

**Z. Mikolas,**  
Professor  
**L. Ludvik,**  
Associate Professor  
**Z. Wozniakova,**  
Inceptor

VSB – Technical University of Ostrava, Faculty of Economics  
Department of Business Administration, Czech Republic

## **ECONOMICAL AND CONTROLLING TRANSFORMATIONS IN COMPANIES UNDER CONTEMPORARY CONDITIONS OF GLOBALIZATION**

*The authors of the paper pay interest to the real and very deep changes in entrepreneurial environment and their influence on economy and business management. These trends and phenomena are studied in central European territory – particularly in the Moravian-Silesian region (Czech Republic). Entry of the powerful global investors dramatically changes the distribution of economical powers. It provokes a necessity of keeping suitable methodological background at disposal, which could help to study global corporation influence on the economy and operating management of the entrepreneurial and non-entrepreneurial entities. The theory of spontaneous and organized processes and evolving the questions of the time and space relativity seems to be very inspiring as well as using the experiences from the sphere of entrepreneurial diagnostics.*

**Key words:** entrepreneurial environment, dominant global pilot company, competitiveness and development of entrepreneurship, theory of the spontaneous and organized processes, time and space relativity, entrepreneurial diagnostics.

**Introduction.** Nowadays, perspectives of the business development are connected more tightly with research findings, their applications and quick technology transfers. Global dominant companies can utilize the rule of the time and space economy for their own benefit in the global dimension. The findings which come from the central European territory show, that there is a rising interest of strategic investors in the allocation of new firms. That is true especially in the automotive industry, where the space is filling up not only with assembly manufactories, but also with their subsuppliers. A qualitative change spreads in further waves and influences suppliers of subsuppliers. Real and designed changes affect economy and business management significantly.

**Target setting.** The aim of the paper is focused on the presentation of chosen qualitative economic findings being the result of research activities at the Faculty of Economics, VSB – Technical University of Ostrava particularly at the Department of Business Administration in 2007. The aim of the research activities was involved in study of the enterprise development in the Moravian-Silesian Region<sup>1</sup>. It is in close relation with contemporary trends, their influence on the changes of forms and ways of managing the business and competitiveness of the firms in context of global economical processes.

**Methodology.** The way for reaching the research aim was realized in several dimensions. The research base was monitored by means of literary references, Internet information and others attainable resources being relevant with connected with developmental trends and mega trends in the enterprise development and entrepreneurship in the world as well as in the Czech Republic. The next step brought actualization of the findings and information on the entrepreneurial profile of the Moravian-Silesian Region. Realized structural changes as well as capital projects prepared for realization were evaluated. International scientific conferences and symposia can be considered the important resources for experience share among academia members and experts from the business field and hence, such events contribute effectively to the practical and theoretical knowledge enhancement.<sup>2</sup> The field missions into the excellent enterprises located in our region were realized for verification particular research hypothesis. These field probes became also very rich source of inspiration for the further research specification. Several discussion forums in the form of round table were organized. Experts – experienced persons working in the directing function in the sphere of enterprises and clusters in this region – took part in this meeting. Last but not least, planned as well as informal discussions at the Department of Business Administration were organized. Research probes were put through critical analysis.

**Research results. Qualitative changes in regional entrepreneurial environment.** Strategic investors exert very gravitationally in economic, social and power sphere. They create regional clusters of suppliers, subsuppliers and other entities around themselves. They dramatically influence transfers of technology, information and knowledge which were well-trying in other global corporate branches. The initial base is determined by the transfer technology. Requirements for technological changes of the region and profiling the entrepreneurial entities stem from this base. If they want to survive they have to give response to these changes.

Generally, each global pilot firm has enhanced claims on infrastructure. At weak points of the infrastructure the pilot company exerts pressure on regional and/or government authorities including very hard conditions in the case of failing the terms of contracts<sup>3</sup>. Real and also designed entry of the global pilot company changes not only the branch profile of the region, but it also intervenes in

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<sup>1</sup> Moravian – Silesian region is located in the northeast of the Czech Republic. It borders on Poland and Slovakia. This region has 1,25 million of inhabitants and it is the most populous region in the Czech republic. From the economic point of view it belongs to industrial regions.

