cusumano M.A., Fine C.H. (1996), *An Epirical Study ...*, op. cit.

becomes a key factor influencing organizational effectiveness<sup>429</sup>. OFO becomes strategic and enables enterprises to coordinate and delegate resources in such a way as to make the best use of them and contribute to the greatest possible improvement of the company's results<sup>430</sup>. Operational flexibility influences the optimization of production through organizational changes, including changes in the spatial structure of the enterprise and the possibility of total or partial transfer of some of its activities within the production network, i.e. international transfers are created<sup>431</sup>. Therefore, due to this specificity, OFO is also of particular importance in the case of enterprise networks. This applies to groups of enterprises that are characterized by close links, including corporate systems<sup>432</sup>.

Functional flexibility of the organization (FFO) also seems to be important from the point of view of goals and tasks in the organization, which, as shown by empirical research conducted by Michie and Sheehan<sup>433</sup>, has a significant impact on innovation and creativity in the workplace. Therefore, the area of the personnel function and work flexibility significantly affects the efficiency of the enterprise and its level of market competitiveness. Functional flexibility includes a flexible scope of work, flexible working conditions that affect the fact how long work is performed, which is directly related to the flexibility of the number of hours worked, flexibility in scheduling hours, flexibility in the number of working hours, flexibility in arranging hours (when it is performed work) and flexibility of the workplace (place of work) and flexibility in the use of leave. In addition, functional flexibility covers the development of employees, including training, as a result of which their qualifications and competences are raised<sup>434</sup>.

In summary, organizations offer different types of flexibility in working conditions, such as compressed working weeks, flexible worksharing and working time, part-time work, with the most common and applied practice of flexibility,

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<sup>429</sup> Tan K.C., Kannan V.R., Narasimhan R. (2007), *The Impact of Operations Capability on Firm Performance*, International Journal of Production Research, Vol. 45(21), pp. 5135-5156.

<sup>430</sup> Fisch J.H., Zschoche M. (2012), *The Effect of Operational Flexibility on Decisions to Withdraw from Foreign Production Locations*, International Business Review, Vol. 21, pp. 806-816; Lo F.Y., Lin F.J. (2015), *Advantage Transfer on Location Choice and Subsidiary Performance*, Journal of Business Research, Vol. 68(7), pp. 1527-1531.

<sup>431</sup> Chung C.C., Lee S.H., Beamish P.W., Isobe T. (2010), *Subsidiary Expansion/Contraction during Times of Economic Crisis*, Journal of International Business Studies, Vol. 41(3), pp. 500-516; Lampón J.F., Cabanelas P., Carballo-Cruz F. (2017), *A Model for International Production Relocation: Multinationals' Operational Flexibility and Requirements at Production Plant Level*, Journal of Business Research, Vol. 77, pp. 95-101.

<sup>432</sup> Grabowska M. (2016), *Sytuacyjne konteksty ładu korporacyjnego*, Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa.

<sup>433</sup> Michie J., Sheehan M. (2003), *Labour Market Deregulation, 'Flexibility' and Innovation*, Cambridge Journal of Economics, Vol. 27(1), pp. 123-143; Michie J., Sheehan M. (2005), *Business Strategy, Human Resources, Labour Market Flexibility and Competitive Advantage*, The International Journal of Human Resource Management, Vol. 16(3), pp. 445-464.

<sup>434</sup> Glynn C., Steinberg I., McCartney C. (2002), *Work-Life Balance: The Role of the Manager*, Roffey Park Institute, Horsham, p. 9; Giannikis S.K., Mihail D.M. (2011), *Flexible Work Arrangements in Greece: A Study of Employee Perceptions*, The International Journal of Human Resource Management, Vol. 22(2), pp. 417-432; Jagoda A. (2015), *Elastyczność funkcjonalna ...*, op. cit.

in this case, being the workplace and working time<sup>435</sup>. A flexible workplace, or teleworking (remote work), includes working away from a traditional office or at home, as well as virtual work using information and communication technologies. In turn, flexible working hours, the so-called flexible working schedule, allows employees to choose working hours under certain restrictions by the organization<sup>436</sup>. In addition, the FFO related to the flexibility of the personnel function and work flexibility influences the actions of employees in connection with the need to combine work with family life<sup>437</sup>.

Work flexibility is defined as all formal and informal activities relating to policies and practices that give people the choice of when and where the work will be performed<sup>438</sup>. Work flexibility gives employees the opportunity to choose when, where and how much time work-related tasks will take. This type of solution has many advantages for the employees themselves and for the entire organization<sup>439</sup>. Moreover, employees who had flexible working conditions indicated a higher level of job satisfaction as well as greater commitment and identification with the organization. This shows that this type of activities in the field of FFO bring more benefits compared to the costs associated with such activities in the enterprise<sup>440</sup>.

Flexible working conditions are encountered at different levels of the organization and can therefore take many forms. One of them is, for example, outsourcing, i.e. work for subcontractors, which allows companies to reduce the costs associated with employing employees on the basis of an employment contract. At the same time, the use of this method allows you to find qualified employees who, employed in competing companies, provide services to clients. It is a clever method of flexible work organization, because subcontractors often provide services in many companies, so adjusting to the requirements, they regulate the time and often the scope of work, and thus the remuneration. Some employees may also be employed

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<sup>435</sup> Galinsky E., Bond J.T., Sakai K. (2008), *National Study of Employers*, Families and Work Institute, New York; Coenen M., Kok R.A.W. (2014), *Workplace Flexibility and New Product Development Performance: The Role of Telework and Flexible Work Schedules*, European Management Journal, Vol. 32(4), pp. 564-576.

<sup>436</sup> McNall, Nicklin J.M., Masuda A.D. (2010), *A Meta-Analytic Review of the Consequences Associated L.A. with Work-Family Enrichment*, Journal of Business and Psychology, Vol. 25(3), pp. 381-396; Król M. (2014), *Elastyczność zatrudnienia w organizacji*, Wydawnictwo CeDeWu, Warszawa, pp. 33-38.

<sup>437</sup> Cabrera-Suárez K., De Saá-Pérez P., García-Almeida D. (2011), *The Succession Process from a Resource- and Knowledge-Based View of the Family Firm*, Family Business Review, Vol. 14(1), pp. 37-48; Kalyani M., Prakashan Sahoo M. (2011), *Human Resource Strategy: A Tool of Managing Change for Organizational Excellence*, International Journal of Business and Management, Vol. 6(8), pp. 280-286; Azar S., Khan A., van Eerde W. (2018), *Modelling Linkages between Flexible Work Arrangements' Use and Organizational Outcomes*, Journal of Business Research, Vol. 91, pp. 134-143.

<sup>438</sup> Maxwell G., Rankine L., Bell S., Mac Vicar A. (2007), *The Incidence and Impact of Flexible Working Arrangements in Smaller Business*, Employee Relations, Vol. 2, pp. 138-161.

<sup>439</sup> Hill J.E., Grzywacz J., Allen S., Blanchard V., Matz-Costa Ch., Shulkin S., Pitt-Catsouphes M. (2008), *Defining and Conceptualizing Workplace Flexibility*, Community, Work and Family, Vol. 11(2), pp. 149-163.

<sup>440</sup> Giannikis S.K., Mihail D.M. (2011), *Flexible Work Arrangements ...*, op. cit.; Jooss S., McDonnell A., Conroy K. (2021), *Flexible Global Working Arrangements: An Integrative Review and Future Research Agenda*, Human Resource Management Review, Vol. 31, p. 100780 (<https://doi.org/10.1016/j.hrmr.2020.100780>, Available online 27 August 2020).

full-time on a permanent basis by the parent company and only have short-term contracts with their partner company. This flexible arsenal of employees could be implemented to a minimum or maximum extent depending on the needs of the organization, helping it to cope with changing market conditions, competition, downturns and increases in demand<sup>441</sup>.

When it comes to flexible working conditions, the organizational approach is recognized as having a significant impact on company practices. Managers can have a positive impact on work flexibility, creating an organizational culture focused on supporting this type of practice<sup>442</sup>. On the other hand, managers may oppose such solutions in the organization or limit flexibility to the extent desired by employees. The research shows that flexibility of work and working conditions in smaller enterprises, where a small number of employees are employed and where the company's resources are limited, may be insufficient due to personnel limitations or, for example, seasonality of production<sup>443</sup>. Nevertheless, decisions on hiring or firing employees, in light of the volatility of the company's environment, should be made taking into account the value of flexibility in human resource management in the organization<sup>444</sup>.

The idea of flexible organization suggests that the enterprise is flexible in terms of its adaptability to expansion, contraction or changes in the market environment. This situation is accompanied by flexible forms of employment, including fixed-term contracts, temporary contracts, seasonal contracts, etc. In many cases, such flexible forms of work are nothing new and have been used more and more over the past decades, which has resulted in a fundamental change in the nature of the work. Such flexible work influences the working conditions of employees and at the same time creates the need for a higher level of education and development, as well as increased autonomy and responsibility beyond the routine training required by standard company regulations<sup>445</sup>. At the same time, flexible working conditions have a positive effect on organizational effectiveness, job satisfaction, reducing conflicts resulting

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<sup>441</sup> Lipińska-Grobelny A. (2014), *Zjawisko wielopracy. Psychologiczne uwarunkowania i konsekwencje*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, p. 58; Koltarz D. (2007), *Ekonomia rynku pracy*, Prace Naukowe, Akademia Ekonomiczna w Katowicach, Katowice, p. 12; Boltanski L., Chiapello E. (2005), *The New Spirit of Capitalism*, Verso, London, pp. 217-218.

<sup>442</sup> Leal-Rodríguez, A., Albort-Morant, G., Martelo-Landroguez, S. (2017), *Links between Entrepreneurial Culture, Innovation, and Performance: The Moderating Role of Family Firms*, International Entrepreneurship and Management Journal, Vol. 13(3), pp. 819-835; Pasban M., Nojehdeh SH. (2016), *A Review of the Role of Human Capital in the Organization*, Procedia – Social and Behavioral Science, Vol. 230, pp. 249-253; Lemańska-Majdzik A. (2019), *The Factors Affecting the Level ...*, op. cit.

<sup>443</sup> Dex S. (2003), *Flexible (or Family Friendly) Work Arrangements in The UK. Are They a Good Thing?* Centre for Longitudinal Studies, Institute of Education, London University, London and Judge Institute of Management, University of Cambridge.

<sup>444</sup> Perufe J.V., De Magalhães Ozório L., De Lamare Bastian-Pinto C., De Jesus Monteiro De Barros S. (2018), *Flexibility in Human Resources Management: A Real Options Analysis*, RAUSP Management Journal, Vol. 53(2), pp. 253-267.

<sup>445</sup> Bajzikova L., Sajgalikova H., Wojcak E., Polakova M. (2013), *Are Flexible Work Arrangements Attractive Enough for Knowledge-Intensive Businesses?* Procedia – Social and Behavioral Sciences, Vol. 99, pp. 771-783.

from combining work and family life<sup>446</sup>. Sometimes work flexibility becomes a necessity to meet environmental challenges, e.g. as happened in the Covid-19 pandemic.

### 3.3. Flexible Activities in Small and Medium-sized Enterprises

Flexible adaptation of enterprises in the form of a quick configuration of operations to market changes, at this point, becomes an opportunity for the development of small and medium-sized enterprises, and taking advantage of this opportunity allows for the perception of market opportunities. Flexibility of operation therefore means that entrepreneurs flexibly modify plans or decisions in a continuous manner, adapting to the changing circumstances of the company's operation<sup>447</sup>. Unfavorable business environments nowadays even require organizational flexibility from SMEs, i.e. the ability of the company to keep up with changes in the market and to react quickly to unpredictable and unexpected market conditions<sup>448</sup>. Flexible activities of the organization affect the most important areas of the organization that have a significant impact on its functioning. In the areas of enterprise operations, flexibility comes in various forms, affecting the enterprise's operations in many areas at the same time. In the areas of flexible activities of the organization, the following are distinguished:

- flexibility of the production organization system,
- operational flexibility,
- individual flexibility.

On the other hand, in the areas of strategy, flexibility of actions determines the competitive advantage, reduces the uncertainty and risk of action, and enables agile strategy development.

This indicates that the essence of organizational flexibility should be perceived through the prism of its kinds and types, which do not eliminate each other in the process of the company's operation on the market<sup>449</sup>. International research shows that the more flexible an organization becomes in various areas of its activity, the better it reacts to changes in the overall environment<sup>450</sup>. Flexible companies become creative, innovative and agile. All these activities are performed within the organizational and coordination processes of the organization. Therefore, in a rapidly

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<sup>446</sup> Cech E.A., Blair-Loy M. (2014), *Consequences of Flexibility Stigma among Academic Scientists and Engineers*, *Work and Occupations*, Vol. 41(1), pp. 86-110; Maruyama T., Tietze S. (2012), *From Anxiety to Assurance: Concerns and Outcomes of Telework*, *Personnel Review*, Vol. 41(4), pp. 450-469.

<sup>447</sup> Brettel M., Mauer R., Engelen A. (2012), *Corporate Effectuation: Entrepreneurial Action and its Impact on R&D Project Performance*, *Journal of Business Venturing*, Vol. 27(2), pp. 167-184.

<sup>448</sup> Santos-Vijande M.L., López-Sánchez J.Á., Trespalacios J.A. (2012), *How Organizational Learning Affects A Firm's Flexibility, Competitive Strategy and Performance*, *Journal of Business Research*, Vol. 65(8), pp. 1079-1089.

<sup>449</sup> Kasiewicz S. (2009), *Elastyczność przedsiębiorstwa w koncepcjach zarządzania zasobowego ...*, op. cit., pp. 14-22.

<sup>450</sup> Todorut A.V. (2008), *The Flexibility of Organization and The Flexibility of Product – Premises of Organizational Success*, MPRA Paper 7947, University Library of Munich, Germany, Available: <https://ideas.repec.org/p/pramprapa/7947.html>.

changing business environment, flexibility is a competitive advantage that enables small and medium-sized enterprises to face both threats and inherent opportunities in an uncertain future and in unstable circumstances. It took on particular significance in the era of pandemic Covid-19.

Flexible activities in the small and medium-sized enterprises within new ventures affect the better use of opportunities, strengthen the company and affect better connection and use of the organization's resources. Flexible entrepreneurs usually abandon ineffective solutions in favor of new solutions and combinations. Flexible enterprises have a better chance of deliberately creating, extending or modifying their knowledge, which allows them to process knowledge in the most effective way, while leading to higher innovation in changing environmental conditions<sup>451</sup>. Flexibility as a sub-dimension of operational efficiency refers to taking advantage of unforeseen conditions of the business environment and focusing on non-compliance with formal rules and planning of the entrepreneurial process<sup>452</sup>.

The flexibility of the small organization depends on the behavior of the entrepreneur, who in the case of an organization is a leader. Kanter's concept of entrepreneurial behavior in a dynamic environment is related to the personality model of an entrepreneurial person. This concept boils down to the statement that in changing conditions, entrepreneurship is an entrepreneur who implements the "4F" principle, that is:

- 1) Focus – focuses on the concept of business and its management;
- 2) First – is the first in responding to changes resulting from the organization's environment;
- 3) Fast – is fast in the process of adapting to changes in the environment;
- 4) Flexibility – that is, it is flexible in its activities.

Flexibility in this case concerns thinking and acting within the framework of the SME operation<sup>453</sup>. The fulfillment of the above requirements is the starting point for the formulation of the organization's strategy in the process of the overall creation of entrepreneurial resources in order to gain a competitive advantage<sup>454</sup>.

Flexibility at the level of the entire organization is difficult to identify and unambiguously grasp due to the fact that it is subject to a continuous process of conceptualization. In this case, the organizational variability of the enterprise occurs in different places of the organization, with different intensity and scope<sup>455</sup>.

The contemporary turbulence of the environment, resulting from the speed of changes taking place in the competitive market environment, and resulting from the Covid-19 pandemic, means that the flexibility of the company may be treated as an organizational necessity at a given moment and place of the organization. According

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<sup>451</sup> Kamasaka R., Yavuzb M., Karagullec A.O., Agcad T. (2016), *Importance of Strategic ...*, op. cit.

<sup>452</sup> Brettel M., Mauer R., Engelen A. (2012), *Corporate Effectuation ...*, op. cit.

<sup>453</sup> Łuczak M. (2003), *Strategie w działalności przedsiębiorstwa*, Wyższa Szkoła Ekonomiczna, Warszawa, p. 41.

<sup>454</sup> Galata S. (2001), *Globalizacja zarządzania (uwarunkowania – proces – tendencje)*, Zeszyty Naukowe Akademii Ekonomicznej w Krakowie, No 567, pp. 7-19.

<sup>455</sup> Moroz M. (2012), *Przesłanki i przejawy ...*, op. cit.; Moroz M. (2013), *Kształtowanie elastyczności ...*, op. cit.

to Volberda<sup>456</sup>, the understanding of organizational flexibility is facilitated by theories of control systems, thanks to which a company operating in the market has the opportunity to respond to changes resulting from the volatility of the competitive market.

Due to the place where flexible activities occur, individual partial elasticities can be distinguished, related to e.g. with<sup>457</sup>:

- quality, we can distinguish here the flexibility of materials and the flexibility of production (flexibility at the exit), consisting in the ability of the enterprise to manufacture various products in accordance with the requirements as to the desired level of quality;
- a product, where the flexibility of a new product can be distinguished, i.e. the possibility of introducing new products quickly and at relatively low costs, or the flexibility of product modification, i.e. the possibility of modifying existing products;
- service, in this case, we can distinguish delivery flexibility, i.e. the ability to change the content of the order or its date, volume flexibility, i.e. the ability of the company to change the production quantity in total, or mixed flexibility, where it is possible to modify various products in a given period with limited additional costs;
- costs where there is factor flexibility related to the ability to change factors such as materials, labor and capital used in the production process.

