Entrepreneur’s business models

Key words: components of business model, ownership structure, owner classification, business model, owner’s supervision, enterprise management, supervision system in an enterprise

Summary: The article presents a discussion around the essence and meaning of the entrepreneur’s business model and its components. Further, the article provides and characterises seven classification systems that cover all the features of corporate owners: legal status, economic goal, contribution to the realisation of a business idea, investment horizon, participatory rate, attitude to risk and the most important—theirs role in creating business model. The article characterises the dualistic and monistic system of management and supervision in an enterprise. It stresses their grave importance for the owner’s supervision, as well as for operations of the enterprise. Through a comparative analysis of both systems the conditions of applying them are indicated, as are the assumptions to use one of them.

1. Introductory comments

The scale of transformations taking place in the organisational environment, particularly the scale of growing consequences of the changes which arise out of extended cause-and-effect chains, makes us gradually lose an ability to recognise the consequences of our own actions. The problem is growing, influenced by the time compression of social occurrences and economic processes, so e.g. a shorter functionality cycle of innovations, technologies, intensifying the globalisation process of economy, an increase in the significance of networks of values, ecosystems as well as a greater share of the state in the economy, which makes increasingly more companies fall behind changes. On the other hand, a lot has been said recently about the weakness of management, particularly strategic planning. Small efficiency of this

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method and marginal usefulness of the forecasts being prepared and scenarios are, in
scientists’ opinion, caused by future unpredictability, while the success is to a large
degree down to coincidence.\footnote{In numerous and already extensive literature within the area of strategic management, for several years the accepted paradigms of this management have been as follows (Kozioł, 2010, p. 264):
- Searching for and assessment of research approaches as well as verification of methods and techniques adequate to cope with the unpredictability of changes in the corporate environment;
- Another group of problems is made up of strategic choices, i.e. strategic decisions causing an occurrence of long-term effects with frequently irreversible results or adverse consequences;
- Another paradigm is the problem of choosing the strategy taking into account its profitability on the one hand and the risk brought by it on the other hand;
- The issue which has been broadly discussed in speaking and writing recently is strategic creation of the environment, instead of applying quite popular adjustment strategies. Contemporary examples of creating the market of modern products are the strategies of the blue and red ocean;
- A huge interest and doubts of researchers at the same time are also caused by the postulate of increasing strategic flexibility, in particular flexibility of structures, resources and processes—analysed within the context of efficiency and effectiveness of an organisation.}

This extreme standpoint of some authors stresses the essence of the planning
problem in organisations, in other words, planning is considered to be the ‘weakest’
function of the management.

How do financial capital owners (shareholders), who have the most to lose, cope
with this situation? This category is extremely varied, irrespective of the approach.
Therefore, there are different goals and behaviour patterns of individual owners.
From the point of view of strategic thinking and planning, most of them tend to take
an active stance, following the maxim that the less they have to say in the supervision
and management process, the more they pay when the company falls into trouble or
bankruptcy. In this situation it is difficult to imagine long-term orientation of a com-
pany without an entrepreneurial mental attitude, a vision of its development direc-
tions and continuous reconstruction of one’s own business model.

The subsequent part of the article presents a discussion about the business model
notion, including selected, major components of this model, a description of the own-
ership structure and the owners’ classification as well as their preferred investing
models, enterprise supervision and management models.

2. Business model—notion content and scope

In the view of the authors concerned with this concept it is necessary to distin-
guish between the business and strategic model as independent entities directing
and operating the structure and activities of an enterprise. Simultaneously, it is high-
lighted that the business model, as a broader notion towards the strategy, contains if
not all, then most of the strategic elements, reflects mainly the static character of an occurrence, because it describes schemes—procedural models (framework, relation system et cetera) in a more distinct way. The strategy, on the other hand, i.e. is the method of performance, describes the dynamic character of an occurrence, pointing to flexibility of an enterprise’s behaviour patterns in changeable conditions in which it operates (Gołębiowski, Dudzik, Lewandowska, Witek-Hajduk, 2008, p. 57; Hedman, Kalling, 2005). Furthermore, it is also stressed that the business model specifies a number of hitherto vague contents attributed to the term strategy. It provides the strategy with a specific and often practical meaning, pointing to the necessity of making choices clearly defined. Its aim is to create conditions for an enterprise to be able to develop, ones that are defined and analysed within the context of its competitiveness, innovation and profitability (Muszyński, 2006).

According to Tomasz Gołębiowski and his colleagues from the Warsaw School of Economics the business model is a new conceptual tool, containing a set of elements and relations between them which present the logics behind operations of a given enterprise, in a given field (business). It covers the entry of value offered by an enterprise to a group or groups of clients, including specification of the basic resources, processes (operations) as well as external relations of this enterprise, serving to create value and ensuring competitiveness of the enterprise in a given area plus allowing an increase in its value.