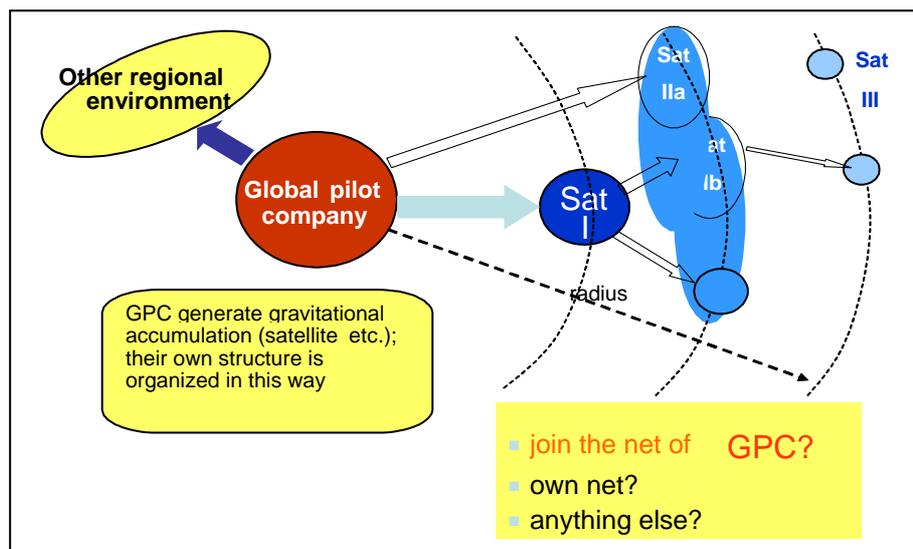
<sup>2</sup> The international academic conference “Increasing Competitiveness or Regional, National and International Markets Development – New Challenges (Ostrava, Czech Republic, 2007) can be declared as an example.

<sup>3</sup> In the Moravian Silesian region it concerns the fast building of the motorway R48 and reconstruction and modernization of main road 11 leading to Slovakia (Žilina).

existing “bio-flow” in environment. Entry of the global pilot company brings a new content and dimension of cultural and multi cultural aspects of enterprise. Global pilot companies realize a transfer of their corporate culture - customs, corporate language, work discipline, criteria of choosing the managerial posts – by their coming to entrepreneurial environment.

Global pilot companies have very taught requirements for subdeliveries (quality, price, dead-lines, quantity etc.). Due to the high level of required characteristics they exert pressure on cost minimizing, which is very difficult to fulfil by a great number of local or regional enterprises. Noticing the progressive trends in business management means among others the development of the business innovative and educational potential, teamwork ability, thinking of the questions of the company’s vision and strategy, corporate culture etc.

**Restructuring in entrepreneurial and enterprise sphere.** A dominant finalist determines parameters that become an informal basis – a standard of the whole newly forming cluster of entities in various “technological proximity” to the pilot entity (the closest sub-supplier /1. order/, sub-supplier of sub-supplier /2. and other orders/). It concerns especially requirements on the quality of sub-deliveries. A new level of requirements spreads in chain from the pilot company “epicentre” and it becomes a standard of the entrepreneurial environment gradually.



Key: GPC global pilot company

Sat I, II... satellite firm of the first, second and following gravitational sphere

Fig. 1. Forming of new entrepreneurial structures – scheme of gravitational accumulation

Potential sub suppliers of sub suppliers are becoming a part of the game. The changes of these entities don't have to touch their essential production technology. However, the ability to communicate with a dominant top firm on a required professional level has to be adapted. The need of specialists is more frequent. It is not sufficient to produce the product in question technologically, but to reflect impacts into the company economy and to conclude the borders for technological sequence and production, which does not always have to be an easy task. The findings coming from functioning of big local companies show that it is necessary to produce not only efficiently (from the view of the present conjuncture in a certain field) but also thoughtfully (from the view of development perspectives). It is not possible without research and development. This tendency leads to the fact that the top firms or their nets form their own corporate research and development centres or they opt different forms of cooperation with specialized design and technological institutions, research and academic sphere etc. In addition, it appears that uncompromising practical realization of the company management finalized into details is indispensable. It does not always have to mean breathtaking novelties, but also precise applications of well-known procedures and methods into a particular “operational” form. Even this is not always easy and without problems at many firms and companies.