In the face of constant change, the management of small and medium-sized enterprises requires great internal freedom to facilitate transformation, including renewal or transformation of existing structures and processes. The relationship between structural flexibility and strategic flexibility is supported by the theory of Sanchez and Mahoney<sup>458</sup>, who argue that by facilitating loose coupling between organizational units, modularity in organizational design can reduce the costs and difficulties of adaptive coordination, thereby increasing the strategic flexibility of enterprises, which is essential in their response to environmental changes. Various organizational forms should be combined, shaped in such a way as to give the organization a flexible shape, so that small and medium-sized enterprises will have the appropriate functions necessary to manage projects and innovations, including various types of flexibility. Moreover, with regard to decision-making and communication processes, it should be stated that organizations must configure their internal systems so as to facilitate the introduction of changes resulting from environmental turbulence<sup>459</sup>.

The increase in the pace of changes in today's markets along with the constant fragmentation of customer requirements make adaptability the basic condition for

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<sup>456</sup> Volberda H.W. (1996), *Toward the Flexible Form ...*, op. cit.

<sup>457</sup> Dixon J.R., Nanni Jr. A.J., Vollmann T.E. (1990), *The New Performance ...*, op. cit.

<sup>458</sup> Sanchez R., Mahoney J.T. (1996), *Modularity, Flexibility, and Knowledge Management in Product and Organization Design*, Strategic Management Journal, Vol. 17, pp. 63-76.

<sup>459</sup> Peszko A. (2016), *Zaufanie istotnym czynnikiem rozwoju organizacji w warunkach ogólnej niepewności*, [in:] Barcik R., Borowiecki R., Dudek M., Nowicka-Skowron M. (eds.), *Zarządzanie w rozwoju organizacji. Wybrane problemy*, Wydawnictwo AGH, Kraków, pp. 51-68.

competing<sup>460</sup>. It turns out that the company's ability to react quickly to changing competitive conditions affects the development of the organization and allows it to maintain its competitive advantage<sup>461</sup>. Thus, flexibility gives small and medium-sized enterprises the ability to effectively control the external environment, and the more areas of a company's activity are controlled, the better the company's competitive position on the market<sup>462</sup>.

In the case of uncertainty on the market, the competitive advantage of enterprises requires organizational agility, which can be created by proactive activities, organizational flexibility, quick adaptation to turbulent environmental conditions, as well as the organizational learning process<sup>463</sup>. Among the characteristics of an agile organization, there are, among others, quick and comprehensive introduction of changes, quick replacement of products in order to exceed the expectations of recipients (customers), decentralization of power and decision making at the level of task teams. Agility is an important factor influencing the competitive advantage among small and medium-sized enterprises due to the competences, strategies and behavioral characteristics of this group of companies<sup>464</sup>. This is due to the dynamic skill and ability to achieve a competitive advantage, which is often a response to threats arising from the environment<sup>465</sup>. Organizational agility is based on the concepts of management theory relating to the success of companies in a turbulent environment that changes dynamically<sup>466</sup>, strategic flexibility and market orientation. It follows that flexibility refers to the ability of an organization to move from one task to another, adapt to and respond to changes, while organizational agility demonstrates

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<sup>460</sup> Grewal R., Tansuhaj P. (2001), *Building Organizational Capabilities for Managing Economic Crisis: The Role of Market Orientation and Strategic Flexibility*, Journal of Marketing, Vol. 65(2), pp. 67-80;

Dewsnap B., Micevski M., Cadogan J.W., Kadic-Maglajlic S. (2020), *Flexibility in Marketing ...*, op. cit.

<sup>461</sup> Ussahawanitchakit P., Sriboonlue P. (2011), *Transformational Leadership, Strategic Flexibility, Learning Capability, Continuous Improvement, and Firm Performance: Evidence from Thailand*, International Journal of Business Strategy, Vol. 11(1), pp. 162-172.

<sup>462</sup> Reddy S. B. (2006), *Strategic Flexibility and Information Technology Properties: Competitive Advantage and Asset Specificity*, Advances in Competitiveness Research, Vol. 14(1), pp. 16-43.

<sup>463</sup> Meredith S., Francis D. (2000), *Journey Towards Agility: The Agile Wheel Explored*, The TQM Magazine, Vol. 12(2), pp. 137-143.

<sup>464</sup> Bessant J., Francis D., Meredith S., Kaplinsky R., Brown S. (2001), *Developing Manufacturing Agility in SMEs*, International Journal of Technology Management, Vol. 22(1-3), pp. 28-54; Demir R., Campopiano G., Kruckenhauser Ch., Bauer F. (2021), *Strategic Agility, Internationalisation Speed and International Success – The Role of Coordination Mechanisms and Growth Modes*, Journal of International Management, Vol. 27(1), p. 100838.

<sup>465</sup> Sajdak M. (2013), *Zwinność jako źródło przewagi konkurencyjnej i sukcesu przedsiębiorstwa*, Zarządzanie i Finanse, Vol. 4(1), pp. 249-261; Khoshlahn M., Ardabili F.S., (2016), *The Role of Organizational Agility and Transformational Leadership in Service Recovery Prediction*, Procedia – Social and Behavioral Sciences, Vol. 230, pp. 142-149; Yusuf Y.Y., Gunasekaran A., Musa A., Dauda M., El-Berishy N.M., Cang S. (2014), *A Relational Study of Supply Chain Agility, Competitiveness and Business Performance in the Oil and Gas Industry*, International Journal of Production Economics, Vol. 147, pp. 531-543.

<sup>466</sup> Teece D.J., Pisano G., Shuen A. (1997), *Dynamic Capabilities and Strategic Management*, Vol. 18(7), pp. 509-533; Bednarek M. (2016), *Kierunki rozwoju zarządzania we współczesnym przedsiębiorstwie*, [in:] Sułkowski Ł., Bednarek M., Parkes A. (eds.), *Kulturowa zmienność systemów zarządzania*, Wydawnictwo Difin, Warszawa, pp. 13-58.



the speed of detecting and responding to changes in the business environment<sup>467</sup>. The concept of organizational agility has its roots in two terms: adaptability and flexibility. Adaptability is perceived through the prism of reaction, and flexibility through the prism of proactivity<sup>468</sup>. Agile organization is a term that is commonly used to describe enterprises that are able to function and grow in the rapidly changing conditions of the business environment<sup>469</sup>, and the main aspect of agility is the company's ability to respond to change<sup>470</sup>. Summing up, when reviewing the literature on organizational agility, it should be emphasized that agility is the ability to react, competences, flexibility and speed, but in terms of the skills of the members of the organization. Efficient employees in an agile organization are capable of sensing, perceiving and anticipating changes, competent, efficient, knowledgeable and empowered, flexible in action by achieving various goals, and their responses to changes should be proactive and quick<sup>471</sup>.

Therefore, taking into account market competition, the flexibility of small and medium-sized enterprises should be considered as a set of flexible activities of the organization that lead to achieving a competitive advantage on the market<sup>472</sup>. The complexity and ambiguity of the phenomenon of organizational flexibility forces its perception from the perspective of the logic of partial elasticities. Such an approach influences a more precise presentation of the company's flexibility, and at the same time getting to know it, which is possible thanks to the use of a system approach. This logic of partial elasticities has advantages that include affect the precise capture of the degree of flexibility of the company, resulting from the functions, processes, resources and areas of the organization<sup>473</sup>.

Therefore, the key distinguishing factor for flexibility is the fact that flexible competences in the hands of small and medium-sized enterprises, considered as internal competences, are focused on ensuring appropriate organizational processes. This affects the ability of enterprises to achieve other types of flexibility, which increase the capacity of the organization as a whole<sup>474</sup>. Thus, having flexible skills and flexible activities in one area positively influences the growth of flexible skills and activities in other areas of the organization, which makes the organization generally more flexible, i.e. its activities are more adapted to changing environmental conditions.

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<sup>467</sup> Seethamraju R., Krishna Sundar D. (2013), *Influence of ERP Systems on Business Process Agility*, IIMB Management Review, Vol. 25, pp. 137-149.

<sup>468</sup> Sherehiy B., Karwowski W., Layer J.K. (2007), *A Review of Enterprise Agility: Concepts, Frameworks, and Attributes*, International Journal of Industrial Ergonomics, Vol. 37, pp. 445-460.

<sup>469</sup> Dove R. (2001), *Response Ability: The Language, Structure, and Culture of The Agile Enterprise*, John Wiley & Sons Inc., New York.

<sup>470</sup> Arteta B.M., Giachetti R.T. (2004), *A Measure of Agility ...*, op. cit.

<sup>471</sup> Qin R., Nembhard D.A., (2015), *Workforce Agility in Operations Management*, Surveys in Operations Research and Management Science, Vol. 20, pp. 55-69; Demir R., Campopiano G., Kruckenhauser Ch., Bauer F. (2021), *Strategic Agility ...*, op. cit.

<sup>472</sup> Chajęcki A., Krzakiewicz C., Chajęcki M. (2012), *Elastyczność organizacji ...*, op. cit.

<sup>473</sup> Moroz M. (2013), *Kształtowanie elastyczności ...*, op. cit., p. 55.

<sup>474</sup> Khoshlahn M., Ardabili F.S., (2016), *The Role of Organizational ...*, op. cit.

OF, as a changeability of operation, thus enables small and medium-sized enterprises to survive in changing environmental conditions, in which an efficient, though rigid enterprise could “die”. Moreover, it turns out that enterprises can survive and develop well without showing a particularly high level of flexible activities, while too high a level of flexibility displayed by organizations may not positively correlate with the right direction of the organization’s development. Organizational efficiency and flexibility together drive the development of enterprises in turbulent business environments, but this hypothesis cannot always be confirmed in a stable environment.<sup>475</sup>

It can therefore be assumed that the dynamic organizational abilities necessary to implement changes and the organization’s ability to react in order to facilitate these changes in a turbulent environment determine organizational flexibility at all levels of the small and medium-sized enterprises’ operations. Also, the measurement of the company’s flexibility level is possible by assessing the level of ability and speed of reaction to environmental variability. The extremely difficult situation in the environment of the SMEs, the volatility of operating conditions, especially in the time of the Covid-19 pandemic, confirms Sushil’s<sup>476</sup> statement that the company’s flexibility is affected by its ability to survive in difficult business conditions and the ability to change, with agility, freedom and balance at the same time. Determining the ability to quickly identify, react and act allows to determine the level of organizational flexibility of a company operating in a turbulent environment.

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<sup>475</sup> Phillips F., Chang J., Su Y.-S. (2019), *When Do Efficiency and Flexibility Determine a Firm’s Performance? A Simulation Study*, Journal of Innovation & Knowledge, Vol. 4(2), pp. 88-96.

<sup>476</sup> Sushil A. (2001), *Flexibility Metaphors ...*, op. cit.

# Chapter 4

## Case Study in the Sector of Small and Medium-sized Enterprises

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### 4.1. Research Methods

Management sciences are classified as relatively young sciences, however, like other disciplines, they are subject to methodological rigor, and their area and thematic scope are determined by leading theories and concepts, the assumptions of which can be empirically verified<sup>477</sup>. This makes it necessary to constantly raise scientific standards for management sciences in terms of both concepts and language, accumulation of knowledge, development of research methods, but also subjecting the created theories to the rigors of empirical verification.

The nature of management sciences as quickly updating sciences requires constant research efforts to verify established theories and concepts, because accepting the invariability of once established regularities would be a significant abuse here. Problems in the field of management sciences should be solved by scientific methods, quantitative or qualitative. Especially in the face of exploratory and descriptive problems, it may turn out that quantitative methods are insufficient to explain their essence, conditions and causes of their occurrence or course. Then, qualitative research methods are used, which allow to “capture” nuances or new determinants of economic phenomena and processes.

The advantage of qualitative research is to start research without specific assumptions or hypotheses, as they can limit conclusions and lead to a biased interpretation of data. At the initial stage, only the research problem is formulated and potentially important variables are identified. At the same time, you should avoid thinking about relations between variables and a possible theory<sup>478</sup>.

Intensive development of qualitative research methodology within management sciences increases the interest in using the case study method. The main task of case study is to analyze processes in their specific context, because no social phenomenon can be fully understood if it is analyzed in isolation from the environment in which it occurs. On the basis of the collected information, the case study method enables an

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<sup>477</sup>Cyfert S., Dyduch W., Latusek-Jurczak D., Niemczyk J., Sopińska A. (2014), *Subdyscypliny w naukach o zarządzaniu – logika wyodrębnienia, identyfikacja modelu koncepcyjnego oraz zawartość tematyczna*, Organizacja i Kierowanie, vol. 1/2014 (161), pp. 37-48.

<sup>478</sup>Eisenhardt K.M. (1989), *Building Theories from Case Study Research*, Academy of Management Review, vol. 14(4), p. 535.

in-depth analysis of the studied problem, presentation of its specificity, interaction with other elements of the organization or its environment. The development of the case study theory is most often inductive. Being able to explore issues in depth in a specific context means that theory development can occur by systematically combining detailed evidence<sup>479</sup>.

Case study allows you to understand both how organizational processes and people's behavior affect the context and how the context affects the processes and behavior of people in the organization<sup>480</sup>. The qualitative case study method is seen as adaptable, which makes it flexible. The methodology used in the study is shaped by the study design, personification and selection of techniques. This method is versatile - it can involve one or more companies, groups of employees, or individuals operating in or near the organization. Case study is also very successfully used in intercultural research, the primary goal of which is to understand phenomena occurring in a different cultural context. Hence, case studies for organizational phenomena are often conducted as comparisons for two or more countries, selected according to the indicated criteria.

There are three basic types of case studies<sup>481</sup>:

- Exploratory – they usually constitute an introduction to further research and help in formulating research questions and hypotheses. It can be said that they are “pilot studies” that allow to define the area and define the procedure of the actual research.
- Descriptive – focus on an in-depth description of social phenomena in their specific context, and not on seeking cause and effect explanations.
- Explanatory – requires the presentation of a theory that will guide the data collection process and allow for problem selection and prioritization during data collection. All types of case studies can use both single cases and cover many cases. An exploratory case study provides theoretical testing opportunity that uses rich quantitative and qualitative data<sup>482</sup>. It allows to establish cause-effect relationships and is the basis for building nomothetic theories<sup>483</sup>.

Classifying case studies in terms of content, one can talk about linear-analytical cases, where we deal with the division of case studies into thematic chapters according to specific problems and chronological chapters, where the analysis takes place in a time system<sup>484</sup>.

The choice of the type of case study directly reflects the purpose of the study. While a single case study is aimed at analyzing and describing a single case, multiple

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<sup>479</sup> Hartley J. (2004), *Case Study Research* [in:] Cassell C., Symon G. (eds.), *Essential Guide to Qualitative Methods in Organizational Research*, SAGE Publications London/Thousand Oaks/New Delhi, pp. 323-333.

<sup>480</sup> Kożuch A., Marzec I. (2014), *Studium przypadku jako strategia badawcza w naukach społecznych*, Zeszyty Naukowe WSOWL, nr 2(172), pp. 32-44

<sup>481</sup> Stake R.E., *Case Study*, [in:] Denzin N.K., Lincoln Y. (eds.), *Handbook of Qualitative Research*, Sage Public, Thousand Oaks 2000, pp. 435-454.

<sup>482</sup> Yin R.K. (2003), *Application of Case Study Research*, Sage Public, Thousand Oaks, pp. XV.

<sup>483</sup> Babbie E. (2004), *Badania społeczne w praktyce*, WN PWN, Warszawa, pp. 320-321.

<sup>484</sup> Sy Diop K.A., Liu E. (2020), *Categorization of Case in Casestudy Research Method: New Approach*, Knowledge and PerformanceManagement, vol. 4(1), pp. 1-14.

case studies seek to generalize. A single case study can provide a lot of valuable information, but it is not possible to decide on the basis of a single case what is unique to the phenomenon under study and what is common to others and to generalize the results of the study. The study can be “strengthened” by adding another case that will be the opposite of the first, but still not a basis for generalization. A better solution is to use a multiple case study in which cases are replicated, which strengthens or extends the emerging theory. Two types of replication can be used – lateral replication or theoretical replication. Lateral replication will achieve the same results, and theoretical replication of different results, but for known reasons<sup>485</sup>.

The selection of cases for the study is deliberate, and the selected cases should show both the similarities and differences in the phenomena studied and their context. The selection of subsequent cases increases the reliability of the results<sup>486</sup>. It should be emphasized that generalizing both the results of single and multiple techniques is a theory, not a population. Numerous case studies reinforce the results by gathering confirmation of the quality of the theory.

It is difficult to find unambiguous and commonly accepted criteria for assessing the quality of case studies in the literature. A good case study meets all the methodological requirements for conducting empirical research. It seems that case studies are characterized by an insightful way of thinking and appropriate preparation of evidence so that it leads to the right conclusions, and careful and thorough consideration of alternative explanations<sup>487</sup>.

When selecting interviewees for interviews, one should certainly follow the principle of credibility, examining which sources maximize the reliability and accuracy of the results. The researcher identifies a population of subjects to be tested, and then must determine the details of selecting samples from that population. The respondent selection stage is crucial to the credibility of the research, and selection in qualitative research is all the more important as the researcher has more control over the selection process than most other factors in the study design. The selection is therefore deliberate, and the researcher decides on the type of purposefulness, among others typical case sampling, critical case sampling, criterion sampling and extreme or deviant case sampling<sup>488</sup>.