In Bogdan Nogalski’s opinion, however, the business model can be treated as an advanced form of the organisational model of corporate management and presented as a new management tool, with conceptual character which specifies the strategy, particularly in the structural, static dimension of the latter. It can be described as a representation of the desired directions of an enterprise’s development (including its strategy) and conditionings in which it operates (cf. Nogalski, 2009, p. 39). In other words, though also in a descriptive way, the business model is described by foreign authors. According to Adrian J. Slywotzky (1996): it approaches both coherently and holistically the way in which a company both selects clients and defines, diversifies its product range, specifies and achieves its goals, making use of the third party’s services (outsourcing), the way in which it configures its resources, breaks into the market, creates value for its customers and achieves profits. American authors emphasise the decision-making aspects of the business model, defining it as: a concise description presentation as variables which appear within the area of the strategy, architecture and economics of an enterprise which are taken into account in the decisions being made, oriented on achieving balanced growth and competitive benefits on a given market (Morris, Schindehutte, Allen, 2005).

It arises out of the above-mentioned definitions and other interpretations of the business model that it covers both management levels within its range: strategic and operational, it reflects the static and functional character of an organisation, emphasises, which should be stressed, the economic pragmatics, a significant dimension of
the corporate management system. The essence of the model can be defined modifying Jeffrey Pfeffer’s observation which leads to the statement that it is important to be in a given business but it is equally important to manage the business efficiently. In short, the business model defines how an enterprise makes money and how it is going to make it in the future, using the key components of a given business for this purpose. As a matter of fact, the business model identifies the key business components and provides their unique combination in the process of value creation, stressing both what should and should not be done.

3. Business model elements

Among numerous classifications of the business model one should pay attention to the one, in which four types of the model are distinguished—internally cohesive and overlapping—namely such as (Johnson, Christensen, Kagermann, 2008, p. 53):

- Customer Value Proposition—CVP;
- profit formula;
- key resources;
- key processes.

The fundamental element and, simultaneously, the first step of the business model construction is to find the way of creating customer value, i.e. to run business operations aimed at meeting customers’ needs in a given place and time. What matters is that the prepared offer (CVP) should be better than that of other competitors, i.e. the level of customer satisfaction should be higher than it has been so far, moreover—or perhaps above all, it should be cheaper. The proposition should include not only that what is or will be on offer but also how (in what way) the products and services will be sold.

The most frequently encountered problems (barriers) of offer implementation are: too small purchasing power (wealth) of potential customers, problems of entering the market, inefficient qualifications of the staff or finally the time of breaking into the market and problems of competing with time.

The **profit formula** defines the way in which a company creates value for itself while creating value for customers. The formula is specified by:

a) the income model which shows the projected inflows on selling the manufactured products (price x sales volume);

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2 In Porter’s opinion the strategy means making things which are not produced by the competition or making similar things in a different way. He clearly distinguished between the strategy and the operational activities and juxtaposed strategic efficiency with operational efficiency. The business model, however, contains elements of both these strategies and operational productivity (Morris, Schindehutte, Allen, 2005).

3 According to J. Pfeffer, “appropriate business management is more important than finding oneself in business as such.”
b) cost structure presents the volume and structure of direct, indirect, unit costs, the economy of scale. The cost structure should include above all the costs of using the key resources in the business model;

c) profitability model points to the production volume as well as the volume and structure of costs allowing profit achievement, i.e. profit mass, profit rate;

d) capital turnover tempo and financial liquidity.

*The key resources* are the adequately organised assets used in the production process, such as e.g.: employees, technology, products, equipment, information, distribution channels, strategic alliances, the brand. The key resources, by their very nature, are the basic production factors which form value for customers and the company.

*The key processes*, in particular operational and managerial ones, create value on their part, they are recurrent, can increase (or decrease) their scale. The selected, more important ones are: designing, planning, budgeting, training, development, production, sales and service. The key processes also include principles, meters and norms applied in organisations.

The above-mentioned interdependent elements form the basis of every business (they are components of the business model). The first two, i.e. the customer value proposition and profit formula define value both for the customer and the company whereas the key resources and key processes describe how the value is created for both management entities—the customers and the company. It should be stressed here that not only particular resources and processes form the product quality but above all—their configuration and mutual cooperation.

Owners and managerial personnel should know the usage degree of the potential of an organisation by the accepted business model within the range of the above-mentioned four elements and they should know whether it is possible to use it in order to construe a new, radically different value for the customer (CVP). An issue for an entrepreneur is also the imperative of reconstruction or making changes to the business model. It mainly concerns the question of a change in the situation on the market, e.g. an arrival of a big group of potential customers who are not satisfied with the existing proposition (CVP) due to the price or the degree of complication; development of new technologies; creating a new value for the customer, i.e. doing something that has not been done so far or, finally, reselling redundant resources, i.e. eliminating solutions which would interfere with the functioning of the enterprise.