**Manifestations of rationality in entrepreneurship.** Forming and developing of regional branch clusters is the result of the rationality and synergic effects in enterprise. They make sense if they bring better economic parameters for participating entities. At present, the trend shows itself in cluster initiatives growth supported by the European Union.

At present, over 50 such clusters are in the various stage of preparation, implementation or functioning in the Czech Republic. There are several such clusters in the Moravian-Silesian region. E.g. the Moravian-Silesian Engineering cluster was formed (2003) and it reacts on the concentration of engineering industry in this region. In the project of Moravian-Silesian Timber Cluster (2005) companies working in the wood and wood-using industry are involved. IT cluster (2006) is an association focused on doing business in the sphere of IT. Hydrogen cluster (2006) is focused on evaluation of hydrogen technologies under Czech conditions. The Moravian-Silesian Automotive Cluster (2006) arose as the result of dramatic development of automotive industry in this region. Besides the formal established and registered clusters there are also informal cluster.

**Non-linearity and discontinuity of evolution.** The started processes in the Moravian-Silesian region have a deep context. On the one hand there is a rigid centralization of strategic decision making within entering global companies. They plan and select their future sub-suppliers carefully and let act classic market relations on lower levels. We can see impacts of planning coming form

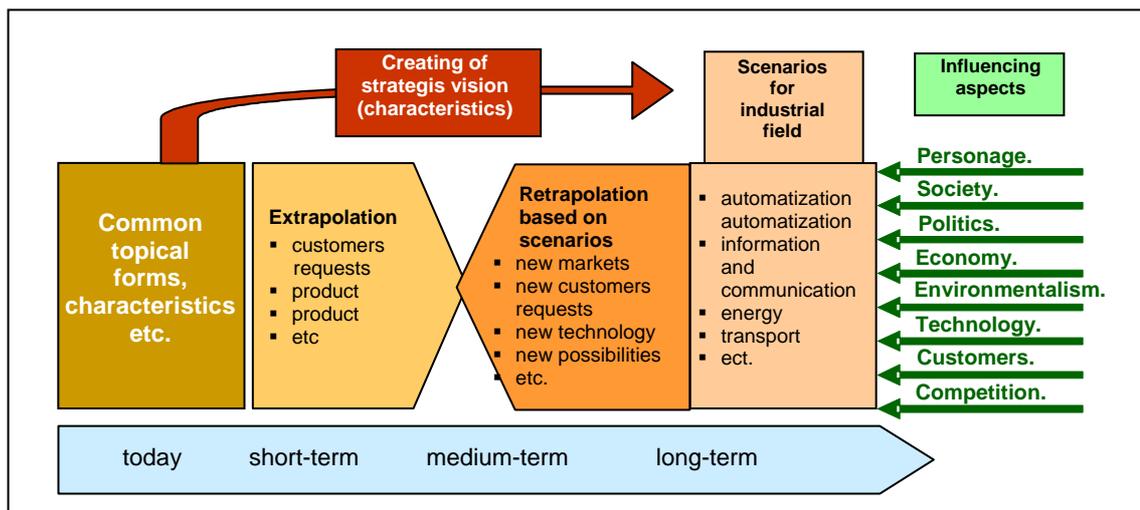
several very strong players – global firms- in the region. Certain chaos as well as order can be identified. On the other hand, there are development intentions of the region and up to now entrepreneurial and non-entrepreneurial entities.