It should also be emphasized that the methodology does not determine the size of the comparative sample for researchers in multiple case studies, because regardless of the number of repetitions, it is not possible to transform the case study into macroscopic research<sup>489</sup>. Numerous case studies only enable the seeker to analyze data in different circumstances and in different situations. The choice of a specific case as a potential research object must be dictated by a critical look at the indicators related to the analyzed population and the preparation of a specific typology of the

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<sup>485</sup> Yin R.K. (2003), *Application of Case Study Research* ..., op. cit., p. 5.

<sup>486</sup> Kożuch A., Marzec I. (2014), *Studium przypadku jako* ..., op. cit.

<sup>487</sup> Yin R.K. (1994), *Case Study Research: Design and Methods*, Sage Public, Thousand Oaks, pp. 161-164.

<sup>488</sup> Brounéus K. (2011), *In-depth Interviewing: The Process, Skill and Ethics of Interviews in Peace Research*, [in:] Höglund K., Öberg M. (eds), *Understanding Peace Research: Methods and Challenges*, London, Routledge, New York, pp. 130-145.

<sup>489</sup> Sy Diop K. A., Liu E. (2020), *Categorization of Case* ..., op. cit.

population based on the available parameters relevant to the research process. The very selection of cases in qualitative research, not being statistical or personal, should be made on the basis of the theory on which the researcher wants to support his considerations<sup>490</sup>.

Case study uses various methods of obtaining data for analysis, incl. documents, archival materials, interviews, direct observation, participant observation, physical subjects.

One of the most frequently used methods in case study research is an interview, i.e. a qualitative research method used to learn facts, opinions, attitudes, and the attitude towards the problem of a given community. A characteristic feature of qualitative interviews is the possibility of getting to know what is unobservable, access to the perspective of the respondent who, through open questions, provides data in his own words<sup>491</sup>. The material obtained in this way allows for the analysis of systems and relationships between phenomena. The interview is subjective, but it allows you to obtain a lot of valuable information that could not be obtained using another method, e.g. a survey<sup>492</sup>. Interview in social sciences is understood as a process during which the interviewer tries to influence the respondent by means of the questions posed and thus prompts him to solve the research problem. It is also worth noting that the interview is one of the research methods that allows the simultaneous use of another method, namely observation<sup>493</sup>.

It should be emphasized that the interview turns out to be helpful both before quantitative research, when we want to develop a comprehensive, good questionnaire, and after quantitative research, when interpreting its results, when it will be used to deepen and explain the results of previous quantitative research. In the first case, we are talking about its inductive use to generate new hypotheses or theories by examining a specific issue in a specific problem. These hypotheses can later be analyzed and tested in other case studies, comparative case studies, surveys, or large-scale studies. In the second case, the interview is used deductively to test whether a theory based on research findings at the social or national level applies at the bottom-up, individual level<sup>494</sup>.

There are three basic types of interviews; structured, semi-structured and unstructured<sup>495</sup>.

Structured interviews are fully controlled by the interviewer who formulates the questions on the basis of the questionnaire, which gives the respondent less room for

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<sup>490</sup> Pizło W. (2009), *Case Study as Methods of Research In Economy*, Stowarzyszenie Ekonomistów Rolnictwa i Agrobiznesu, t. XI, z. 5, s. 246-251.

<sup>491</sup> Gajda J. (2019), *Metody jakościowe w badaniach politologicznych. Wybrane techniki wywiadu i możliwości zastosowania*, *Studia Politologica*, vol. 23, s. 129-145.

<sup>492</sup> Piecuch T., Molter A. (2014), *Metody jakościowe w badaniu przedsiębiorczości*, *Problemy Zarządzania*, vol. 12(3), s. 248-268.

<sup>493</sup> Żelazo M. (2013), *Kwestionariusz wywiadu jako narzędzie badawcze*, *Obronność – Zeszyty Naukowe Wydziału Zarządzania i Dowodzenia Akademii Obrony Narodowej*, nr 2(6), pp. 222-238.

<sup>494</sup> Brounéus K. (2011), *In-depth Interviewing ...*, op. cit.

<sup>495</sup> Jamshed S. (2014), *Qualitative Research Method – Interviewing and Observation*, *Journal of Basic and Clinical Pharmacy*, vol. 5(4), pp. 87-88.

flexibility and freedom<sup>496</sup>. On the other hand, interviews are controlled, but quite casual conversations that bend towards the researcher's interests.

The middle of the continuum is occupied by semi-structured interviews in which, prior to data collection, an open-ended scenario is developed based on the focus of the study in order to obtain specific information and enable cross-case comparisons. As analysts indicate, this is the most frequently used type of interview in qualitative research<sup>497</sup>. Like structured interviews, this type of interview also provides an outline of topics and questions prepared by the researcher<sup>498</sup>. However, unlike the structured ones, there is no need to strictly follow the pattern here. Their implementation depends on how the respondent answers the question or topics presented by the researcher. The facilitators remain open and flexible in order to be able to investigate the problem in as much detail as possible<sup>499</sup>. It is indicated that semi-structured interviews are an ideal data gathering mechanism for qualitative research<sup>500</sup>.

Although the respondent is asked all the questions contained in the scenario, the interviewer may focus on specific areas in more depth. The scenario in such semi-structured interviews serves as a guide, while allowing for creativity and flexibility to “catch” details that would not be visible in quantitative research. The interview scenario should therefore anticipate potential threads that may appear during the interview, and not be characterized by detailed “written out” questions with potential answers<sup>501</sup>.

The interview scenario includes prepared questions, guided by specific topics in a coherent and systematic way. Interview scenarios vary from highly structured to relatively loose, however they all serve the same purpose of ensuring a uniform thematic approach to the interview. It allows the interviewer to modify the style, pace and sequence of questions, as well as obtain answers in the respondent's language, which gives the researchers a chance to understand how the interviewees perceive the social world under study<sup>502</sup>.

With the above in mind, it can be seen that deepening the interview, so valuable for qualitative research, is only possible in the case of unstructured or partially structured interviews. An in-depth interview is an open, discovery-oriented method that is well suited to describe both processes, states, and outcomes from the perspective of a target group or key stakeholder. The purpose of such an interview is to get to know the respondent's point of view, feelings and perspectives in-depth.

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<sup>496</sup> Stuckey H.L. (2013), *Three Types of Interviews: Qualitative Research Methods in Social Health*, Journal of Social Health and Diabetes, vol. 1(2), pp. 56-59.

<sup>497</sup> Alshenqeeti H. (2014), *Interviewing as a Data Collection Method: A Critical Review*, English Linguistics Research, vol. 3(1), p. 39.

<sup>498</sup> Stuckey H.L. (2013), *Three Types of Interviews: ...*, op. cit.

<sup>499</sup> DiCiccio-Bloom B., Crabtree B.F. (2006), *The Qualitative Research Interview*, Medical Education, vol. 40, pp. 314-321.

<sup>500</sup> Adhabi E., Anozie C.B. (2017), *Literature Review for the Type of Interview in Qualitative Research*, International Journal of Education, vol. 9(3), p. 86.

<sup>501</sup> Nicińska M. (2000), *Indywidualne wywiady pogłębione i zogniskowane wywiady grupowe – analiza porównawcza*, ASK, nr 8, s. 39-50.

<sup>502</sup> Qu S.Q., Dumay J.C. (2011), *The qualitative research interview*, Qualitative Research in Accounting & Management, vol. 8, pp. 238-264

Contrary to secondary sources or questionnaire research, an in-depth interview gives the researcher a first-hand account of the research question. Based on such information, it is possible to understand more deeply and draw conclusions about what the theoretical concept actually means for those who experience it<sup>503</sup>.

Taking into account the scientific considerations on the methodology of qualitative research, it was decided to conduct multiple case studies in two countries – Poland and Ukraine. In each of the countries, 4 case studies will be carried out, which will give a total of eight cases. The population in the research is the sector of small and medium-sized enterprises, classified in accordance with the Recommendation of the European Union Commission of May 6, 2003 on the definition of micro, small and medium-sized enterprises (2003/361/EC). For the case study in each country, it was decided to select 2 small enterprises and 2 medium-sized non-financial enterprises. The selection is random.

Qualitative research is conducted in the form of an in-depth, partially structured interview. It is assumed that the research is exploratory in nature, and its continuation in the coming years may be a quantitative survey in the form of a questionnaire.

The case study has been divided into thematic chapters according to specific problems, and therefore is linear-analytical in nature. The research tool used in the study is the interview scenario, which has been divided into parts reflecting the research topics and research problems.

Conducting research is subject to the principle of the continuity of knowledge development. The dramatic changes in the conditions for the functioning of enterprises during the Covid-19 pandemic revealed many cognitive gaps, which are currently being intensively explored by researchers in the field of management sciences. In relation to this study, the diagnosed cognitive gap manifests itself in the lack of analyzes of the use of the concept of entrepreneurial orientation and organizational flexibility to overcome threats, but also to take advantage of opportunities related to new market conditions in the time of the Covid-19 pandemic, with particular reference to small and medium-sized enterprises. An additional component of the abovementioned gap is the lack of comparisons for countries with different socio-economic conditions, hence the in-depth research conducted in Poland and Ukraine will allow, on the one hand, a certain systematization of knowledge on the functioning of the discussed constructs in the practice of small and medium-sized enterprises, and on the other page, indications of directions for further research in this area.

**The main research goal** is: *Diagnosis, understanding, description and explanation of the significance of the influence of entrepreneurial orientation and organizational flexibility on management in small and medium-sized enterprises in a pandemic crisis.*

**Research questions** that are planned to be answered on the basis of the collected and analysed research material are:

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<sup>503</sup> Brounéus K. (2011), *In-depth Interviewing ...*, op. cit.



**RQ1:** *What are the differences in implementation and influence on management of entrepreneurial orientation in small and medium-sized enterprises in Poland and Ukraine?*

**RQ2:** *What are the differences in implementation and influence on management of organizational flexibility in small and medium-sized enterprises in Poland and Ukraine?*

An attempt was made to find the answers to research questions during in-depth interviews conducted in 2021 among 8 SMEs in Poland and Ukraine.

## **4.2. Case Study in Polish and Ukrainian Small and Medium-sized Enterprises**

### ***Case study 1 (PL15)***

First company that participated in the study with the use of in-depth interview method was a Polish company providing services in the field of building insulation and roofing services. The company employs 32 people, so due to the size of its employment, it has been classified into the group of small enterprises. The company declares that employment levels have not changed during the Covid-19 pandemic, which is due to the fact that the company is still doing relatively well in the market. The owner of the company declares that there has been no negative change in the company's turnover, which results from the constant number of orders, new contracts and agreements. Moreover, according to the owner, the entire industry represented by the surveyed company did not suffer the negative effects of the pandemic. The construction industry was practically not quarantined or closed, so the contracts signed by the surveyed company had to be implemented on time. This situation pleases the owner of the company and he sees a development opportunity for his company in the time of the Covid-19 pandemic.

By making an in-depth analysis of the entrepreneurial orientation of the surveyed company, it can be concluded that the company's employees are not really entrepreneurial. The lack of entrepreneurship among employees, according to the owner of the company, results from the industry in which the company operates. In this industry, professionals, i.e. construction workers, do not have to be creative, but should perform their duties diligently. According to the entrepreneur, creativity in positions such as bricklayer, plasterer or painter interferes with the performance of specific orders, but such an opinion does not seem correct. In addition, employees should perform work in accordance with the accepted requirements and legal regulations, which also hinders creativity in this type of work station. According to the entrepreneur-owner of the company, the Covid-19 pandemic did not affect the attitudes and entrepreneurial actions of the company's employees, which was not required of employees. In fact, it can be assumed that such actions on the part of employees were sporadic and often accidental. In the history of the company, there have been situations (twice) when employees organized (proposed) additional, sometimes quite large, orders for the company. In such a situation (quite rarely), the company's employees were rewarded with financial bonuses. Financial bonuses were

paid together with the salary, and according to the owner of the company, they were the only motivators increasing the entrepreneurial orientation of employees. At the same time, it is declared that the broadly understood entrepreneurial orientation of the employees of the surveyed company improves economic results, but it is not affected in practice by the situation of the Covid-19 pandemic.

The conducted research has shown that the company's employees do not have autonomy, that is, they cannot take actions freely and independently with limited ownership supervision. The firm's owner declares that in the industry in question, and in positions in his company, it is not even possible, and all decisions should be approved by the owner of the company. Only the superiors of groups of employees, the so-called foremen have, to a limited extent, autonomy in terms of control. Their task is to control working time and observe the working hours of their subordinate employees. According to the owner, a contraindication to the extension of autonomy is the performance need in compliance with good building practice, which may result in the client not accepting the order and in financial losses. However, this approach requires constant supervision, which affects additional costs in the company. The period of the pandemic did not affect the level of autonomy of actions as a dimension of the entrepreneurial orientation of this company.

In the next step of the research, the business owner surveyed declares that his employees are not proactive. These types of activities, i.e. the constant search for opportunities to stay ahead of the competition by predicting future demand, are the sole responsibility of the owner of the company. The entrepreneur emphasizes:

*“An employee should not be entrepreneurial, but only follow the boss's orders. Entrepreneurship is only the owner trait.”*

An employee performing basic tasks, such as painting or plastering, cannot introduce changes to the order fulfilment process, because the company must strictly supervise the duties entrusted to it. However, being proactive is also about anticipatory actions, solving problems that often arise when performing construction services, but also anticipating customer expectations, hence a negative approach to proactivity is not fully understandable. The owner clearly states that the Covid-19 pandemic did not affect the level of proactivity of the employees of this Polish small company surveyed.

Employees of the examined small company, according to the owner, do not show any propensity to take risks, and this applies to all employees. Moreover, the owner of the company does not expect such behaviour as a manifestation of entrepreneurial orientation, because the nature of the services provided in the company requires their implementation in accordance with guidelines, procedures, and good practices, so there is no possibility of taking risky actions or departing from a previously defined course of action. The Covid-19 pandemic has not influenced risk taking in the company, according to its owner, which is due to the fact that the company does not record lower turnover in the pandemic era. The owner of the company speculates, however, that the prolonged pandemic and disruptions in the industry may give rise to risky actions for the company in the future.

The conducted research also showed that the employees of the surveyed company do not show innovation behaviours, which, according to the owner, would be appreciated. Proposing new techniques for the implementation of construction works and more effective solutions would certainly translate into the economic results of the company. Innovation can also relate to the organization of work itself, and the use of bottom-up information should certainly be used by the company. The Covid-19 pandemic also did not change the attitudes or behaviours of innovative employees, the more so as the company is not adversely affected by the turbulence of the environment caused by the pandemic.

The tendency to intense direct competition with competitors in order to achieve a better position and eliminate some of the competition from the market, i.e. competitive aggressiveness, according to the business owner, appears among the employees of the surveyed company. Aggressive behaviour, however, refers to specific and individual cases of competitors operating in the local market. The owner of the company expects such behaviour on the part of employees, but in accordance with the contract requirements, especially in terms of the quality of services provided. The limited potential of the local market requires the company to act to win the client at the expense of market rivals. The Covid-19 pandemic has not changed the entrepreneurial orientation in this area.

The changing environment of the surveyed company requires its manager to be highly flexible, in the opinion of the company owner. It is even a priority in the company's operating strategy. Flexible operation, including adapting to market expectations, is carried out at every moment of the company's operation. Due to high market competition, the surveyed company must be flexible. An example of this is the individual adjustment of the offer to private customers and public institutions. In the era of the Covid-19 pandemic, the level of flexible activities in the surveyed company has not changed. The company is highly flexible and adapts to the business situation of the market all the time, both before and during a pandemic. Nevertheless, the company currently only executes contracts with private clients, due to much greater restrictions in the public sector.

In the owner's opinion, the level of flexible activities of the surveyed company is influenced by the company's internal resources. The high level of internal resources of the company has a positive effect on the level of flexibility as well as the level of competition in the business environment, and the pandemic has not changed this relationship.

It turns out that, in his opinion, the owner of the company has adopted a good strategic direction in his activities, and the high level of flexibility of the company allows it to adapt to the conditions of even a turbulent environment. This situation does not require changes, according to the owner's opinion, the company's strategy is well adapted to the resources owned and market expectations.

According to the owner, ongoing identification of market trends is necessary and implemented in his company. The owner of the small enterprise under study declares that it has the ability to identify market trends, both in the pre-pandemic and the Covid-19 pandemic period. The pandemic has practically not changed the company's

attitude in this area. However, new trends may force a change in the company's profile that the owner does not want. For example, the introduction of new solutions, for example roofing, would involve the installation of photovoltaic panels, but new employment and a slight modification of the company's profile, which in the current situation of the company is not expected.

Research has shown that the enterprise has the ability to respond quickly to market expansion or contraction, not only in the Covid-19 pandemic period, but also in the pre-pandemic period. The response time to market changes has not changed during the pandemic crisis. These possibilities of the firm result from the high professional potential of the employed employees. They can perform all duties at all positions in the enterprise, therefore employee rotation is relatively simple and easy to plan. During the quarantine period, when some of the employees were ill, the enterprise did not resign from contracts, as it was able to move an employee from one position to another without restrictions, without any final loss, i.e. the end result of the service provided.

It turns out that the owner of the enterprise, not only in the era of the Covid-19 pandemic, sees the need for faster information flow, both outside and inside the business. Thus, it concerns the flow of information to the firm's employees as well as the flow of information with external stakeholders of the enterprise. The flow of information in the surveyed company was not disturbed, according to the owner, contact with employees is at a very good level, practically unlimited. The owner himself, however, had to demonstrate great efficiency in obtaining information on the current restrictions, state regulations regarding the functioning of the enterprise in the era of a pandemic and changing market conditions. It was, however, necessary for the business to remain flexible and indirectly competitive on the market.