Authors concerned with this matter, particularly foreign researchers (Morris, Schindenhutte, Allen, 2005), stress the importance of entrepreneurs (owners and their managers) in formulating the model of an enterprise. It is entrepreneurs that specify the model of investing their money and point to the ways of multiplying it, taking into account the context of running a business. Among numerous components of the business model they often list: the main players (business players, actors and roles, stakeholder network, stakeholder structure) (Gordijn, Akkermans, Vliet, 2001, pp.
7–11), cost structure and profit models (Chesbrongh, Rosenbaum, 2000), corporate governance (Donath, 1999, pp. 1–14), internal value chair (Chesbrongh, Rosenbaum, 2000; Obłój, 2002, p. 154) and others. As regards the last matter, it should be added that enterprises in different places of the value network create the value and therefore make profit in different ways.

4. Typology of owners and their role in creating the business model

The property structure plays an important role in creating the business model, which has been reflected in numerous definitions of this model.

Defining the classifying systems of the owners (shareholders) is the first and simultaneously a significant stage of the research into the business model and an enterprise’s corporate supervision, the system motivating the managerial staff is the point of departure for the analysis and a company’s productivity assessment so as it follows—its competitiveness as well. It should also—as it seems—constitute an important element of the strategic analysis and strategic planning.

The question of the property structure attracts increasingly bigger attention of researchers not only due to imperfection of the strategic management, uselessness of scenarios, inadequacy of forecasts or weakness of corporate supervision mechanisms, but also due to numerous bankruptcies of known and high-profile companies, money laundering or terrorism financing and high managers’ bonuses and commissions which Henry Mintzberg calls the ‘legitimacy of corruption’.

From among a number of owners’ classifications which may be identified in literature, those which are more important from the point of view of shaping business components (Thomsen, Pedersen, 2006) have been selected. It was assumed that the model is a form of an enterprise’s intellectual property which makes use of an entrepreneur’s patent in business.

One of the criteria of owners’ division is their legal status. Due to this formal criterion two categories of owners are distinguished:

– Physical persons (individuals, families);
– Legal persons (the state, i.e. the national, local property, institutional investors, e.g. banks, societies as well as insurance and retirement funds).

Growth of the public sector observed in the recent years and an increasingly bigger share of the state in the economy—being the owner of substantial resources of several economic organisations—significantly diminishes the role of private owners and their managers, leading at the same time to limiting the use of the copyright and even to decreasing the range of applying the strategic management. The principles and tools of this management are mainly directed to the private sector, market-oriented companies, but they are considerably less used in public institutions or state-owned enterprises, particularly those with the dominating or monopolist position on a given market.
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In the situation of putting a substantial constraint on the owners’ rights by the state or financial institutions (e.g. banks), their position is changing in the entrepreneurial hierarchy as well as the role being fulfilled—they become rather agents than employers. Owners controlled by the state, controlling the organisation, apart from their rights to surplus, they also attempt to secure their interests participating in management and try to increase their income forming the so-called ‘pyramids’.

Limiting the copyright or imprecise rules of the market game imposed by big players, i.e. the state or financial institutions, enterprises being monopolists on the market considerably decrease the use of the owners’ financial and intellectual potential.

Due to the role being fulfilled one can distinguish two classes of the owners:

– active;
– passive.

The owners being shareholders do not have formal obligations, specified by the law, they but have the right of vote. They express their activeness by voting aimed at creating the structure of the owner’s supervision, the management board structure, e.g. choosing members of the supervisory board or the revision committee, the management board members.

Observing the business practice or research results one can notice that owners are emotionally attached to their property, they try to secure it both by creating adequate mechanisms of the owners’ supervision and by demonstrating activeness in the process of formulating the model of business and strategic management. As it follows, the active owners have more or less precisely formulated company goals which they try to achieve. From the point of view of a tendency to risk, owners can be divided into those who:

– have a tendency to big risks (risk takers);
– are reluctant to take on big risks (risk spreaders).

Referring to numerous research results one should stress the fact that the higher is the profitability of the capital being invested, the bigger is the risk of losing it in case of a failure.

Results of several audits, carried out as long ago, as prior to the financial crisis, had shown that the major part of enterprises had applied to risky strategies, forced by risk takers, ‘cocky’ managers, which is exemplified by ‘strategic mistakes’ of Swissair, Vivendi-Universal, AOL Time Warner (Hilb, 2006, p. 137).

One of the most important classifications of owners is division into two categories:

– owners with strategic goals (strategic owners);
– owners with financial goals (financial owners).