Entry of the global pilot companies brings a new dimension to the entrepreneurial relations. This dimension comes from nowadays trends in entrepreneurship. It is not about the ability of adapting or responding to them. It seems that the future will not be only the extrapolation of the present, but that discontinuous phenomena will have an increasing importance. These phenomena move the entrepreneurial processes into a different level. We can see that economical processes overcome borders of slow Newton speeds and relativization of space and time in entrepreneurship happens due to accelerating innovative cycles. Besides that the present as well as future business world has increasingly non-linear and discontinues character. The development prediction becomes a problem, the present methods fail. Therefore affords to apply e.g. the theory of chaos, the theory of spontaneous order appear in the sphere of business. Diffusion of parallel forms of business, fast changing conditions and the like lead to intentions to utilize the above findings. It is common for these activities to find practically utilizable characteristics for enterprises on the certain level of development.

Order plays the same role in complicated phenomena as law plays in simpler ones. More elements in the order relate to each other so that the knowledge of apart enables us to predict about the rest in certain limits. A discovery of spontaneously forming order or spontaneous order in social processes is a challenge to utilize it in a social economic level. The theory of spontaneous order can be found mainly in works by F. A. Hayek. This theory has its own limits. One of them is a purpose business activity. It is obvious that he who will keep a head start in front of the curve of changes, continuously modify the limits of his specializations, form new markets, blaze his ways, creatively change the rules of competitiveness and impugn status quo will be viable in business.

A question arises what business structures will succeed in the time of continuous changes; if the structures based on a biological principal rather than on a machine principle or net-organized forms rather than hierarchically organized structures. It brings a new view of another group of questions connected with competitiveness in global entrepreneurial environment, management and complexity in context of business efficiency and necessary changes in the sphere of learning, conception of markets with regard to the changes of customers' character etc. Last but not least – there is a question of the economical influence and role of the state (government) within the context of economical power of the most powerful global corporation, a question of utilization of scientific discoveries for the benefit of people not against them.

**A new dimension of entrepreneurial diagnostics.** A new point of view of entrepreneurial diagnostics arises. Diagnostics methods are worth in comparison of the two types of data – normative ones predicating the standard, eventually ideal status (order), and real ones – identifying the data in real entrepreneurial entities. The Method – developed and applied in the Siemens Company could be an inspiring for forming the normative models. It is concerned with connection of contradictory but complementary methods; it means intellectual extrapolation of the present world of business and retrapolation of the future world of business. In this point of view extrapolation means generational series up to now known forms of business, technology, production group etc. with evaluation of their using (interval of their life-time). We can suppose that entrepreneurial potential of these forms of business will ebb away. Beside the others it is necessary to consider, that a simple using the methods of extrapolation can not reflect discontinuity of the evolution (progression), it means changes in steps. We also don't know when the change comes. It led the authors [11] to look for the way how to overcome the disadvantages of the methods of extrapolation. It seems to be negotiable to use the technique of the scenario. It is transferred to the future it means over 20, 30 even more years according to the sphere, which is evaluated, kind of innovative cycle, dynamics of the progression and so on.



**Resource:** modified proposal for the method of future planning [11, p. 22]

Fig. 2. Proposal for forming of new strategic normative characteristics

As it turns out, for example forecast of energy consumption in 30 years is easier than in the sphere of IT, it is easier to predict the transportation in the certain entrepreneurial environment than to predict a future structure of pilot business entities for the same period. Therefore the authors suggest working out expert's scenarios for the selected time period, which respect other social –

economical and ecological aspects. By reversing the interpolation to the present time we are able to find so-called bifurcation point (processes, which are known at present, starts to have worse results than new processes which does not have to exist now) and initiatory points (that are impulsion for starting new activities for the future success of the business). For getting evolutionary vision reciprocal harmonization is necessary. This method challenges to using the systemizing evolutionary trends with the possibilities of getting (as output) strategic normative characteristics for diagnosing the entrepreneurial structures in certain entrepreneurial environment.

**Conclusion.** In a situation, in which global top companies that entry entrepreneurial environment of central European territory and bring changes in steps, the transformation of entrepreneurial profile concerns a great number of entities. The challenge is to recognize trends, their content and intensity, their influence on economy and managing business entities as well as non-entrepreneurial once. There seems to be a difficult task – support arising a complex of intelligent industry branches in conditions of global economy with respect to regional specifics.

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