The owner of the surveyed firm also declares that the enterprise has not decided to make changes in the area of the firm's resources used or the processes being implemented. Due to the fact that the construction industry was not closed and the availability of raw materials and products necessary for the provision of services was still available, the enterprise did not have to change the procedures of contract execution. The Covid-19 pandemic has also not forced changes in the company's organizational structure. The business structure is essentially horizontal and individuals can quickly and efficiently be transferred to other responsibilities. The enterprise is headed by the owner and has employees carrying out orders under him. During the pandemic, neither the scope of employees' duties nor the number of hours worked has changed. Of course, this period meant that some of the employees were in quarantine or on sick leave, but at this difficult time, other employees were working on their positions.

According to the owner, the high level of organizational flexibility of the company affects the ability to quickly respond to market needs, and this applies not only to the market during the Covid-19 pandemic, but also to earlier periods of its operation. The enterprise reacts very quickly to the needs of the market, because it is, in a way, forced to do so. This applies especially to the period of the Covid-19 pandemic, which forces modern enterprises to be a flexible entity through, inter alia, quick actions,

reactions and effective adaptation to changes. The lack of flexibility, according to the business owner, does not allow to function and compete in an extremely turbulent and unpredictable environment.

The conditions of the Covid-19 pandemic did not contribute to the introduction of remote work in the surveyed company, however, it results from the service scope of activity. This applies to all areas related to the company's operations, also in the areas of finance and accounting, which in the times of a pandemic are usually carried out remotely. Meanwhile, the owner of the surveyed company did not see such a need and does not plan to introduce remote work in the future.

Currently, no training or courses are organized in the Polish small company that contribute to increasing entrepreneurship among employees or increasing the flexibility of organizational activities. According to the business owner, this is due to the lack of such a need in first place. Summing up, however, the respondent's statements, it seems that both the area of entrepreneurial orientation and organizational flexibility should be strengthened by shaping appropriate attitudes and increasing the awareness of the owner and employees about the benefits of entrepreneurship and flexibility of activities.

### *Case study 2 (PL2S)*

The second surveyed company in the form of an in-depth interview was a Polish production company dealing in the production of sweets. The company belongs to the group of small enterprises employing up to 50 people. Employment in the company has not changed recently, including due to the pandemic situation. When diagnosing the firm's situation in the recent period, it should be stated that it has not changed in terms of the volume of orders, while the owner declares a significant problem related to human resources. Due to the lockdown situation and numerous illnesses, there were staffing problems within the enterprise, hence it had to use additional employees recruited periodically under the contract of mandate or contract for specific work.

It can be concluded that the overall situation of the enterprise on the market was satisfactory, as the pandemic had no significant impact on the industry of the surveyed company. The business customers are primarily large retail chains, where a slight decrease in sales was diagnosed only at the beginning of the Covid-19 pandemic by 5 to 8%.

When trying to make an in-depth analysis of the entrepreneurial orientation of the enterprise, especially during the Covid-19 pandemic, it should be stated that the manager declared significant internal entrepreneurship at various levels of the organizational structure. In particular, the creativity and activity of employees who tried to respond to the new and difficult pandemic situation were emphasized, indicating solutions that would ensure the firm's turnover at the pre-pandemic level. They were mainly people with long work experience, strongly integrated with the company, who showed particular entrepreneurship and commitment. Thus, the Covid-19 pandemic has clearly improved, in the owner's opinion, internal entrepreneurship within the enterprise.

In order to develop entrepreneurial attitudes and behaviours of employees, the company tries to appreciate and reward such activities. The company declared primarily motivating through wage factors, namely additional bonuses for employees, corresponding to their specific additional efforts. It was pointed out that in the period before the pandemic, employees were also motivated by non-wage factors, such as trips, events, meetings outside the company. Due to the current limitations, the enterprise has to focus on the financial elements of the incentive system while waiting for a change in the environment.

It should be noted that the business owner is aware of the role of supporting the entrepreneurial approach of employees and declares that a number of incentives can increase the entrepreneurial orientation of the organization. Currently, these are forms of increased wage bonuses, but in the future, they may turn into other solutions that will intensify the intrapreneurship. At the same time, the role of an entrepreneurial approach to work is emphasized, when employees were willing to flexibly respond to the employer's needs, especially in critical moments of staff shortages, which allowed to maintain production at the current level. Although the result for the enterprise was not an improvement in economic performance, thanks to this approach, the economic performance did not deteriorate. As indicated by the employer:

*“If we met resistance and a wall from people who said they would not work anymore, we would not be able to produce as much as was necessary.”*

At the same time, the employer emphasizes that in the era of Covid-19, such a level of entrepreneurship of employees seems satisfactory. However, it should be noted that the indicated level applies only to a certain area of functioning, primarily work performance. However, there were no other areas of entrepreneurship or activities that could lead to the development of the company, its modernization or organizational changes.

Despite the declaration of employees' entrepreneurship within the company, when breaking down the entrepreneurial orientation into dimensions, it turns out that the activity within the individual dimensions of this orientation is not so clearly positive.

Considering the organizational autonomy of staff members, within which they can undertake free and independent actions, it turns out that the declared autonomy applies only to middle-level managers (foremen). On the other hand, rank and file employees are omitted here, even though it is declared that employees often have the most accurate comments regarding changes that should be introduced in the enterprise. The willingness to increase the autonomy of personnel in the time of the Covid-19 pandemic was also declared. The difficult situation encouraged the enterprise to introduce a system under which they could collect points for new ideas, improvement proposals or innovative activities. These points are translated into bonus, and therefore into the salary of employees. This can be considered as a positive impact of the pandemic crisis, which results in the introduction of permanent solutions that may be transformed into improved functioning and organization of the company in the long term.

On the other hand, in the area of proactivity, where an employee should seek opportunities to predict future demand, the owner of the surveyed company declares that he notices and appreciates employees' initiatives. Initiatives consist in looking for market innovations and trying to introduce them to the enterprise so that it remains competitive in a changing market. At the same time, when asking about the change in the level of proactivity during the Covid-19 pandemic, it was indicated that employees were taking proactive actions mainly because of the fear that they might lose their jobs if the enterprise does not survive. It was additionally emphasized that the staff consists to a large extent of older staff members – over 50, who may have a problem with finding their way in the labour market. It seems, however, that such a negative motivation should not be dominant. The enterprise should pay more attention to positive incentives that drive them to seek market opportunities and thus bring competitive benefits to the business.

A dimension that this enterprise pays relatively little attention to is risk-taking by employees. The person managing the company indicates that the industry in which the firm operates is not particularly risky. For this reason, employees are not expected to act at risk, even if they are preceded by a rational analysis. However, it seems that taking risky activities may concern many areas of the firm's operation, not only the production area. Attempts at introducing new solutions and improving the existing ones should therefore be permanently included in the strategic management of the enterprise. Meanwhile, during the Covid-19 pandemic, the enterprise further restricted its risk-taking, fearing that the situation might be changable and volatile.

Another area of entrepreneurial orientation is innovation. Organizational innovation aims to engage in the creation of new ideas, unconventional solutions, creative activities that may contribute to the creation of new products, services or technological processes. It turns out that in the case of small enterprises, employees are not expected to be particularly innovative. It is the owner of the enterprise that decides about innovations, possibly selected persons (specialists). This is despite the awareness that innovative activities, for example the introduction of an innovative product, will directly translate into the economic result of the entity. However, this awareness is insufficient to encourage employees to undertake innovative activities, even if employees declare their willingness to do such activities for the benefit of the employer, thus trying to maintain their jobs in the time of crisis.

The area that can be considered the most neglected dimension of entrepreneurial orientation in the surveyed firm is competitive aggressiveness. The tendency to compete directly and intensively with competitors in order to achieve a better position and eliminate some of the competition from the market is not perceived by the owner as a proper action. The stable market position of the enterprise does not require aggressive actions against competition and they are not willingly undertaken, both before the pandemic and at present, in more unstable market conditions.

In the theory of crisis management, the importance of the flexibility of the company's operations is often emphasized. The analysed Polish enterprise is assessed (self-assessment) as quite flexible, trying to adapt to market conditions on a daily basis. It manifests itself through a response to the expectations and preferences of

customers, as well as substitutes for manufactured products that are still being developed on the market. When assessing the level of flexible activities of the enterprise from the perspective of the Covid-19 pandemic, the company did not identify significant changes in this area. Despite the unique situation created by the pandemic threat, the firm's activities do not require greater flexibility compared to the previous period.

The enterprise competes in the business environment on the basis of available resources, and these resources do not differ significantly from the competition in a given industry (machine park). At the same time, the pandemic highlighted the importance of capital-intensive production, which at the same time reduces the risk of labour shortages. The increasing use of machines is a protection against future crises, especially those related to human health or ecology.

The surveyed enterprise also noticed the need to introduce specific changes of a strategic nature. They resulted directly from the epidemiological threat. Stricter rules in the field of the work system, organization of job changes, as well as the ways of performing work were a response to the new restrictive requirements.

The flexibility of the enterprise is also manifested in the quick identification of market trends. This seems especially important in the era of the Covid-19 pandemic. The surveyed entity indicates that it tries to react quickly to changes in the market, because delays nowadays certainly cause a lowered profit. On the other hand, the enterprise is not prepared, as it declares, to react quickly to the expansion or contraction of the market. Managers declare that the industry does not require it, but the special situation of recent years should encourage in-depth analysis and preparation of tools that would help the enterprise find itself in the event of significant fluctuations in demand and changing customer needs. Meanwhile, in the surveyed firm, the response time to changes in the environment did not change despite the pandemic, which provokes reflection.

Organizational flexibility requires a quick flow of information, which is nowadays one of the basic resources of the enterprise. It is about both the flow of information within the business and the flow between the firm and its stakeholders. Research has shown that the internal flow of information has become more intense and shorter in the pandemic era, as the situation forced almost daily adjustments in the production process, especially in human resource management. Frequent absences of employees had to be corrected almost immediately, which required an accelerated flow of information.

In terms of the flow of information with external business actors, research does not show a significant change due to the Covid-19 pandemic. The enterprise is based on the current well-established paths of acquiring information from the environment. The only groups that can talk about increased and faster information exchange are the firm's customers. However, there is no visible correlation between the pandemic and the flow of information with other stakeholder groups, including suppliers, co-operators, public or financial institutions.

The surveyed enterprise also did not indicate any specific changes in the area of resource use. Only human resources had to be reorganized, as numerous absences



from work forced the recruitment of temporary workers in cooperation with the local Labour Office.

The flexibility of the business operation is also visible in the area of production and distribution processes. Based on the interview, it can be concluded that organizational changes mainly consist in increasing the scope of online communication through internet platforms. Earlier communication with contractors on a face to face basis did not turn out to be necessary, and new forms of communication guarantee both time and financial savings. A significant part of the processes inside the company also had to be changed due to epidemiological requirements. Most processes require disinfection, spacing, or the use of disposable materials. It was possible, however, to be guaranteed within the current organizational structure of the enterprise.

The area where the greatest need for a flexible approach was evident was human resource management, including functional flexibility and work flexibility. The continuity of production required employees to work overtime, on a scale of up to 25% over full-time and greater availability for the employer. On the other hand, in the case of office staff, a significant proportion of people have switched to remote work, which nowadays is becoming a typical solution for most companies, and it can even be forecasted that this phenomenon will be permanent to some extent.

Although business managers are aware to some extent of the importance of both the entrepreneurial approach of their employees to the company and the need to act flexibly, no training or courses are currently organized that could improve these attributes in the company. Possible trainings concern only the basic scope of the entity's activity.

### ***Case study 3 (PL1M)***

Third enterprise that participated in the study with the use of in-depth interview was a Polish company providing services in the field of outsourcing, document management and document archiving. Due to the number of employees, about 200 employees, the company was classified as a medium-sized enterprise. The firm claims to be a market leader in its industry, yet employment fell by around 20% during the Covid-19 pandemic. This is due to the fact that the pandemic has had a very negative impact on the industry in which the surveyed enterprise has been operating for years. The business owner declares that there has been a fairly large decrease in the firm's turnover, which results from the decline in orders, the number of new contracts and orders. On the other hand, reduction of orders actually results in fewer activities to be performed by employees, which ultimately affects the reduction of employment. In this case, there are dismissals of employees, reduction of working hours or forced vacation periods. The waves of the Covid-19 pandemic, which have a particularly strong impact on the functioning of the surveyed enterprise, are not without significance. During the wave, both the first and the next waves, the firm's turnover resulting from the number of orders and contracts decreases by up to 40%. At the same time, the business manager is aware that the Covid-19 pandemic is having a negative impact on the entire industry and all companies related to the industry or working on customer documents. According to the respondent, this is due

to the fact that some companies closed or even went bankrupt during the pandemic, thus reducing the number of potential clients and the number of orders.

Carrying out an in-depth analysis of the entrepreneurial orientation of the surveyed enterprise, declarations of the business owner are visible that the employees are enterprising, but in practice this applies to a small percentage of employees. The entrepreneurship of employees, according to the owner of the company, results from the industry in which the enterprise operates. The outsourcing, document management and document archiving industry is based on innovations and new solutions, including software that can be improved at any time. In addition, the company operates in the industry, which is its special advantage, based on its own programs, IT solutions, systems that were previously created by the company's employees. So, it is possible to demonstrate entrepreneurship, in this case it will result in a shorter working time on a given project. According to the business owner, the Covid-19 pandemic did not affect the attitudes and entrepreneurial actions of the employees, which, by the way, was not required from staff members. During the pandemic, the firm's goals were to survive in the marketplace and stay ahead of the competition. However, in the case of entrepreneurial activities, the employees were rewarded with financial bonuses, this applied to both lower level employees and project managers. According to the business owner, financial awards were the only motivators for increasing the entrepreneurial orientation of employees. Moreover, if the financial rewards were higher, a higher level of entrepreneurial orientation would prevail among the employees of the enterprise. At the same time, in the surveyed firm, there were two events when a lower-level employee with lower qualifications showed a special and enormous initiative, and despite the fact that he did not have the appropriate education, he was promoted to a higher position. This, in turn, is an example of a reward for entrepreneurship of employees at the lowest levels. The broadly understood orientation of the employees of the surveyed enterprise, in the opinion of the business manager, improves its economic results, because the creativity of employees usually allows to shorten the time of work on the project, therefore the enterprise may accept more orders, and therefore have a higher turnover. The situation is somewhat different now, with the Covid-19 pandemic. Due to the lower number of orders, i.e. lower turnover, there are fewer entrepreneurial ideas among employees that can be implemented and improve the functioning of the enterprise in the market. At the same time, the management staff does not currently require such undertakings among employees. They are always welcome and rewarded, but the difficult pandemic situation currently does not allow for entrepreneurship, according to the owner of the company.

The conducted research has shown that the staff members do not have autonomy, that is, they cannot undertake actions freely and independently, or with limited ownership supervision, while increasing the scope of responsibility. The owner of the enterprise declares that it is not possible, and all decisions should be approved by project managers. Moreover, an employee in a lower position in business structure cannot introduce changes himself, as there must be strict supervision over the duties entrusted to him in the company. According to the owner of the company, the

autonomy of employees could even cause a failure and financial losses, the more so that the enterprise is obliged to fines against the client if it fails to comply with strictly defined procedures. The business owner does not see any benefits from giving even partial autonomy to the employees and believes that it is too risky. According to the respondent, the Covid-19 pandemic did not affect the willingness of the employees to take autonomous actions and decisions, as such actions cannot be taken by them.

The owner of the enterprise indicates that his employees are slightly proactive. Proactivity, understood as the constant search for opportunities to stay ahead of the competition by anticipating future demand, is a feature of few employees. Currently, employees most often want to perform only their tasks when they go to work. Nevertheless, the owner expects such behaviour from employees, although it is not strictly required. This type of behaviour is positively received in the enterprise and, according to the owner's opinion, thanks to such activities the enterprise speeds up processes and becomes more competitive on the market, therefore it can be said that it is open to proactivity. Moreover, it turns out that the pandemic period did not affect the level of employee proactivity. On the contrary, the disturbance in the number of orders contributed to the reduction of employment and the number of working hours, especially during successive waves of illness in the country.

Employees of the surveyed enterprise, according to the owner, do not show a tendency to take risks, this especially applies to lower-level employees. These types of tendencies occur among employees in senior positions, for example, among project managers, and if these activities do not pose a threat to the enterprise, they usually have a positive effect. However, the nature of the services provided in the firm requires their implementation in accordance with the guidelines and procedures, therefore the enterprise must follow the pattern specified in the contract and it is not possible to deviate from the previously defined procedure. The Covid-19 pandemic has influenced risky actions for the enterprise, in owner's opinion. Nowadays, none of the companies in the industry wants to take risks when the surrounding situation is very difficult. By risking, the company could lose much more than it is currently losing in a pandemic.

The conducted research also showed that the employees of the surveyed enterprise are innovative, that is, they engage in creating new ideas, unconventional solutions, and creative activities that may contribute to the creation of new products, services or processes. However, according to the business owner, employees may not be innovative in all projects. The enterprise does not require employees to be innovative, but this is greatly appreciated within the organization. The Covid-19 pandemic did not change the attitudes or behaviour of innovative employees, the more so as the enterprise is now cautious and afraid to take new, untested actions, because the turbulence of the environment does not allow it to do so. It is worth adding, however, that the enterprise relies on such innovative activities of staff members, because it uses software that is and has been constantly modified by the employees in order to improve it and accelerate the processes carried out in the enterprise.

Competitive aggressiveness, as a tendency to intense direct competition with competitors in order to achieve a better position and eliminate some of the

competition from the market, is not, according to the owner, the domain of the employees of the surveyed enterprise. The Covid-19 pandemic has not changed the entrepreneurial orientation in this area. At the same time, the owner emphasizes that the company is a market leader, uses its resources, provides competitive services and does not require employees to act aggressively against competitors..