The first are interested in the company’s balanced growth over a longer period of time. They apply the development model in the investment practice. They act according to the traditional business formula which can be demonstrated in the following way:

Money—Goods—Money
They are characterised by strategic thinking and acting. Their strategy is based on entrepreneurship and is orientated on the future, combines planning with implementation and intuition plays an important role in the planning process. In order to secure endurance of the company they are inclined to invest in the growth of its key competences; developing them skilfully with the belief that the source of values is a unique combination of the possessed resources and relations with the environment.

The owners, however, motivated by the financial goals, are interested mainly in earning money and their preferred business formula takes on the following form:

Money—Money

Having their own technology, not always identical with the company’s strategy, they create or buy a company (or part of its shares), develop it and sell afterwards. Above all, they are interested in an increase in the share price and return rate (profitability), less—in the company’s development, e.g. production dynamics, sales. Owners of this kind prefer a profitable investment. At this point it is worth reminding lessons learnt from inflation and financial crises which show that financial assets are eliminated first and, at least for this reason, they are hardly useful to be invested over a long, many years’ period of time.

The classification shown is connected with another one which distinguishes, taking into account the investment period, two categories of owners as well:

– owners investing over a longer period of time (more than a year);
– owners investing over a shorter period of time (less than a year).

Long-term investments (buy and hold) are based on the investors’ belief that, despite seasonal rises and falls in the company’s share price, they bring a high return rate of the invested capital over a longer period of time. Furthermore, they believe that a short investment time on the market is not beneficial, particularly for small investors—therefore it is better and much easier to apply the strategy of the long-term investment.

This principle contrasts with the concept of the short-term investment (concept of day trading) which consists in selling off shares when they reach a high price and buying at a low price. They accept the speculative investment model as the business method. Owners of this kind may have difficulties defining the ex-ante of the goal of the enterprise’s functioning, they do not pay much attention to development of further relations with customers or other stakeholders, they aim at maintaining costs on the possibly lowest level.

One of the important reasons for this state of affairs is the problem of the time horizon choice when taking decisions. In practice contradiction between decision rationality over a shorter and longer period of time may appear and appears increasingly often (Senge, 2002, pp. 11–12). One should remember here that the pace of acting is nowadays the survival prerequisite of politicians and whole organisations. However, fast actions, rational over a short period of time often do not have much in common with rationality of a long period of time (Pasieczny, 2005).
In conclusion one more classification of owners should be mentioned, mainly their division into:

- majority owners (with over 50% shares of the company);
- minority owners (with less than 50% shares).

The first group has unlimited power of influence over the company. Capabilities of minority owners are limited, which means the necessity of interaction and even cooperation with the other shareholders who can have different goals.

Not always and not everywhere does this cooperation of shareholders run in a way specified by institutional structures. The bargaining power of a group connected with the enterprise determines whose interest is in the first place, leading most often to a disadvantage or interest omission of other groups—which effects in numerous conflicts at the end of the day.

Property concentration strongly influences the applied politics of paying out dividends. The majority owner (owner identity) has a direct influence on this policy, which also affects the income of individual owners or families (rentiers) on its part. Therefore wealth of the minority owners directly depends on the policy of dividends, conducted by big entities. The investment method by individual minority owners is called the existential model.

The entities, particularly financial institutions that have much more than 30% of shares in property, often come into conflict with smaller shareholders, e.g. big investment banks caring about their interests set in the credit policy (e.g. decide to whom and on what interest rate they will award a loan), influencing the company’s value in this way.

It should be added that the bigger share of an entity (owner) in property, the bigger its impact on managers to represent this entity’s interest. Spread capital in an enterprise gives managers more leeway (freedom of management) (Heubishl, 2006).

5. Management and supervision system

As soon as the property was separated from the management board or, more precisely, as soon as the principal-proxy interdependence was created, the problem of monitoring the proxy’s behaviour by the principal appeared, known as the corporate supervision\(^4\) or, in other words, corporate order. As it follows, these behaviour patterns, due to different reasons, can differ from those which the principal expects. In particular, it concerns the process of establishing and performing business transac-

\(^4\)For the purposes of, among other things, analyses it was assumed that corporate supervision is a set of legal and economic institutions plus controlling mechanisms, aimed at securing efficient functioning of an enterprise in the situation of ensuing different interests of the entities involved in their functioning (Polish Forum Corporate Governance). The owner’s supervision, however, is understood as a system of institutions and controlling mechanisms reporting to them, used by the capital owner; as it follows, it is a method of performing supervisory and managerial activities in an enterprise.
tions, exchange of information, hidden actions, actions difficult to be identified, self-oriented decisions and actions, which can lead to misuse of the power of attorney and even to taking over the company by the proxy in extreme situations. It is worth adding that both practice and theory provide several examples and arguments of good cooperation between owners or their representatives on the one side and the proxies (managers) on the other side. Nevertheless, the system of corporate supervision is indispensable and its structure should consist of: the subsystem of supervision and control, the subsystem of motivation and implementation of modern management methods. Due to these reasons the system of supervision and management belongs to important components of the business model (Donath, 1999; Morris, Schindehutte, Allen, 2005).

One can easily notice that the asymmetry problem of information and control of employees’ actions is difficult, its solutions are hardly possible in business practice and redundant. Full control of employees’ actions would undoubtedly restrict their entrepreneurship, decrease an inclination to risk taking, limit safety of information et cetera. So, we can only speak about a certain degree of exercising the owner’s supervision bigger or smaller, but always incomplete due to the above-mentioned limitations on the one hand and economic inefficiency of the managers actions’ full monitoring on the other hand.\footnote{Supervising, particularly the result measurement—in case of a proxy’s work effects under discussion, requires raising costs and outlays. The result grows as the supervision is being improved, but more improved supervision means higher costs. One can also insure themselves against risk, but costs of this operation are high. As it follows, the dependence between result growth ($x$) and supervision cost growth ($y$) so that $x > y$ should be kept.} Analysing the subject-matter from a wider perspective one should remember that accepted mechanisms of owner’s supervision should add to minimising the agency’s costs, i.e. prevent a decrease in market value of the company, e.g. as a result of a conflict between managers and the owners; a conflict potentially existing in the supervision—well described in the agency theory.

In the conclusion of describing matters of more general character and concerning efficiency of institutions and mechanisms of the owner’s supervision, one should mention actions of the European Union’s bodies. As it follows, three subsequent presidencies claim that administrative loads imposed on EU companies should be limited. Actions aimed at streamlining and modernising companies’ business environment of companies are going to be undertaken, in particular improvements of legal regulations concerning the owner’s supervision (Monitor Europejski, 2009, p. 27).

Owners of shares, bonds or non-cash options can, within the framework of the owner’s supervision and managerial competences, influence the shape of the business model, the company’s strategy (corporate strategy) and its execution. The issue was interpreted in a similar way by Peter J. Idenburg, who wrote that strategic behaviour patterns in an organisation are determined by the owners’ approach as well as that of their managers both in the process of creating and implementing the strategy (Iden-
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One can also refer here to entrepreneurial strategies and business models recommended by Peter F. Drucker and even use the theory of economic growth by Joseph A. Schumpeter, which stresses the importance of entrepreneurship and innovation in this development. It should be added that entrepreneurship and strategic thinking are an imminent feature and, at the same time, a behaviour pattern of the two above-mentioned entities of supervision and management.

Until recently the Polish legal code allowed the possibility of running a capital company exclusively based on the dualist (double-rung, double-degree) management and supervision system. The system provides for the functioning of the management board and the supervisory board in a company (in a ltd company the supervision body is usually optional). The legislator has divided the management and supervision between the management board and the supervisory board (Art. 368 and 382 the law of 15th September 2000 of the Code of Commercial Companies; J. L. 2000, no. 94, entry 1037 as subsequently amended), introducing, among other things, a ban on issuing orders by the supervisory board to the management board (Art. 375’ CCC) and a ban on combining positions in both bodies (Art. 387 CCC). The dualistic system, sometimes called the continental and Japanese model, is applied in European countries, particularly those which are member states of the European Union.

Since March 2005 there has been a possibility of running a capital company based on the monistic system of the supervision and management, also known as single-rung or single-level. Its structure is based on the existence of one supervisory and management body. The solution, functioning in Anglo-American countries, was introduced by the law of the European concentration of economic interests and the European company (The Law of 4th March 2005 of European concentration of economic interests and the European company. J. L., no. 62, entry 551, amended by J. L. of 2005, no. 183, entry 1538, of 2006, no. 149, entry 1077), making it possible, at the same time, for an entity of international character to function and to choose between the dualistic and monistic system of managing the entity. As it has been mentioned above, the monistic system provides for the existence of one body responsible for managing the company which, in terminology of the Polish law, has been named the administering board.

The management and supervision system means the construction of the company’s bodies’ structure and the way of performing their supervisory and managerial actions by these bodies. It is worth adding here that it is the division of managerial and supervisory competences that is one of the most important distinguishers of the dualistic and monistic systems. In the situation where companies manage their shareholders’ property, regulations concerning management and supervision, including the choice of the proper system, are an important matter.

In practice one uses several diversified mechanisms and supervisory institutions based on legal regulations, competition, binding standards and customs. Figure 1 presents the existing supervisory mechanisms and institutions.
5.1. Dualistic system

In the dualistic system, typical of European countries and Japan, a company’s body are the management board, the supervisory board and the general meeting of shareholders (see Figure 2).

Although the general meeting of shareholders is a factor entitled to select members of the supervisory board and to possible agreements as regards employees’ participation in managing the company, shareholders do not have the rights to directly instruct members of the supervisory board about the decisions taken by the latter. The binding legal regulation provides for lack of hierarchical subjection of the supervisory board to the general meeting of shareholders.