Organizational flexibility in a turbulent environment, especially required in the era of a pandemic, becomes a necessity for all companies operating on a competitive market. The surveyed Polish firm declares that it is very flexible (self-assessment), especially in the face of customer expectations and changing environmental conditions. Each project with a new client, and each contract are prepared individually for the client's needs – there are no established patterns here. The enterprise can also adapt to the specific needs of clients, for example, it can carry out its projects at the firm's premises, but also at the client's premises, if required by the terms of the contract. Organizational flexibility in the business activities, in owner's opinion, is particularly important in the industry that the enterprise represents. It should be noted that flexibility was indicated only in the area of sales and marketing, while no examples of flexible activities in other areas were given. Without flexibility, it would not be possible to compete in the market, even if the enterprise has a leadership role. The period of the Covid-19 pandemic had a positive impact on the level of flexible activities of the enterprise. According to the business owner, the enterprise is more flexible and more adaptable to the client's needs and environmental conditions. The pandemic, in a way, forced such actions, and companies that were not flexible lost their competitive advantage or even closed their business.

In the owner's opinion, organizational resources undoubtedly affect the level of flexible activities of the surveyed enterprise. The high level of internal resources of the firm has a positive effect, not only on the flexibility of activities, but also on the level of competition in the business environment. Due to the fact that the enterprise has very large internal resources that can be used without restrictions, it often has greater market opportunities and a competitive advantage. The owner emphasizes:

*"We are the market leader because we have enormous resources in the business, which give us greater opportunities, technology advantage and allow us to be the most competitive company on the market. Other companies do not have such resources."*

It turns out that, in his opinion, the owner of the company has adopted a good strategic direction in his activities, and the high flexibility in the area of the business activities allows it to adapt to all environmental conditions. It is especially important, according to the owner, in the time of the Covid-19 pandemic.

The owner of the surveyed company declares that it has the ability to identify market trends, both in the pre-pandemic and the Covid-19 pandemic period. The enterprise has a special department that employs two analysts who constantly analyse market trends, areas of the business operations, hardware capabilities and technological solutions in terms of their introduction to the enterprise. However, it is

difficult to determine the contribution of other employees to the identification of market trends.

At the same time, the owner of the enterprise declares that it has the ability to react quickly to the expansion or contraction of the market, and this applies not only to the period of the Covid-19 pandemic, but also to the period before the pandemic. These possibilities of the enterprise result from the high level of flexibility of the business activities. An example is the situation of a pandemic and its first wave, when the firm had to react quickly to the contraction of the market. In this situation, in order not to fire employees, it was decided that the best solution would be to cut all employees' jobs, which was associated with a reduction in remuneration. The level of salaries decreased by 20% and concerned all employees at all levels of the organizational structure, as well as employees working on behalf of the company (self-employed). The employees were informed that this was a temporary solution, but at the same time the best solution for the entire company. In fact, after four months, the firm began to restore jobs, but employment in the company during the pandemic decreased by 20%.

According to the owner, the high level of organizational flexibility of the company affects the ability to quickly respond to market needs. The firm reacts very quickly to market needs, but it should be emphasized that it is forced to do so. This especially applies to the period of the Covid-19 pandemic, which forces all enterprises to act quickly, react instantly, adapt to market conditions and be flexible. The lack of flexibility, according to the owner's opinion, does not allow to function and compete in an extremely turbulent and unpredictable environment.

It turns out that in the era of the Covid-19 pandemic, the business owner sees the need for faster information flow both outside and inside the enterprise. Thus, it concerns information between employees, at different levels of the organizational structure, as well as the flow of information with external stakeholders of the enterprise. An example is the situation where, before the pandemic, department managers met twice a month, and now they meet twice a week, and even if necessary, every day.

The pandemic crisis also influenced, in owner's opinion, changes in the area of processes carried out in the enterprise. First of all, the procedures related to sanitary restrictions have changed, but also the activities and procedures that have been carried out so far by external organizations. The surveyed enterprise, wanting to be flexible, adapted to the new environmental conditions, e.g. through new conditions for collecting and sending documents, or the inability to use courier services.

It can also be indicated that the Covid-19 pandemic has affected the responsibilities and employee turnover in the enterprise. The pandemic situation forced it to allocate employees to various projects and in different locations, depending on the needs and market conditions. Due to the fact that the enterprise operates in several cities, employees must be mobile, but are generally assigned to projects in the vicinity of their residence. Nevertheless, there are situations where the order must be performed at the client's premises, and the enterprise must also delegate appropriately qualified employees.

The Covid-19 pandemic also affected the number of hours worked by the company's employees. As mentioned earlier, the first wave of the pandemic forced a 20% reduction in jobs. Currently, the reduction in working hours applies only to employees on a mandate contract.

The conditions of the Covid-19 pandemic also contributed to introducing the possibility of remote work in the enterprise. Before the pandemic, staff practically did not work remotely, and only IT specialists and programmers could work online, most often from home. In the era of the pandemic, this has changed dramatically as the enterprise prides itself on a high level of flexibility. Flexibility towards employees, i.e. employment flexibility, has become a priority for the enterprise. Initially, employees switched to remote work within shifts system, but the individual shifts did not meet. Employees could decide for themselves whether to work remotely or work at the firm's premises. As a result, during the first wave of the pandemic, 30% of employees switched to remote work. Currently, employees work remotely not in all projects, but in general it can be indicated that remote work accounts for 5-10%.

Currently, the analysed Polish company does not organize trainings or courses that contribute to increasing entrepreneurship among employees or increasing the flexibility of organizational activities. This is due to the lack of interest among employees, according to the owner's opinion, and the pandemic also prevents this type of action. It turns out, however, that the business owner is ready to organize such trainings or courses in the future if there is interest among employees.

#### ***Case study 4 (PL2M)***

Another case study covered a medium-sized enterprise from the IT industry in Poland. The enterprise develops software for handling various types of business events, such as events, meetings, etc. Employment in the company is currently around 60 people.

The enterprise is one of the few firms that benefited from the Covid-19 pandemic. The crisis made that the businesses had to quickly implement the necessary additional IT modules for online meetings and video calls at its clients. Hence, a significant increase in turnover was recorded after about six months from the first wave of the pandemic, which resulted from the widespread implementation of remote work and online communication by Polish enterprises. The number of customers of the surveyed company clearly increased as more and more companies applied for software that would enable professional online work services.

As the business manager points out, not all entities from the IT industry benefited from the pandemic equally. For example, enterprises servicing the automotive industries recorded a significant decrease in turnover, which translated into declines in employment and changes in the field of human resources policy. Hence, it seems that the economic situation of the examined enterprise is exceptionally favourable.

When analysing the area of organizational entrepreneurship, it should be stated that IT enterprises are by nature entrepreneurial and highly creative. During the Covid-19 pandemic, enterprises creating software that allowed people to find themselves in a remote reality turned out to be particularly enterprising. This does

not mean, however, that a clearly high level of entrepreneurial orientation of each of these firms can be assumed. Although the business culture of such entities is based on creativity, it mainly concerns the creation of the company's products (software), and not the entrepreneurial activities of employees for the benefit of the enterprise. The study showed that the enterprise uses bonuses and additional non-wage benefits for employees who show initiative, this mainly concerns the performance of work assigned to employees by the employer, and not independent initiatives.

Regarding the correlation between internal entrepreneurship and the economic results, no such translation was noticed during the Covid-19 pandemic. The new market situation forced the enterprise to be more creative, especially programmers, but only in creating and modifying the firm's products. Such creativity can be considered one of the pillars of entrepreneurship, but it cannot be the only element of the entrepreneurial orientation of employees. Thus, attention should be paid to entrepreneurial initiatives in all areas of activity. Additionally, this creativity results from the specificity of the enterprise and not from a pandemic situation.

Although it was confirmed that entrepreneurship understood as spontaneous undertaking of activities for the development of the employer should be undoubtedly supported, the necessity to take measures to increase the entrepreneurship of employed persons was not indicated. It was indicated that a deeper discussion should be undertaken within the group of managers and the HR department whether the current situation of the firm requires increasing entrepreneurship at all (confusing it with a spontaneous or even ill-considered action).

In order to deepen the study of the entrepreneurial orientation of the enterprise, the focus was on five separate dimensions of this orientation: autonomy, proactivity, risk taking, innovation and competitive aggressiveness.

In the area of organizational autonomy, only some of the employees have the ability to act freely, with limited ownership supervision. This applies primarily to the marketing and sales department, where the company relies heavily on what the employees propose, knowing from experience that they show accurate intuition about changes in the market and customer needs. Meanwhile, the main group of staff members – programmers have a significantly limited autonomy, acting in a strictly defined manner, on the basis of the adopted work methodology. Thus, precise definition of the activities that they have to perform largely eliminates independence in action and suppresses entrepreneurship.

The organizational autonomy of the enterprise was slightly improved by the Covid-19 pandemic, which forced them to allow for greater independence of employees in order to adapt to the turbulent environment. The changes that could not be predicted earlier made the business managers to a greater extent based on the proposals of employees of various departments, recognizing that a kind of brainstorming would contribute to finding oneself in the new business conditions. Thus, the pandemic increased the level of workers' autonomy, but it is likely to be an exceptional situation, and the stabilization of the market will result in a return to the previously applied rules.

When it comes to proactivity, this company clearly divides into employees who are required to be proactive (sales and marketing department) and employees who should not even be proactive. Sales and marketing employees analyse market trends on an ongoing basis, observe how competition is developing and monitor the distance between the company and rivals in the industry, and then carry out a comprehensive analysis of own resources in comparison with the competition. Such activities allow for the collection of comprehensive data, which, despite the time-consuming acquisition, allow to predict future demand. On the other hand, software staff is not required to think about competition at all. The company's management does not consider the fact that proactivity can manifest itself in various areas and should apply to all employees. Meanwhile, in the analysed enterprise, there is a division into two groups of people: those who are required to constantly seek opportunities and those who have to passively perform work, even if it is creative in itself. At the same time, during the pandemic, there was a marked increase in the proactive activities of employees who, during various project meetings and meetings, tried to indicate potential solutions to urgent problems and proposed changes.

When assessing the dimension of entrepreneurial orientation, which is taking risk, it should be noted that the surveyed company turned out to be quite conservative. Managers of the enterprise showed a reluctance to take risks, and their main activities in the area of risk management were related to minimizing possible threats. For this purpose, most activities had to be well planned, which automatically limited initiatives and experimentation. The Covid-19 pandemic has exacerbated this approach in the enterprise, as the uncertainty in the market has created a situation in which all risk-bearing elements in the business have been limited, with a view to maintaining a sense of stability.

The area of entrepreneurial orientation, which should be assessed highly in the surveyed enterprise, is innovativeness, which is already included in the very activity of the enterprise, which creates products, very often individual, according to specific customer requirements. Hence, at the stage of recruiting employees, the firm pays special attention to potential innovation. When assessing the impact of the Covid-19 pandemic on engaging in the creation of new ideas and unconventional solutions, it was indicated that there was a significant stratification between employees, probably resulting from their individual character traits. Some people in the new market conditions became highly innovative, submitting innovative ideas or new development directions, while other employees reacted very conservatively to the crisis situation, trying not to take creative actions, probably fearing failure. It can be assessed that the firm's policy regarding the intensification of innovativeness within the organization should be modified so that innovation is naturally associated by employees with the possibility of making mistakes that are inextricably linked with high creative activities.

Traditionally, the area least rated by companies from the SME sector as part of entrepreneurial orientation is competitive aggressiveness. Also, in this surveyed enterprise, aggressive behaviour towards competition, where we deal with direct and intense competition with other entities from the industry, was assessed rather



negatively. It was clearly indicated that the enterprise avoids actions that could be perceived as ethically improper. Relationships with competitors were based only on observing and trying to stay ahead of the competition, but without active actions against competitors. This approach did not change during the Covid-19 pandemic, however, in the case of the industry to which the company belongs, it seems that the situation did not encourage the intensification of competition, as the favourable economic situation ensured a rapid increase in turnover in the entire industry.

In the area of research on flexibility, the enterprise indicates a strong need for changes in today's economic environment. It is indicated that flexibility is necessary at any time of order fulfilment or creating projects for the client. It tries to be extremely flexible, especially with regard to customer expectations, so that the offer is "tailor-made". In this way, the enterprise has a chance to gain a competitive advantage in the sector. At the same time, the Covid-19 pandemic increased the flexibility of the business operations. Due to new needs and challenges, it had to react very quickly to the new situation and adapt to the new requirements of individual clients. The pandemic crisis caused many organizational changes in many very diverse industry enterprises, which meant that it was necessary to respond to the requirements of each of them.

If we analyse the level of internal resources of the enterprise and their impact on the level of competition in the business environment, the main resource in the surveyed entity are employees who, as in a typical IT company, constitute the basis for creating and modifying services. Thus, employees are the firm's most important asset to gain a competitive advantage. At the same time, the enterprise emphasizes that in the Covid-19 era there were no significant problems with human resources, there was also no visible employee rotation or changes in the scope of duties.

When it comes to the business strategy, flexibility in adapting to market changes is an important element of the enterprise's strategy. It recognizes the need for strategic changes in response to the pandemic. As the managing person points out:

*"We live in such a culture of work that this change is sort of a reality that we must accept. We live in a world of change."*

An important element of the firm's flexible operation is the ability to quickly identify market trends and their changes. And so, the surveyed enterprise declares that in the time of a pandemic, this ability is particularly important, and the company pays special attention to market monitoring and analysing market indicators. At the same time, the company is also trying to respond to a potential market expansion or contraction, and in the event of a pandemic, this response was primarily to increase turnover and customer pool. Although the enterprise is trying to flexibly adapt to the market needs all the time, the new crisis situation has forced action in this area on a much larger scale. Paradoxically, along with the increase in the scale of activity, it was also necessary to shorten the reaction time to changes in the environment. As the top management declares, the employees of the marketing and project departments were primarily responsible for quick response to market changes, but to a lesser extent this applied to programmers, i.e. IT service developers.

As the flexibility of the business operations requires a rapid flow of information, enterprise representatives were asked whether it was necessary to accelerate the flow of information within the organization in the time of the Covid-19 pandemic. It turns out that the very change of the work system, i.e. increasing the scope of remote work, forced both a faster and more effective form of information flow. The inability to meet face to face and set priorities on an ongoing basis forced changes in the way of informing employees whose work rhythm has changed significantly. At the same time, it is emphasized that solutions in this regard take time and that adjustments will appear in subsequent future periods.

As far as the flow of information with the company's stakeholders is concerned, no major changes were recorded in the surveyed enterprise in the last pandemic period. It turns out that the solutions for contact with customers and contractors developed so far also proved successful in the crisis period caused by Covid-19.

The organizational flexibility study showed that in the analysed enterprise there was a need, but also a desire to manage resources flexibly, especially human resources. The firm put emphasis on empathy, trying to increase the level of trust in the employer, and thus the level of willingness to provide work. Flexible approach to work performance assumed that the trust of the employer would allow the employee to better distribute his work, so that the effectiveness of this work would not decrease. It turned out to be an effective solution in this case. It should be noted, however, that we are talking about a special type of highly qualified employees who were already familiar with independence in performing their work. So, no general conclusions can be drawn here.

When analysing changes in the area of the firm's production and distribution processes, no significant reactions to Covid-19 are declared. Changes to the processes that were planned much earlier and introduced on the basis of the adopted work methodology are constantly being implemented. It can be argued that this is related to the natural development of the enterprise, where it moves from ad hoc operation to operating within certain project cycles.

The Covid-19 pandemic did not change the business organizational structure, however, as the enterprise declares, there was no such necessity. The adopted business structure allowed the enterprise to function fully in the era of strong market changes.

In the area of functional flexibility and work flexibility, it can be defined that the enterprise has a constant low level of flexibility. It turns out that in the era of the pandemic, there was no need to change the scope of duties, and the number of employees tends to increase, which is related to the rapid development of the enterprise. Although the crisis did not cause the enterprise to start requiring employees to work overtime, it should be noted that employees point to the extension of working time in practice. This is due to the fact of working from home (remote work), which favours the employee's distraction and constant distraction from work. I declare that currently as many as 80% of the company's employees work remotely, and the rest rotate at the firm's headquarters for various personal reasons, when it is impossible to work from home. The scope of remote work was much smaller before

the pandemic, but the current solutions may become permanent, changing the way business is conducted.

Summarizing the research on entrepreneurship and organizational flexibility, it should be noted that the surveyed enterprise does not undertake activities, e.g. training or courses, to support and develop employees in these areas. Therefore, despite the awareness, declared by the manager, that both entrepreneurial and flexible activities bring benefits to the enterprise, no human resources development is planned in this regard.

#### *Case study 5 (UA1S)*

Fifth surveyed enterprise, operating on the Ukrainian market, is a firm dealing in the sale of agricultural machinery, spare parts and service of these machines. Due to the size of its employment, the enterprise is classified as small business entity, and the declared level of employment is 47 people. When discussing the firm's situation in the time of the Covid-19 pandemic, the surveyed enterprise indicates a relatively good situation, both in terms of its own economic results and employment, and the situation in the industry in question. Companies operating in the field of agricultural services suffered from the effects of the pandemic crisis to a relatively small extent. Agricultural production and sale of food products were not subject to restrictions in almost all countries, which means that the industry was less affected by the crisis than other industries, e.g. services or industry.

When trying to diagnose the level of organizational entrepreneurship of the surveyed enterprise, the owner's opinion was obtained, who declares that only a small group of the employees is entrepreneurial. This is true primarily of sales managers, although to a limited extent anyway. The justification for this is the fact that only managers are able to represent the enterprise and have considerable freedom in finding customers, in negotiations, in determining the sale prices of individual products, etc. At the same time, it is emphasized that the Covid-19 pandemic did not significantly affect the attitudes and entrepreneurial actions of employees. The entrepreneurial activity of sales managers is directly related to their salaries, regardless of the period of the pandemic. This remuneration depends on the number of products sold, unit sales prices, but also customer opinions. Hence, sales managers try to actively take initiatives and challenges to not only increase the firm's turnover, but also the level of customer satisfaction.