The supervisory board is perceived as a body increasing an enterprise’s (company’s) credibility and its actions testify to the functioning of the owner’s supervision mechanisms which ensure that responsibility for the management board’s actions is enforced. The task of the supervisory board is to oversee the execution of resolutions of the general meeting, loyalty towards the company and care about its development—as it follows, one can speak about fulfilling the function of trust by the supervisory board (Art. 382 §3 CCC) which comes down to creating value for shareholders in management practice. Its fundamental duties are:
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- Assessment of financial reports within the range of consistency with accounts and documents and with the actual state;
- Assessment of the management board’s motions, concerning profit division or loss coverage;
- Submitting the annual report on the results of the assessments to the general meeting of shareholders.

![Diagram of the structural model of the supervision and management dualistic system]

**Source:** author’s own study.

A member of the supervisory board accepts personal responsibility and undertakes to hold the function in person. For this purpose the managerial body is obligated to immediately notify the supervisory body about any changes which may affect the functioning of the company, in particular about conducting the company’s affairs and the forecast development of its business operations. Furthermore, the supervisory body can require from the managerial body information of any kind which may be indispensable in order to exercise supervision. Apart from supervisory functions the supervisory board can also hold managerial ones. Regulations of the Code of Commercial Companies allow for extension of competences of the supervisory board by, among other things, implementing adequate regulations in the company’s statute.
which can obligate the management board to obtain consent of the supervisory board to perform particular actions. It means that the supervisory board can control the assumptions passed in the plan, prepare plans and programmes and even control individual stages of their execution. Expressing their disapproval or lack of consent to actions to be undertaken by the management board, still prior to them being performed, the supervisory board holds managerial functions (Art. 328 §1 CCC; see also Cejmer, Napierała Sojka, 2006, p. 332). As it follows, one can state that between the supervisory board and the management board there is no complete division of managerial and supervisory functions. In such cases the supervisory board is per se the mechanism of the owner’s supervision, holding the controlling function.\(^6\)

In 2008 the law of accountancy was amended. It increases criminal responsibility of a company’s bodies. Responsibility of supervisory boards for financial reports was extended as well. Prior to the law’s regulations becoming effective, supervisory boards had assessed financial reports making use of or being guided by expert auditors’ opinions. At present supervisory boards bear responsibility for the whole of the cycle of drawing up financial reports. In practice it means that supervisory board members are going to be responsible not only for the financial side of correct drawing up of the reports, but they will also bear responsibility for the risk of report correctness within the context of presenting a company’s actual situation and the financial development interpretation based on it. The possible area of discussions and even conflicts between the supervisory board and the management board will undoubtedly be assessment and projection of financial liquidity, in short—management of financial liquidity risk.

Another obligatory body of a company, operating based on the dualistic system is the managerial body—in Poland the management board. It acts within two areas—conducting affairs of the company and its representation. The concept of conducting affairs of a company refers to internal matters of a company, i.e. actions which do not cause direct results in relations with third parties and mainly include physical, planning and organisational actions as well as controlling and even executive ones. The concept of representation, however, refers to the sphere of external relations and includes all activities which lead to external results (Bieniak, Bieniak, 2005, p. 267). Within both these areas rights of the management board are of executive and managerial character.

It arises out of the presented competences of the supervisory board and the management board that between these two bodies there are a number of relations, particularly those which concern the process of initial and current control. Despite the fact that the legal structure referring to these relations forbids the supervisory board to issue orders to the management board, it happens in business practice that it is difficult to state unambiguously whether the supervisory board is examining actions of

\(^6\) Several authors pay attention to this issue as early as in the definition of corporate supervision, distinguishing two actions within this scope: supervising, i.e. monitoring of the results of managers’ actions and responsibility, i.e. settling managers (Lis, Stermiczuk, 2005, p. 17).
the management board or interferes in the conduct of the company’s affairs, being
reserved to the management board. Within this context dialogues and cooperation be-
tween these two organs are significant. It allows avoiding slowing down or even ob-
structing the decision-making process, business processes and conflicts between the
supervisory board and the management board. Finally, it contributes to the company
being managed in a more effective way.

Results of extensive research prove that most supervisory board members are ori-
entated on acting in favour of shareholders’ interests, in other words—on maximising
value for shareholders. For most management board members of the examined com-
panies, however, the management board is based on the philosophy of stakeholders.
This divergent approach to the philosophy of corporate management can also, on its
own part, become a hotbed and hamper running affairs of the company.

Business practice provides several examples of relations existing between the su-
pervisory board and the management board. A strong supervisory board, using bind-
ing legal regulations, can have a big influence on conducting a company’s affairs. Al-
though the initiative is down to the management board, both these bodies can jointly
take strategic decisions, which practically means that the division into supervisory
and managerial functions becomes unclear, little disjunctive. In this way the outlined
pragmatics of cooperation between the corporate bodies brings the dualistic system
closer to the monistic one. A strong supervisory board, cooperating with the manage-
ment board constitutes an important assumption in favour of applying the dualistic
system.

However, in the situation of lack of good cooperation or a weak supervisory board,
arrangements between the two bodies run slowly and unwillingly, decreasing effi-
ciency of the management and supervisory processes, generating additional costs of
the owner’s supervisions. In short, bad cooperation of the corporate bodies or a weak,
‘façade’ supervisory board—hampers managing a company—these are significant ar-
guments in favour of introducing the monistic system.

5.2. Monistic system

An interesting solution within the range of the corporate order has been suggested
by the European Union—including in the Action Plan for the Company Law—pro-
posing passing a guideline which would grant business entities and public limited
companies freedom of choice between the dualistic system (management board and
supervisory board) and the monistic one (one managerial and supervisory body) (see
Figure 3).

The reform was initiated by the European Community Council, appointing a Eu-
ropean joint-stock company, with the order of 8th October 2001 (Order of the Coun-
cil (EC) no. 2157/2001 of 8th October 2001 on the statute of the European company
(SE) J. L. U E L 294/1). The aim of this initiative was to create a strong European
business entity, being competitive on the global market.
The European Commission, in the above-mentioned order recommends applying the monistic system in it, leaving simultaneously the freedom of choice of another option. Pragmatic reasons, in particular the necessity to attract investors from one-rung model countries, encourage introduction of the monistic system with reference to joint-stock companies into the Polish law, as an alternative system to the dualistic system. The order at issue introduces the system only for the purpose of creating the so-called European company. Simultaneously, the order is superior towards national order in the sense that national regulations inconsistent with it have no binding power when being applied. In this situation the adjudication court will appoint community regulations. For the directive of the European Council on the European company to be applied, the Law of European Development of economic interests and the European company of 4th March 2005 was passed in Poland (Journal of Laws of 2005, no. 62, entry 551).

The regulation of the monistic system, being proposed in the project, is characterised by the following features (Siemiątkowski, 2005, pp. 150–153):
- Replacement of the management board and supervisory board by one body, called the administering council. The project includes the principle of presuming the competences of the administering council in all matters not reserved by the law or the statute for the general meeting (art. 28, subparagraph 2), binding also within the Code of Commercial Companies (earlier the Commercial Code) with reference to the management board of a joint-stock company, but not expressed *expressis verbis*;

- Accumulation of managerial and supervisory competences with their but functional division an a possibility of delegating the competences to the executive director (directors) not being a member of the company’s administering board to conduct affairs of the company;

- Acceptability of combining the function of a member of the administering board and the executive director and a relatively binding ban on simultaneous holding the function of the administering board chairperson and the general executive director;

- A possibility of issuing executive directors with binding orders concerning conducting the affairs of the company by the administering board; acceptance of the rule of each and every change or withdrawing a delegation by passing a law by the administering board and within the range of ‘transfer of competences’ to the committees, the project allows for but statutory limitation of competences to be delegated;

- A possibility of performing certain competences by members of the supervisory board themselves, selected in committees;

- The project includes the definitions: transfer of competences and the structure of transferring competences. Delegation of competences can take place exclusively in favour of the executive director and concern conducting affairs of the company, it does not decrease competences of the administering body within the range of conducting affairs of the company or its representation. The transfer of competences takes place, however, in favour of committees being, in fact, the committees of the administering board, made up of, according to the rule, exclusively the board’s members (art. 32, subparagraph 3). The subject of ‘transfer’ can also be that of competences exceeding the scope of conducting affairs of the company (in particular competences within the range of supervision and control) and their transfer will adequately decrease competences of the administering board.

Should this solution be accepted within a projected period of time, i.e. by 2012, the necessity of amending the Code of Commercial Companies appears within the scope of regulating a joint-stock company by introducing, at least to public companies, the possibility of choosing the corporate order. It is a significant change which should take place even this decade, it will significantly improve management flexibility, extend business freedom and may contribute to decreasing personal costs of corporate supervision. Moreover, passing the above-mentioned guideline will facili-
tate cooperation with foreign investors, particularly managers representing investors from countries with the monistic system in Poland, included in the American, Swiss law, and that of some member states of EU.

As always in such complicated matters, different voices and opinions appear. They refer to the 14th motif of the order 2157/2001 whose wording is as follows: “despite the fact that a European company has the right to choose one of the systems, adequate duties of people responsible for management and supervision should be clearly defined.” It leads to the conclusion that in both systems, in practice there is division into people responsible for management and those responsible for supervision, but in the monistic system both these groups act in the administering board, whereas in the dualistic system—in the supervisory board and the management board. Similar solutions can be used by European co-operatives. Therefore it is thought this differentiation between the two analysed systems of management and supervision is rather of formal, not actual character.