When trying to diagnose whether the entrepreneurship of employees is appreciated and rewarded in the surveyed enterprise, it was indicated that the awards also apply only to sales department employees, and this only applies to financial motivation. Therefore, there is no incentive for other employees to be entrepreneurial. Moreover, the owner of the enterprise does not see the need to apply incentives to increase entrepreneurial behaviour among all staff. Bearing in mind the persistence of solutions in the field of motivating employees to entrepreneurial activities for the enterprise, there was no link between the entrepreneurship of employees and the economic results – different in the time of the Covid-19 pandemic than in the period before the pandemic. It should be noted that the business owner does not believe that employees should be more entrepreneurial during the current crisis, but this approach

should be assessed negatively, as the unpredictability associated with the pandemic period should encourage them to look for new business solutions, even if the industry is not experiencing a downturn at the moment.

When analysing in detail the level of entrepreneurial orientation in the surveyed enterprise, divided into individual dimensions, the first dimension examined is organizational autonomy, and here a certain degree and independence of the firm's employees in the area of sales is declared. This applies to activities such as granting discounts or changing certain contractual conditions. As the owner of the enterprise emphasizes, the autonomy of the sales department employees is beneficial for the company, because thanks to it, it is possible to attract more customers to the enterprise, and at the same time to establish an individual work pattern with each customer, which allows for a better adjustment of the offer to the buyer's expectations. These are solutions that the enterprise has been using for a long time and therefore are not due to the impact of the Covid-19 pandemic.

Referring to the next dimension of entrepreneurial orientation – proactivity, the owner of the enterprise very generally indicated the proactivity of employees involved in selling the company's products. It has not been possible to diagnose the extent to which employees are able to look for opportunities and forecast future demand, but it should be assessed that this level is insufficient. This approach reflects the owner's own beliefs, and the owner himself does not declare any change in this area related to the pandemic crisis.

In terms of risk taking, the examined enterprise clearly limits the possibilities of risky activities of its employees, even if they are undertaken after a rational analysis of potential benefits and costs. It is indicated that the possibility of taking risks is only available in consultation with the top management. Therefore, we cannot speak of activities at the organizational level. The owner of the company declares that the propensity to take risks by the company's employees will not change in the near future, even with a prolonged pandemic.

Innovation is now regarded as one of the essential elements of the development of any enterprise. Meanwhile, in the studied enterprise, employees do not act in favour of innovation and are not encouraged to do so. It can be assumed that creativity and the identification of innovative solutions are not expected of company employees, both now and in the future, and the Covid-19 pandemic is not seen as a factor encouraging a more innovative approach in the enterprise.

During the interview, information was obtained that the employees of the enterprise show partially competitive aggressiveness, i.e. a tendency to direct and intense competition with competitors in order to achieve a better competitive position of the enterprise. The level of competitive aggressiveness is not affected by the difficult period of the pandemic, probably due to the fact that the industry in question has hardly felt the effects of lockdowns.

The second area that this qualitative study focuses on is organizational flexibility. When asked if the enterprise operates flexibly in the market, the answer was positive. The owner emphasizes:

*“Our flexibility results from the fact that we adapt to the client, creating individual terms of cooperation for him, and at the same time we arrange ourselves depending on the conditions of the environment.”*

It is indicated that the enterprise presents customers with various options and is open to their implementation, provides a package of discounts, purchase of equipment under various forms of financing, etc. Regarding the impact of the Covid-19 pandemic on the level of flexibility of the studied enterprise, the business owner indicates that the level of flexibility lowered. The enterprise has become more cautious in its actions, especially when it comes to long-term contracts. The pandemic crisis is perceived in terms of a problem; hence the enterprise stiffened its approach to customers, fearing the development of unfavourable market phenomena.

Referring to competing in the business environment on the basis of available internal resources, the research confirmed that the resources (financial and material) significantly determine the level of the form’s competitiveness. However, this impact is independent of the Covid-19 pandemic, so the enterprise operates in a similar manner to the use of resources as it did before the pandemic. For a similar reason, there have been no changes in the strategic areas of the business operations, and if the owner makes strategic decisions soon, it will probably not be dictated by a pandemic situation.

By analysing the speed of reaction to market changes, including changes in trends, market potential or changes in customer needs, the surveyed enterprise turned out to be very passive. It does not declare that it identifies changes in market trends, claiming that the Covid-19 pandemic did not affect the agricultural machinery market in Ukraine, and thus the level of demand did not change. However, the organizational flexibility relies heavily on capturing and anticipating changes, which increases the effectiveness of the adaptation process. The firm’s static approach in this respect does not guarantee the possibility of quick adaptation to market changes.

The studied enterprise is similarly conservative towards ensuring the rapid flow of information, both inside the firm and its external stakeholders. It is declared that there was no pressure associated with the need to accelerate communication during the pandemic, although many companies point to problems with the proper flow of information, disturbed sudden transition to work online. This enterprise also did not make any organizational changes in the pandemic era, including the use of resources, distribution processes or organizational structure.

When it comes to human resource management, the changes only concerned the initial period of the pandemic (first wave), when some employees switched to remote work. Currently, the situation has stabilized and employees work stationary according to predetermined patterns and with a workload as in the period before the pandemic. It can therefore be concluded that the level of functional flexibility and flexibility of work is quite low and this level has not changed during the pandemic.

The enterprise declares the organization of training courses for its employees, which are aimed at increasing the effectiveness of its own activities, but they mainly concern the sales area and are only indirectly related to the entrepreneurial orientation

of employees and the flexibility of the organization. Typical training courses in research areas are not foreseen.

### *Case study 6 (UA2S)*

Next enterprise, with which an in-depth interview was conducted, is a small company operating in the footwear industry in Ukraine. The current employment level of this enterprise is 32 people. Assessing the overall situation of this business entity in the era of the Covid-19 pandemic, the managers declare that the pandemic had a huge impact on its economic situation. First, the emphasis on online shopping has increased as brick-and-mortar sales in Ukraine were not possible due to quarantine. This required a change in the information channels used by the brick-and-mortar sales in its business activities. The focus was on contacts via social networks such as Instagram and Facebook. Second, the pandemic constraints have made it clear that many business activities can be performed remotely, especially in the area of customer service, although previously it seemed impossible to do so. At the same time, the quarantine triggered a period of suspension during which there was time for additional analysis of customer requirements through a greater emphasis on understanding their needs and current trends.

The Covid-19 pandemic negatively affected the footwear industry in Ukraine. Negative aspects such as wage reduction, layoffs or reduced-time work, but also remote work of many consumers, who reduced demand for shoes because of that. Consumers, with significant budget constraints, did not treat the purchase of footwear as a priority. In turn, the entire footwear industry has significantly increased online service and sales, and more and more customers have started looking for products only on websites or through social media.

When analysing the entrepreneurial orientation of the surveyed enterprise, it should be indicated that the employees were assessed by their superiors as very entrepreneurial. Numerous initiatives on the part of regular employees, both in the area of creating new products or improving existing ones, as well as in relation to other areas of the business operation, not related to production, such as, for example, online marketing. In addition, the Covid-19 pandemic had a positive impact on the attitudes of employees who felt obliged to look for ways to improve operations so that the enterprise could survive the unfavourable economic situation. Hence, employees began to show greater initiative to increase sales of the firm's products based on the new conditions.

An important aspect is that the enterprise appreciates the entrepreneurship of staff members. Initiatives in the area of sales and acquiring new customers have a direct impact on the level of employees' earnings (wage incentive). Initiatives in other areas not directly related to sales are appreciated in the form of separate awards. This approach of managers encourages active search for business opportunities to the benefit of the studied enterprise.

The business manager, pointing to factors that may increase the entrepreneurial orientation of employees, indicated that it is of key importance for employees to find work interesting, because only then will they be willing to look for new solutions and take up new challenges. However, then employees must be sure that their actions will

not go unnoticed, and that they will be rewarded for the successful implementation of projects. Moreover, the amount of these awards must be clearly and strictly related to the additional work performed. For if employees suspect that the awards will be symbolic, they will not be willing to take any initiatives. As the company recognizes the direct impact of employee entrepreneurship on the improvement of the economic performance of the enterprise, support for employees operating in an entrepreneurial way is declared. These types of activities improve the company's sales, and thus lead to an increase in the company's revenues. In addition, the employees involved in their work are appreciated by the customers, and their satisfaction translates into their loyalty to the company, as well as promoting the company among friends and colleagues. Ultimately, this improves the market competitive position.

In the course of the interview, the top manager declared that in the era of the Covid-19 pandemic, intrapreneurship becomes a necessity due to numerous bankruptcies of enterprises in the footwear industry. A more active approach of employees to work is necessary for the enterprise to survive the economic crisis. For employees, this means keeping a job (source of income), which becomes a priority value in times of crisis.

When analysing the area of organizational autonomy in the surveyed enterprise, it should be noted that independence is observed in many areas, which is additionally supported and appreciated. A significant part of employees' activities is not limited by their scope of duties, but only general priorities for individual areas are indicated, leaving employees a lot of freedom in how to implement activities within these areas.

In the era of the Covid-19 pandemic, and especially during periods of imposed quarantine and the need to work remotely, employees are encouraged to take more independent actions and decisions for the enterprise. Effective delegation of responsibility also helped employees define the limits of their competences, and thus define the scope of independence.

Another area of the organization's entrepreneurial orientation is proactivity, which is relatively high in this enterprise. Employees analyse the market on an ongoing basis and maintain contact with customers in order to predict future demand. The specificity of the industry, where trends change seasonally, requires constant research of the needs of customers, who in this case often make decisions based on the preferences (fashion) prevailing in a given season. At the same time, the business manager points out that employees are expected to behave more and more practically, because the strong competition in the industry means that the current level of creativity is not enough to achieve a competitive advantage, and perhaps even survive the crisis period. Meanwhile, the Covid-19 pandemic did not significantly affect the level of employee proactivity, which was already high in previous periods. However, the prolonged period of the pandemic may necessitate increased proactivity due to the shrinking market potential, the size of which is not sufficient for all current producers.

When analysing risk-taking, it should be stated that the surveyed enterprise presents a fairly conservative approach. Employees are expected to take only limited risks after a comprehensive risk analysis of an activity or project before they begin.

It was additionally indicated that not every employee is competent to make risky decisions, hence it is not assumed that not all employees should take initiatives with the risk of failure, even if they take them rationally.

During the pandemic, the scope of risk taken in the enterprise at various levels of the organizational structure clearly increased, while having a positive impact on the results. Employees, in the new market conditions, began to experiment more with products, advertising and various types of communication with consumers. This met with a positive response from the management of the company, especially since most of the activities turned out to be beneficial for the organization.

By analysing the dimension of organizational innovation, the enterprise confirms the relatively high level of innovation of its employees, who engage in the creation of new ideas and non-traditional solutions. The freedom of creativity allows employees to discover their talents in various fields, thus creating new non-standard solutions. Innovative employees are perceived positively in terms of the firm's development, which means that their activities are promoted. At the same time, in the era of a pandemic, where the shrinking market creates problems with maintaining sales at an earlier level, the innovativeness of employees who create innovative projects and are able to better adapt to customer requirements is a priority for the business survival, but also allows to generate wage and non-wage incentives for employees.

In the area of competitive aggressiveness, the enterprise manager declares its reluctance to take active measures to eliminate competition from the market. According to the manager's declaration, the enterprise generally has a different competitive strategy, and the company's mission and goals do not consider the elimination of some competition from the market, and thus employees are not expected to do so. To achieve a better market position, the enterprise focuses on improving its own position, not weakening the position of competitors. In terms of competitive aggressiveness, no major changes in the approach to competitors are expected, even in the difficult period of the pandemic crisis.

In response to the question whether the enterprise operates in a flexible manner on the market, the answer was affirmative – the enterprise reacts relatively flexibly to external market conditions. As an example, cooperation with many suppliers of semi-finished products is given here, thanks to which the company is not dependent on one organization, and thus can flexibly adapt to both the price level and the shrinking availability of semi-finished products. Similarly, in the time of the Covid-19 pandemic, a significant increase in the level of flexibility was visible, when there was a kind of immediate transfer of resources to online sales, due to the impossibility of selling in brick-and-mortar stores. The owner emphasizes:

*“Our firm during the pandemic has become more flexible, i.e. resistant to the emerging external factors, i.e. the business environment, and the pandemic has helped us to pay more attention to the organization of work and delegation of powers, so that we can flexibly respond to market changes.”*

Referring to the impact of the level of internal resources of the enterprise on the level of competition in the business environment, the surveyed firm indicated that the



priority is the management of inventories, both for semi-finished and final products. Unfortunately, the current human and material resources of the enterprise are insufficient to ensure a high level of competition on the market, due to the significant dependence on suppliers of raw materials, who determine the continuity of production. The enterprise recognizes that competitiveness in the industry requires significant working capital resources, which must be flexibly modified for this. Problems in this area have been pointed out by manager.

Considering both the specificity of the industry and the market requirements related to the Covid-19 pandemic, the manager of the enterprise points to the need to make strategic changes in many areas of operation. At the same time, it is emphasized that these changes would be advisable even after the end of the pandemic crisis, and therefore do not result only from the current situation.

Analysing the level of flexibility in adapting to market changes, the analysed enterprise declares a significant ability to quickly identify market trends during the Covid-19 pandemic, but also beyond it. Employees have constant contact with customers, which allows them to define their preferences for the future, and indirectly gain a new group of customers and retain existing customers. At the same time, it is emphasized that in the era of the pandemic, the footwear market has not expanded or contracted, but there is a need to analyse the potential risk of market shrinkage and to prepare potential remedial tools.

As for the ability to quickly respond to market needs, it is closely related to the specificity of the footwear production market. The production cycle from design to execution and distribution is predetermined and changes during this cycle are essentially impossible. Hence, the studied enterprise must very precisely predict future demand and market trends in order to overcome the problem of limited current ability to adapt to changing customer requirements. In addition to the organization of production itself, it should be noted that the Covid-19 pandemic forced an increase in the speed of response to market changes, e.g. in the ways of contacting the customer, which for many companies is a critical condition for survival.

As the flow of information is one of the key conditions for flexible operation, the business manager declares the need for faster information transfer in the era of a pandemic. It also emphasizes the visible impact of the speed of information flow on the economic results and efficient operation of the organization. At the same time, it is declared the need for an efficient flow of information with the firm's stakeholders, both on the part of suppliers and customers.

Flexible operation allows for efficient and quick adaptation to changes in the internal and external conditions of the business operation, so the research problem in the study was to determine the response to these changes in the conditions of the Covid-19 pandemic. And so, the enterprise points to clear changes in the area of inventory management, which is one of the priority resources in the analysed industry. However, there was no change in the level of fixed assets, especially industrial machinery. When it comes to changes in the production process, it was analogous to the one before the pandemic crisis, while distribution has changed dramatically, consisting in an almost complete transition to online sales. Of course,

it is declared that the distribution will change again when the pandemic restrictions disappear or change.

In the area of organization and human resource management, the top manager indicates that the enterprise operates on the basis of an unchanged organizational structure despite the pandemic, with no greater need for organizational changes.

As for the level of employment, it increased, because it was necessary to hire an additional person to handle the increased online sales. On the other hand, the Covid-19 pandemic affected the number of hours worked by the firm's employees, i.e. the number of overtime hours per employee increased. In the area of work organization, employees can be divided into two groups: office workers who have switched to remote work during the pandemic, and employees related to production and distribution, whose form of work has not changed. Thus, the level of functional flexibility and flexibility of work, in the pandemic era, increased due to the turbulence of the environmental conditions.

It should also be noted that the surveyed enterprise points to taking measures to train its employees in terms of competences for the growth of entrepreneurship and flexibility of operation. It is primarily about using various forms of distance learning.

#### ***Case study 7 (UA1M)***

Another company that participated in the study was a Ukrainian enterprise producing and providing services in the field of delivering industrial, technical and medical gases. Due to the size of employment, the enterprise was classified as a medium-sized entity, which currently employs 104 people. The enterprise declares that employment has not decreased in the recent period, on the contrary, it has increased by about 10 employees. New employment to the firm took place during the pandemic. Employees with low qualifications were recruited to work, who could perform all simple duties in the enterprise. This was due to the fact that the business profile was particularly important during the Covid-19 pandemic. The Ukrainian enterprise under study operates in all industries, but the medical industry is particularly close to it. These kinds of businesses were essential in the fight against the pandemic. It turns out that at the time the surveyed enterprise was established, medical clients accounted for approximately 30% of all clients. Currently, in the period of high demand and rising prices for medical gases, medical customers account for approximately 60-70% of all recipients. Entire hospitals, which are now a priority group of recipients, have become the clients of the surveyed company. According to the owner, the Covid-19 pandemic had a positive impact on the industry in which this Ukrainian enterprise operates. However, this only applies to the production of medical gases. Other industries, including the industrial gases industry, were adversely affected by the pandemic on their market activities. The business owner, however, is glad that he focused on medical clients at the beginning of the pandemic.

The analysis of the entrepreneurial orientation has shown that the company's employees are entrepreneurial. According to the owner's opinion, their entrepreneurship results not only from a number of ideas, but also from great diligence. The owner declares that all employees during the Covid-19 pandemic worked with an efficiency

of 120-130% in a well-coordinated team. The goals that the enterprise wanted to achieve were a priority for all employees. Moreover, according to the Ukrainian owner, the company's management and top-level employees should be entrepreneurial. However, it is difficult to determine whether the Covid-19 pandemic influenced the attitudes and entrepreneurial actions of employees at all levels of the organizational structure. This is due to the fact that enterprises in the medical industry had to implement contracts against the turbulence of the surrounding conditions. When it comes to the mood of employees, the pandemic had a negative impact on them. However, the social responsibility of employees was so strong that the enterprise operated very smoothly and efficiently. Thus, it can be said overall that the pandemic has had a positive impact on the business development.