6. Conclusion

How do owners of financial capital (shareholders) cope in the present, difficult situation; they have, in fact, the most to lose. This category is exceptionally diversified. As it follows, there are different aims and behaviour patterns of individual owners. From the point of view of strategic thinking and planning most of them tend to accept an active stance here.

The owners who prefer a traditional form of business (M—G—M) and those who are used to investing over a longer period of time, have ideas for the business model, are motivated by some aims, even though imprecisely formulated. The problem is that strategic thinking and the strategy as such are art, art of creation (it fulfils art, designates designations) which require of the owners or the manager to have imagination, knowledge and intuition. It is the last feature of the human mind that plays a special role. In business practice one can find several examples that decisions taken in an intuitive way are more appropriate than those based on scientific rules. If, as it follows, owners and their managers have managerial gifts, supported by knowledge and intensive work and are also orientated on seizing an opportunity, they can succeed businesswise, even in difficult times.

However, if there is no certainty as regards appropriate competences of the owners or managers, it is better to focus on the current operations of an enterprise, which also

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7 Analysing the essence of planning from the perspective of neo-evolutionism allowed formulating the thesis which says that the human mind was equipped evolutionarily with cognitive mechanisms, making it possible to predict and shape the future (Sperber, 1994, p. 39, after Sulkowski, 2009, p. 126).

Planning as a process is determined by our cognitive equipment which is rooted in the past of our species. We plan a very limited number of variants, we have a tendency to exploit trends from the past, we use heuristics, while emotions and intuition play the key role in the planning process.
Entrepreneur’s business models

requires special attention and a quick response to dynamic changes in the environment. Therefore there are ideas of apparently most of the owners for business models providing for investing over a short period of time and stressing financial aims (M—M), with a high tendency to risk in case of many of them. But actions, quick and rational over a short period of time, often do not have much in common with rationality of a long period of time, an enterprise’s interest in its strategic dimension. Finding a balance, i.e. appropriate balancing of both kinds of actions is a problem as such and its solution requires adequate competences on the part of decision makers.

In conclusion it is worth stressing one more time that in the process of shaping the business model one should allow for the subjective aspect of supervision and management to a greater degree than so far, paying attention particularly to the interest of the owners (shareholders) and the role which they play in the company. For the corporate success not to be accidental one should also better use both the shareholders’ financial and intellectual potential.

Summing up the above-mentioned remarks one should stress the fact that the corporate management and supervision systems characterised briefly are the key element of the owner’s supervision and business model. Neither of them has a universal meaning—because it is difficult to specify in advance which one of them (dualistic or monistic) is characterised by higher efficiency and effectiveness. As it follows, one can but speak about the conditions of applying them, the conditions in which one of them may prove more efficient. Understanding the essence of a company and the superior aim of its existence, business partners’ expectations, harmonisation of interests, competences of supervisory board and management board members, a willingness and ability to cooperate, knowledge of modern management methods are only some of the selection assumptions of the management and supervision system. Taking the above-mentioned statement into account one should call for amendment of the Code of Commercial Companies by introduction of the possibility of choice of the corporate order. The postulate is functional towards the passed doctrine of economic freedom which allows for, among other things, the freedom of choice of the organisational and legal form and the freedom of applying structural changes to the company.8

Bibliography


8 The principle of business freedom was reintroduced to the Polish business order by the law of 23 December 1988 of business activity (J. L., no. 41, entry 324 as mended), and taken over by the law of 19th November 1999 Law of business activity (J. L., no. 101, entry 1178).


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Modele biznesu przedsiębiorcy

Streszczenie: W artykule przedstawiono dyskusję wokół istoty i znaczenia modelu biznesu, jak również wybranych, ważniejszych jego komponentów. Zaprezentowano krótką charakterystykę struktury własności w przedsiębiorstwie oraz klasyfikację właścicieli ze względu na ich status prawny, spełnianą rolę w określeniu celów organizacji, aktywność, skłonność do ryzyka, okresu inwestowania, jak również z punktu widzenia udziału we własności oraz ze względu na ich znaczenie w systemie nadzoru i zarządzania przedsiębiorstwem oraz kształtowania modelu biznesu. Nadto w artykule scharakteryzowano dwuszczeblowy i jednoszczeblowy system zarządzania i nadzoru w przedsiębiorstwie. Podkreślono ich duże znaczenie dla nadzoru właścicielskiego, jak również dla funkcjonowania przedsiębiorstwa. Dokonując analizy porównawczej obu systemów, wskazano na warunki ich stosowania, przesłanki wyboru jednego z nich.

Słowa kluczowe: struktura własności, klasyfikacja właścicieli, model biznesowy, nadzór właścicielski, zarządzanie przedsiębiorstwem, system nadzoru w przedsiębiorstwie.