The research showed that the entrepreneurship of employees in the surveyed company is appreciated and rewarded. These are mainly bonuses and financial incentives. Moreover, the period of the Covid-19 pandemic showed that salaries, excluding bonuses and incentives, increased significantly. It resulted from an increase in demand and prices of produced gases. To sum up, in the time of the pandemic, the salaries of employees increased by as much as 2-3 times. According to the firm's owner, the entrepreneurial orientation of employees is influenced not only by financial factors, such as bonuses or allowances, but also non-financial factors, such as the attitude of management, contact with employees, information flow and work atmosphere (team). Additional salaries of employees are not the key motivators to take business initiatives for the benefit of the enterprise, as a higher salary results in better performance and satisfaction in a short time. It is a motivator that works for one to two months, then becomes the norm for the employee. According to the entrepreneur, non-financial motivators play a key role in supporting the entrepreneurial orientation of employees.

It turns out that, according to the business owner, entrepreneurial employees help improve the economic performance of the enterprise. However, this only applies to the management board and major shareholders. Employees at other levels should work in an entrepreneurial spirit. The organizational structure of the company should be divided into areas of responsibility and authority, and not all employees should be entrepreneurial. According to the owner, it may be harmful to the enterprise. At the same time, the owner emphasizes that in the time of the Covid-19 pandemic, only the top management should demonstrate a higher level of entrepreneurship, other employees – rather not. The enterprise should have a rigid structure, thanks to which there will be no chaos in business, which is a frequent phenomenon in Ukrainian entrepreneurship. This opinion points to an incomplete understanding of the phenomenon and the importance of the entrepreneurial orientation of the organization members.

The conducted research has shown that the employees are partially autonomous. This means that they can act freely and independently with limited ownership supervision while increasing their responsibilities. It turns out that the level of autonomy is influenced by the place in the organizational structure of the enterprise, including the duties and rights of the employee in a given position. However, all decisions regarding the broader perspective should be approved by the managers,

directors or managers. There is coordinated independence in the surveyed enterprise. Each employee must consult with his or her supervisor on taking independent actions. Thus, the autonomy of employees at lower levels of the organizational structure is very low. According to the owner, the Covid-19 pandemic did not affect the level of autonomous actions and decisions in the organization. A prolonged period of pandemic could change that.

Proactivity, understood as the constant search for opportunities to stay ahead of the competition by predicting future demand, is a feature only of employees in managerial positions. Employees of the surveyed enterprise are proactive, but to a low extent (quite rarely). Nevertheless, the owner of the company expects such behaviour from employees in managerial positions. Proactive behaviour is positively perceived in the enterprise. There is no requirement for proactivity with lower level employees. It also turns out that the period of the Covid-19 pandemic affected the level of proactivity of employees. Employees are more proactive due to the fact that the enterprise operates in the medical industry. The production of medical gases necessary in the time of a pandemic causes a high level of professional responsibility among all employees. Unfortunately, according to the owner, a prolonged pandemic may adversely affect the proactivity of employees.

Employees of the surveyed enterprise show a high propensity to take risks, i.e. they are ready to implement bold actions, initiatives, projects with the risk of failure, but after prior rational analysis. In this Ukrainian enterprise, taking risky actions follows a set pattern. The scheme of making risky decisions is as follows: the head of the department submits the idea for discussion, the management board sets the percentage value of the risk and it is decided whether such actions can be taken in the enterprise. Employees cannot act on their own, all risky initiatives must be assessed. According to the owner, the Covid-19 pandemic had a positive impact on the level of risky decisions and activities in the enterprise.

The conducted research also showed that the employees of the surveyed Ukrainian company are innovative. However, this only applies to young employees who are not fully competent. Therefore, the management team tries to translate these ideas into a range of competences. If an employee is competent and innovative at the same time, it certainly has a positive effect on the economic results, according to the owner. The Covid-19 pandemic has had a positive impact on changing the attitudes and behaviour of innovative employees. Currently, in owner's opinion, there are more innovative behaviours, even those with a high level of risk.

Competitive aggressiveness, as a tendency to direct intense competition with competitors in order to achieve a better position and eliminate some of the competition from the market, is implemented in the strategy of the analysed enterprise. However, such actions are taken carefully and depend on the competitive situation. Competitive aggressiveness is implemented against selected firms in the market. The owner emphasizes:

*“On the one hand, we have a reasonable approach to the market and competition, but on the other hand, we are able to take customers from other companies and act aggressively, sometimes also in cooperation. However, all our actions must be coordinated, even the aggressive ones.”*

According to the owner, the Covid-19 pandemic did not change the entrepreneurial orientation in this area, which is due to the pandemic period. Perhaps after the pandemic, such actions will not be taken by the enterprise, as the market in this industry will probably shrink.

Research has shown that the Ukrainian enterprise operates flexibly on the market. Organizational flexibility in a turbulent environment, especially when it comes to a pandemic, becomes a necessity for all businesses operating on a competitive market. As the owner pointed, flexibility should be controlled in all areas of the business operations. Uncoordinated flexibility can lead to chaos in the enterprise and cause losses. The period of the Covid-19 pandemic had a positive impact on the level of flexible activities of the enterprise. It turns out that this enterprise undertakes more flexible activities, even in areas with high market risk. However, these activities are coordinated by the shareholders and top management. According to the entrepreneur, the firm is now more flexible and better adapted to the client's needs and environmental conditions.

In enterprise, the level of flexible activities is greatly influenced by the organizational resources. An enterprise with large resources can afford investments, including in IT areas. The high level of internal resources of the enterprise enables increased production and business development, which in turn has a positive effect on flexibility and market competitiveness. The surveyed enterprise feels the positive impact of internal resources on the level of competition in the pandemic era.

Ukrainian enterprise declares that in the time of the pandemic it had to reorganize its strategic goals. This was due to the huge demand for a part of the production. This was only due to the pandemic and the huge demand in the area of medicinal gases. The enterprise had to give up some of the customers who bought technical gases. It has now adapted its strategy to pandemic-specific market conditions and has focused on selected areas of specialty production.

In owner's opinion, the enterprise identifies market trends and it is influenced by the time of the Covid-19 pandemic. Currently, the firm focuses on the implementation of projects for the medical industry, which is a priority in the pandemic era. The possibilities of quickly identifying market trends in the era of a pandemic, i.e. nowadays, are greater.

The entrepreneur also declares that the firm has the ability to react quickly to the expansion or contraction of the market. In the time of a pandemic, the analysed company employed workers with lower qualifications to perform less demanding activities. Experienced employees could, during this time, perform work that required qualifications. At the same time, employment will change along with the change in market demand.

The surveyed enterprise has the ability to quickly respond to market needs. This is evidenced by the change in the profile of operations in the era of a pandemic and the transition to the production of medical gases. It turns out that the pandemic has an impact on the ability to quickly respond to market needs. The difficult situation forced quick reactions and actions, thanks to which the company is highly flexible.

The response time in the Covid-19 pandemic decreased significantly in all areas of the business operations.

According to the owner, from the very beginning of the company's operation, there was a good flow of information. However, the Covid-19 pandemic has caused this flow to be faster. This applies to both the flow of information within the organization and with its stakeholders. Meetings of management and operational staff are very often organized. The frequency of meetings depends on the current situation in the firm's environment, e.g. internal meetings in the company may take place even several times a day. According to the owner, in the era of a pandemic, it is necessary to exchange information faster with contractors. This does not only apply to the transmission of information, but above all to the speed of decision making.

The Covid-19 pandemic definitely influenced changes in the area of processes carried out in the surveyed company. The company, wanting to be flexible, adapted to the new environmental conditions and reclassified to one of the previously serviced industries. All production was focused on medical gases and serving medical entities.

The Covid-19 pandemic also contributed to the expansion of the organizational structure of the enterprise. It has built an outsourcing project department that deals with installations.

The business owner declares that the flexibility of all operation also covered the area of work and employment. The period of the pandemic affected employee turnover and the number of working hours, but it did not affect changes in the workplace. Employees did not undertake remote work. The pandemic situation forced the enterprise to allocate employees to different jobs, but always in accordance with the qualifications. The Covid-19 pandemic also affected the number of hours worked by the employees, but all overtime hours were additionally paid.

Currently, the surveyed Ukrainian enterprise does not organize trainings or courses that contribute to increasing entrepreneurship among employees or increasing the flexibility of organizational activities. In turn, training courses are organized to develop employee competences.

### *Case study 8 (UA2M)*

The last enterprise which is presented is a entity that produces packaging materials in Ukraine, such as technical stretch film or packaging tapes. It is classified as a medium-sized enterprise with relatively stable employment, also in the time of the Covid-19 pandemic.

Analysing the economic situation during the pandemic, the firm's manager indicates that the financial results have remained unchanged. However, a clear change in the structure of customers was visible, i.e. the turnover with clients from the food sector increased significantly, while the revenue from customers from the industrial sector clearly decreased. It is also estimated that the Covid-19 pandemic resulted in the discontinuation or suspension of operations of approximately 10% of the firm's customers. On the other hand, when assessing the situation in the entire packaging industry, it should be stated that despite a certain financial stabilization in the sector, the structure of target groups has changed significantly. This applies especially to the reduced turnover with foreign countries, and for some companies even the necessity to operate only on the domestic Ukrainian market.

When assessing the entrepreneurship of employees, the manager of the enterprise indicated that in general employees can be assessed as entrepreneurial. He emphasized that employees are one of the firm's main assets and contribute directly to both the short and long-term development of the enterprise in each of the business segments. At the same time, the particular level of entrepreneurship of the sales department employees was emphasized, which, however, in practice indicates that only some of the employees act in an entrepreneurial manner. In addition, sales support, as it were, requires the activity of initiative and commitment, so it is a typical activity in any enterprise and it is difficult to talk about a satisfactory level of entrepreneurship. It is also declared that the Covid-19 pandemic did not affect the entrepreneurial attitudes and behaviour to a greater extent. The business manager believes that the internal policy is to involve employees in the production and distribution process as much as possible, and therefore employees are required to be entrepreneurial regardless of the pandemic or other market turbulence.

By indicating whether intrapreneurship is appreciated and rewarded in the enterprise, the answer was affirmative. The enterprise has a policy of material incentives for employees, based on remuneration for work results. The higher the productivity of employees, the higher the salary level. During the pandemic, the level of remuneration even doubled for selected employees, thanks to their active and aggressive efforts to expand the sales market. It should be noted that still only one group of employees is mentioned here – sales employees.

During the analysis of intrapreneurship in the firm, a certain misunderstanding of the very concept of internal entrepreneurship was noticed on the part of the managers. For example, when asked about the factors that may increase the entrepreneurial orientation of employees, elements such as increasing production capacity, introducing new products to the market, shaping new and additional goals, both on the domestic and foreign market, were indicated. Meanwhile, this indicates to a greater extent the management board's activity for the development of the enterprise by increasing sales, and not internal entrepreneurship, where an employee similarly undertakes initiatives, show ideas and act independently for the benefit of the organization. Such an approach to the problem suggests that the entrepreneurship of employees in the strict sense is lower than the declared level, and understanding the concept itself may be insufficient.

When assessing whether entrepreneurial employees contribute to the improvement of the economic performance in the time of the Covid-19 pandemic, a strong relationship was declared, which resulted in an 80% increase in turnover and more than a double increase in gross profit. In economic terms, the pandemic period therefore turned out to be particularly pro-development for the enterprise. At the same time, it is emphasized that the business policy is not to increase internal entrepreneurship in response to crisis situations, but to maintain a high level of entrepreneurship on a daily basis. The political and economic situation in the country forces constant and active measures to expand the market, which must be reflected in the competences of the human resources.

When deepening the subject of intrapreneurship, organizational autonomy was first referred to. In this area, it was declared that employees have a number of broad powers in making decisions and during negotiations with potential clients. It was emphasized that working in the market segment in which the company operates requires employees to make quick decisions in various situations, which in turn requires the delegation of some powers from managers to employees even at lower levels of the organizational structure. Employees are actively involved in the creation of a new product range for the enterprise and the permanent improvement of existing products. In order to support the independence of employees, and at the same time reduce the risk of wrong decisions, employees regularly visit specialized fairs or exhibitions to gradually increase their knowledge about current market trends. Thus, the Covid-19 pandemic did not significantly affect the willingness of employees to take autonomous actions and decisions, as independent action is one of the basic requirements for employees (especially in the area of sales). It was even indicated that:

*“Employee independence is one of the main factors of economic success and progressive development of the enterprise. We do not think that external factors will be able to change our policy.”*

Another area within the entrepreneurial orientation is proactivity, where employees are constantly looking for opportunities and trying to stay ahead of the competition by anticipating future demand. In this respect, the top manager also declares a high level of proactivity, indicating, however, its close relationship with the increased risk of activity. However, it is emphasized that the analysis of historical data shows that proactivity turned out to be more justified and purposeful in comparison with the losses related to missed decisions. This encourages proactivity in all groups of workers. At the same time, in the era of the Covid-19 pandemic, due to social constraints related to the epidemic, market stagnation and intensified competition in the industry, it is necessary to take measures with a greater scope of proactivity. Hence, employees began to analyse the economic situation in more detail and anticipate the possibility of certain events, which in turn saves both labour resources and the financial resources.

As part of the analysis of the entrepreneurial orientation of the enterprise, the risk-taking of employees, i.e. taking bold actions, initiatives and projects with the risk of failure, should be assessed as much lower. During the interview, it was only indicated that the enterprise, as one of the leaders in the industry, by taking many pre-emptive actions, directly exposed itself to the risk of failure. It is included in the business operations, but we are talking about a strategic approach, not risk-taking by individual employees as their own decision. Similarly, when discussing changes during the pandemic, the increased level of risk of the business operations due to the existing information deficit was indicated, but it concerned the entire enterprise and decisions at the managerial level.

In an attempt to diagnose whether the employees are innovative, it was declared during the interview that all employees are involved in development processes, including creating innovative products and introducing them to the sales market. As indicated:



*“It is the innovative activities of employees for the development of our company that are the basis for increasing competitiveness on the market.”*

There was also no clear link between the pandemic crisis and the change in attitudes and behaviour of innovative employees in the business area, adding that external factors do not determine the internal “microclimate” of an innovative enterprise.

The analysis of the dimension of competitive aggressiveness of the enterprise showed that in the industry in which the company in question operates, it is a necessity. According to the indications of the manager, 90% of contracts in the packaging industry are exclusive, and therefore direct and intense competition with competitors to eliminate them from the market is a condition for expanding the pool of customers. During the Covid-19 pandemic, the studied enterprise continued to be aggressive towards competition, even at an increased level. It should be noted that the described case study concerns an enterprise which, as one of the few, perceives competitive aggressiveness in positive terms, as a natural element of operating in a turbulent and highly competitive environment.

In the next research area, which was the analysis of organizational flexibility in the functioning of the company, the manager declared that the flexibly responds to changes in external conditions, but also often sets new trends in the development of a given market segment. The high level of flexibility of the enterprise any applies to both the product range and the commercial conditions offered to customers. The level of organizational flexibility has not changed in the recent period – the Covid-19 pandemic, as it was not required by the situation in the industry.

Referring to the internal resources of the enterprise, which determine the level of competition in the business environment, the particular importance of this relationship was declared in the time of the Covid-19 pandemic. Thanks to the financial stability, the quality of products and services was maintained at the level of the pre-pandemic period. In addition, the streamlining of business processes and stricter quality standards, which have always been one of the competitive advantages, have been refined, which allowed to partially offset the negative impact of pandemic restrictions.

In order to operate flexibly, the surveyed enterprise was forced to make changes at the strategic level, especially in the area of purchasing policy. The instability of raw material supplies from the European Union and the USA forced the creation of a long-term system of planning and storing raw materials in the warehouse, instead of just-on-time purchases.

When discussing the issue of flexible response to changes and market trends, the enterprise emphasizes faster response to price fluctuations of raw materials and semi-finished products used in the production process of packaging materials. The level of reaction to market changes has always been quite high in the opinion of the company’s manager, but during a pandemic, thanks to direct contracts for the import of raw materials, the company moves around the market faster in periods of deficit, thanks to which the supply of products to customers remains unwavering.

At the same time, the Covid-19 pandemic has forced an increased involvement of resources in order to respond quickly to market needs and to respond to the changing market capacity.

On the other hand, the unwavering points to a problem with the response time to changes in the environment, which was extended due to the slowdown in information exchange and the need to verify data from contractors. Similarly, the speed of information exchange with the company's stakeholders has slowed down due to the fact that many contractors have switched to remote work, which influenced, among others, to slow down decision-making processes. Until the pandemic period, the surveyed enterprise had an uninterrupted flow of information both inside the firm and with external stakeholders.

The organization of production and distribution in the enterprise did not change significantly during the Covid-19 pandemic. The business manager emphasizes that there has been no change in the organizational structure or the level of use of the firm's resources. Although he declares that there was no need for changes, it indirectly points to poor flexibility in the area of production and distribution organization, where the enterprise has little possibility of modifying previously established processes.

Human resources in the studied enterprise were characterized by a much greater level of flexibility. The level of functional flexibility and flexibility of work in the surveyed company was high and clearly increased during the Covid-19 pandemic. The period of quarantine and increased absenteeism made it necessary to rotate employees within individual workplaces, and sometimes even to combine work positions. The workload of individual employees also increased, which resulted from the need to replace employees in quarantine. Thus, the number of hours worked by individual employees has increased significantly, even though the total number of hours worked by department has decreased. Such flexible human resource management has not met with greater resistance from employees who have adapted to this unusual market situation. There was also a visible tendency in the era of Covid-19 to increase the scope of remote work. In this case, it concerned only office workers, while the work in other positions did not change.

It was also declared that the surveyed enterprise undertakes continuous actions to increase awareness and skills in the field of organizational entrepreneurship and flexibility of operation. Employees regularly receive internal training; the enterprise also uses external educational experts.

### **4.3. Summary of Case Study Results**

The intensive development of qualitative research methodology increases the interest in using the case study in research in the social sciences, although many researchers still consider the case study as a specific research strategy.

The choice of the case study as a method of researching entrepreneurial orientation and organizational flexibility was dictated by the fact that there are many quantitative studies on this subject in the literature, but for a given phenomenon to be fully

understood, it should be analyzed in relation to the environment in which it occurs. Verification of specific phenomena is especially necessary in periods when the environment is highly volatile or unstable. This is because social phenomena evolve successively, and periods of turbulence (e.g. market turbulence) accelerate these modifications. In the case of organizational processes and behaviors of organization members, the relationship with the environment is complex, because the environment affects the processes and behaviors in the organization, but they also shape the environment (especially the competitive environment). In order to correctly diagnose the causes of changes, interpret them in the context of the environmental forces affecting them and indicate potential management solutions, an in-depth study in the form of a case study becomes advisable.

Although qualitative research should not constitute the basis for formulating generalizations for the entire population, the juxtaposition of the results of multiple case studies gives a chance to notice certain regularities, which may be the basis for taking further research steps. Thus, when assessing the entrepreneurial orientation of the surveyed companies, it should be stated that the level of this orientation is not high in any of the surveyed enterprises (Table 4.1). When trying to compare the results for individual entities, it can be stated (although not generalized) that Ukrainian companies turned out to be more entrepreneurial than enterprises operating in Poland. On the other hand, taking into account the size of enterprises, a higher level of entrepreneurial orientation was visible in medium-sized enterprises than in small enterprises. It can be concluded that the smaller the company, the greater the role of the owner who represents the majority of acts of entrepreneurship, thus limiting the role of internal entrepreneurship of the company.

When analyzing the results of the in-depth interview for individual dimensions of entrepreneurial orientation, one should pay attention to some specific features. In the area of autonomy, there is a significant discrepancy between the surveyed enterprises in Poland and Ukraine, where organizational autonomy is at a much higher level. It seems that Ukrainian enterprises provide employees with greater independence in action, which brings economic benefits. On the other hand, Polish enterprises rely more often on procedures and well-established paths of action, which limits the autonomy of employees. The study also showed that firms in Ukraine are more aggressive towards their competitors. Active competition was also more often indicated as a necessity rather than just an opportunity for the enterprise. On the other hand, in Polish enterprises, competitive aggressiveness was often assessed negatively (business ethics were cited) and the level of activities aimed at eliminating competition from the market was low (Table 4.1).

Summarizing the impact of the Covid-19 pandemic and the crisis it causes on the level of entrepreneurial orientation of the surveyed enterprises, it is necessary to point out a significant difference between businesses in Poland and Ukraine (Table 4.2). Basically, Ukrainian enterprises have responded to the crisis pandemic increased entrepreneurial orientation, especially in the areas of risk taking, proactiveness and increased autonomy. Meanwhile, Polish enterprises have reduced their entrepreneurial orientation, putting more emphasis on proven, or even conservative

behavior. The aversion to taking risks in an uncertain crisis situation is particularly evident. It can be said that the new economic reality perceived by Polish companies as a threat, not an opportunity. For the same reason, there was probably a decrease in the level of innovativeness in Polish enterprises that decided to rely on proven business solutions and refrain from introducing new products.

**Table 4.1. The level of entrepreneurial orientation of the enterprise within individual dimensions**

Dimensions of entrepreneurial orientation of the company	Enterprises from the SME sector in Poland				Enterprises from the SME sector in Ukraine			
	1	2	3	4	5	6	7	8
	<i>PL1S</i>	<i>PL2S</i>	<i>PL1M</i>	<i>PL2M</i>	<i>UA1S</i>	<i>UA2S</i>	<i>UA1M</i>	<i>UA2M</i>
Organizational autonomy	+	++	+	++	++	+++	++	++
Proactivity	+	++	+	++	+	++	+	++
Risk taking	+	+	++	+	+	+	+++	+
Innovativeness	+	+	++	++	+	++	+	++
Competitive aggressiveness	++	+	+	+	++	+	++	++
General level of entrepreneurial orientation of the enterprise	+	+	++	++	+	++	++	++

where: level is indicated by: + low level; ++ medium level; +++ high level;

Source: own study based on research

**Table 4.2. Changes in the entrepreneurial orientation of the enterprise within individual dimensions in the era of Covid-19**

Dimensions of entrepreneurial orientation of the company	Enterprises from the SME sector in Poland				Enterprises from the SME sector in Ukraine			
	1	2	3	4	5	6	7	8
	<i>PL1S</i>	<i>PL2S</i>	<i>PL1M</i>	<i>PL2M</i>	<i>UA1S</i>	<i>UA2S</i>	<i>UA1M</i>	<i>UA2M</i>
Organizational autonomy	0	+	0	++	0	++	+	0
Proactivity	0	+	-	++	0	0	++	+
Risk taking	+	-	-	-	0	++	++	+
Innovativeness	0	0	-	+	0	+	+	0
Competitive aggressiveness	+	0	0	0	0	0	0	+
Change in the general level of entrepreneurial orientation of the enterprise	0	0	-	+	0	+	++	+

where: change is denoted by: - large decrease; - slight decline; 0 no change; + slight growth; ++ big growth

Source: own study based on research

The case studies conducted on a group of Polish and Ukrainian enterprises from the SME sector showed that the level of flexibility in the activities of most firms is quite high. It turns out that small enterprises, i.e. with up to 49 employees, declare a lower level of flexibility in selected dimensions of organizational skills. Research shows a correlation between the size of the enterprise and the level of flexibility in the business activities. Along with the increase in employment, the declared level of organizational flexibility in the examined capacity dimensions grows. Medium-sized enterprises, both Polish and Ukrainian, are characterized by a higher level of flexible activities in a turbulent environment. It turns out that a high level of flexibility in medium-sized enterprises most often occurs in terms of quick identification of market trends, quick response to market expansion and / or contraction, quick response to market needs and the ability to use the business resources. Unfortunately, small firms declare a low level of flexibility in most of the analyzed dimensions of organizational skills. Similar research results were obtained in both studied groups of enterprises. It is difficult to find any differences in the declaration of the level of flexible activities in the dimensions of the organizational capacity of Polish and Ukrainian enterprises. The interviews showed that both in Poland and in Ukraine, the conditions of the business environment are quite difficult for entrepreneurs and enforce flexibility in all areas of business operations (Table 4.3).

**Table 4.3. The level of flexibility in selected dimensions of organizational ability**

Selected dimensions of the organizational flexibility	Enterprises from the SME sector in Poland				Enterprises from the SME sector in Ukraine			
	1	2	3	4	5	6	7	8
	<i>PL1S</i>	<i>PL2S</i>	<i>PL1M</i>	<i>PL2M</i>	<i>UA1S</i>	<i>UA2S</i>	<i>UA1M</i>	<i>UA2M</i>
Ability to quickly identify market trends	+	++	+++	++	+	++	++	+++
Ability to react quickly to market expansion and / or contraction	+	+	+++	++	+	++	+	+++
Ability to quickly respond to the needs of the environment (market)	++	+	+++	++	+	++	++	+++
The ability to quickly flow information inside the enterprise and with external stakeholders	+	++	++	++	+	++	++	++
The ability to use the company's resources	++	++	+++	++	+	+	+++	++
Functional abilities in the area of work	+	++	++	+	+	+	+	+++
The overall level of organizational flexibility of the enterprise	+	++	+++	++	+	++	++	+++

where: level is indicated by: + low level; ++ medium level; +++ high level;

Source: own study based on research

The impact of the Covid-19 pandemic and the crisis it triggered influenced the level of flexible behavior and abilities of the surveyed enterprises in Poland and Ukraine (Table 4.4). This situation particularly affects medium-sized enterprises. Small Polish and Ukrainian firms declare, in the time of the pandemic, no changes or a slight increase in this type of behavior in the dimensions related to the rapid flow of information inside and outside the enterprise, and in the dimension of work flexibility. Differences in activities during the Covid-19 pandemic were found among medium-sized Polish and Ukrainian enterprises. It was noticed that Polish medium-sized enterprises recorded an increase in the level of flexibility in terms of quick response to changes in the market size and the needs of the environment, while an increase in the level of flexibility in the dimension of quick identification of market trends was found among Ukrainian medium-sized enterprises. The ability to use the business resources has not changed during the pandemic in Polish enterprises, but has increased in Ukrainian enterprises. The level of flexibility in the dimension of labor flexibility, which should be clearly increased in the time of the pandemic, increased at a comparable level in both groups of enterprises. It can be indicated that even in Polish companies this level was slightly higher. In summary, it is noted that the overall level of organizational flexibility during the Covid-19 pandemic was slightly higher among Polish enterprises compared to Ukrainian enterprises.

**Table 4.4. Changes in the level of flexibility in selected dimensions of organizational ability in the Covid-19 era**

Selected dimensions of the organizational flexibility	Enterprises from the SME sector in Poland				Enterprises from the SME sector in Ukraine			
	1	2	3	4	5	6	7	8
	<i>PL1S</i>	<i>PL2S</i>	<i>PL1M</i>	<i>PL2M</i>	<i>UA1S</i>	<i>UA2S</i>	<i>UA1M</i>	<i>UA2M</i>
Ability to quickly identify market trends	0	+	+	++	0	++	++	++
Ability to react quickly to market expansion and / or contraction	0	0	++	++	0	+	++	+
Ability to quickly respond to the needs of the environment (market)	0	0	++	++	-	++	++	+
The ability to quickly flow information inside the enterprise and with external stakeholders	+	+	++	+	0	++	++	-
The ability to use the company's resources	0	0	+	0	0	+	++	++
Functional abilities in the area of work	0	++	++	+	0	+	+	++
Change in the overall level of organizational flexibility of the enterprise	0	0/+	++	++	0	+ / ++	++	+

where: change is denoted by: - large decrease; - slight decline; 0 no change; + slight growth; ++ big growth

Source: own study based on research

The qualitative research, conducted during the pandemic crisis, showed interesting tendencies and behaviors of entrepreneurs in Poland and Ukraine. It seems that the observed differences and similarities may justify undertaking broader quantitative research in the area of building the entrepreneurial orientation of the organization and the organization's ability to be flexible in the time of the Covid-19 crisis.

## Conclusion

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The issues discussed in the monograph related to building the competitiveness of small and medium-sized enterprises (SMEs) through the development of entrepreneurial behavior and the ability to organizational flexibility, in the time of the Covid-19 pandemic, show the importance of research. It is confirmed that entrepreneurship considered from the perspective of the behavior of members of the organization and the flexibility of the organization condition the development and success of the organization in the conditions of the business environment. The Covid-19 pandemic highlighted the importance of crisis management in organizations and the need to search for entrepreneurial or adaptive behavior, and therefore the need for strategic renewal of the existing business and organizational flexibility. Entrepreneurship and flexibility of the organization's operation in the time of the Covid-19 pandemic are the answer to the problems of management in the time of the crisis resulting from the Covid-19 pandemic. It turns out that the ability and skills to adapt to very difficult business conditions and the entrepreneurial orientation of the members of the organization allow for faster adaptation to new conditions of functioning on the market and for building effective tools for business management. These activities help to achieve the appropriate level of competitiveness required in the era of a pandemic.

The specificity of the activities of enterprises from the SME sector shows that the management process in this type of organization requires specific actions that enable enterprises to function on the market. Crisis management is often associated with the search for solutions, also in the area of entrepreneurial orientation and organizational flexibility. Particular actions are necessary in the dimension of organizational autonomy of employees, their proactivity, innovation, aggressive competitiveness, or risk taking by them. The period of economic closure, limited possibilities for the functioning of companies made the dimensions of entrepreneurial orientation very important from the perspective of survival on the market and the competitiveness of enterprises. Moreover, organizational abilities in terms of the flexibility of enterprises' operations have turned out to be particularly important in the times of a pandemic. Abilities in the dimension of quick identification of market trends, quick response to the expansion and / or contraction of the market, quick response to the needs of the environment (market), the company's ability to quickly flow information inside and outside, the ability to use the business resources and the ability to flexibly operate in the functional area and work, they create a level of flexibility, allowing enterprises to operate in difficult markets. Managing firms in the SME sector requires managers to assess critical areas and take actions that will favor the organization.



Changes in the crisis management process should not always be made in all areas, and the changes should be quick and adapted to business conditions.

The main goal adopted in the monograph, namely: *Diagnosis, understanding, description and explanation of the significance of the influence of entrepreneurial orientation and organizational flexibility on management in small and medium-sized enterprises in a pandemic crisis*, was achieved. The goal was achieved by reviewing the international literature on the subject and conducting case studies using the interview method. The qualitative method used allowed for finding out about the facts, opinions, attitudes, and attitudes towards the examined problem in a given community. An attempt was made to fill the cognitive gap that emerged in the face of changes in the conditions of the functioning of enterprises resulting from the Covid-19 pandemic. Thus, an analysis was made of the use of the concept of entrepreneurial orientation and organizational flexibility to overcome threats, but also to seize the opportunities associated with new market conditions in the time of the Covid-19 pandemic, with particular reference to small and medium-sized enterprises. In-depth research was carried out in Poland and Ukraine, which allowed to draw general conclusions and indicate recommendations for future research directions.

In response to the research question RQ1: *What are the differences in implementation and influence on management of entrepreneurial orientation in small and medium-sized enterprises in Poland and Ukraine?* the following conclusions were formulated:

- Ukrainian enterprises in general turned out to be more entrepreneurial than enterprises operating in Poland,
- a higher level of entrepreneurial orientation was more visible in medium-sized companies than in small companies,
- Ukrainian enterprises, compared to Polish ones, are characterized by a much higher level of organizational autonomy,
- enterprises in Ukraine are more aggressive towards competition, compared to enterprises operating in Poland,
- in general, the Covid-19 pandemic and the crisis it triggered changed the level of entrepreneurial orientation of Polish and Ukrainian enterprises,
- Ukrainian enterprises reacted to the pandemic crisis by increasing their entrepreneurial orientation, especially in the areas of risk taking, proactivity and increased autonomy,
- in the era of the pandemic, Polish enterprises reduced their entrepreneurial orientation, focusing on conservative actions, i.e. behaviors that were proven,
- Polish enterprises revealed their reluctance to take risks in an uncertain crisis situation,
- the pandemic crisis caused a decrease in the level of innovation in Polish companies, which was not recorded in Ukrainian enterprises.

In turn, in response to the research question RQ2: *What are the differences in implementation and influence on management of organizational flexibility in small and medium-sized enterprises in Poland and Ukraine?* the following conclusions were formulated:

- the level of flexibility in the activities of most Polish and Ukrainian enterprises is quite high,
- there are no clear differences in the level of flexible activities in terms of organizational capacity among Polish and Ukrainian enterprises,
- both in Poland and in Ukraine, the conditions of the business environment are quite difficult for entrepreneurs and require flexibility in all areas of operation,
- small companies declare a lower level of flexibility in the selected dimensions of organizational skills,
- medium-sized enterprises, both Polish and Ukrainian, are characterized by a higher level of flexible activities compared to small enterprises,
- high level of flexibility in Polish and Ukrainian medium-sized enterprises most often occurs in terms of quick identification of market trends, quick response to market expansion and / or contraction, quick response to market needs and the ability to use the business resources,
- in general, the Covid-19 pandemic and the crisis it triggered had an impact on the level of flexible behavior and capabilities of enterprises in Poland and Ukraine,
- Polish and Ukrainian small enterprises declare, in the era of a pandemic, a slight increase in this type of behavior in terms of the rapid flow of information inside and outside the company, and in terms of work flexibility,
- Polish medium-sized enterprises recorded an increase in the level of flexibility in terms of quick response to changes in the market size and the needs of the environment,
- Ukrainian medium-sized enterprises, in the time of the pandemic, showed an increase in the level of flexibility in terms of quick identification of market trends and the ability to use the business resources,
- the level of flexibility in the dimension of work flexibility increased in the pandemic era in both groups of enterprises, it increased slightly more in enterprises operating in Poland,
- in general, the period of the Covid-19 pandemic contributed to an increase in the level of organizational flexibility a little more in Polish enterprises compared to Ukrainian enterprises.

The presented monograph may be useful from the point of view of management practice by, firstly, indicating practical ways to intensify entrepreneurial orientation, and, consequently, building an entrepreneurial organization, and secondly, by indicating the dimensions that determine the ability of enterprises to flexible market behavior.

The multifaceted nature of the subject matter in the monograph and the broad thematic scope of the scientific problem undertaken, the obtained results of theoretical research and qualitative research do not exhaust the topic. They can even act as an incentive and cause for further theoretical and empirical considerations, i.e. they constitute directions for future research. The ability to assess the impact of crisis environment conditions on entrepreneurial orientation and the level of organizational flexibility in managing organizations in many countries can fill the research gaps that emerged during the Covid-19 pandemic. The unpredictability of the operating

conditions of enterprises in the time of the Covid-19 pandemic and the crisis caused by the restrictions related to the epidemic, in individual countries, determine the conditions for the development of enterprises, not only in the SME sector. Conducting research on a larger scale (research on a representative group), including quantitative research, will enrich knowledge in the field of management and quality sciences.

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