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Analysis of management as exemplified by the Municipalities of Cracow, Łódź and Wrocław in 2010-2016

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Abstract:

Aim: The paper seeks to assess management in one of Poland's largest cities using as an example the level of citizenship and the implementation of the budgets adopted.

Research methods: The comparative method and statistical analysis were applied allowing for analyzing voter turnout in the cities discussed.

Findings: Among the cities, Wrocław and Cracow proved to be ones whose management was most effective, also enjoying a high level of citizenship. Łódź is a municipality which continued to have a budget deficit over the period analyzed, while the changes referring to the city president post led to destabilization of its budget.

Originality: The paper compares the crucial, for Poland's largest cities, ability to govern a municipality, it explores the possibility of exercising executive power while facing unfavorable resolution-making power, and it compares the changing level of public confidence in the city stewards.

Key words: *civic society, budget, voter turnout, Municipality Council, management.*

JEL: M38, O15, P16, R58, Z18.

1. Introduction

Every populated place in Poland has its steward. The city – its president or mayor, while a village its head, who to some extent, are the directors and managers of those places. The way these places are governed shows the level of their citizens' trust in the leadership, which, in turn, is reflected in voter turnout and how the budgetary plan is drafted and implemented. Voter turnout, especially during local elections which affect local politicians, reveals the constituents' satisfaction or frustration, whatever the commune/municipality population. The size of the municipality's budget and the percentage in which it is implemented shows the degree of consensus between the Municipality Council and the person in charge, also demonstrating how effective the management in a particular municipality is. Large municipalities pose a challenge for the leadership because at an early stage of the budgetary planning it is not possible to foresee all expenses, with political differences between the City Council and President engendering additional problems and disagreements during the process of adopting the budget.

The aim of this paper is to assess management in the municipalities of Cracow, Łódź, and Wrocław – cities of comparable size and population, to examine the level of citizenship of their inhabitants based on their participation in local elections and to show political affiliation of the city presidents and councils. The findings produced by these comparisons are expected to establish the best model for governing a municipality in Poland. The data on the budgets stem from the annual reports on budget execution in 2010-2016.

2. The characteristics of a democratic state as illustrated by an Italian example

Municipalities which are similar in terms of the population size, area, number of academic centers and social establishments tend to be distinguished by effective management. The change in the way the municipalities operate, their financing and the development of democracy came with the Act of 8 March 1990 on the Commune/Municipality Self-Government. One of the key premises of the act is that the most important decisions for the municipality to be undertaken by its people in a referendum. The citizens may implement changes, for example, as regards the commune's borders, its division and even abolishment. This legislation provides citizens with the possibility to participate actively in the democratic functioning and development of the commune, which although forming the smallest administrative unit in the entire country, is

closest to its people. Passing the aforementioned act was a breakthrough that came after the anti-democratic rule in the wake of the Second World War and the rule of the People's Republic of Poland, where national councils, members of the government boards and other administrative functions were entrusted by delegation (Piasecki, 2009: 132-133) and not by general elections. The question that one has to ask is whether voters use this right and thus build a specific civil society and whether, as time elapses, commune self-governments have been learning how to both function and manage the commune more efficiently. In the 1970s, Robert D. Putnam carried out a regional experiment whose focus was to examine the development of democracy in Italy (Putnam, 1993:13-32). The main indicators in the study were the financial efficiency of the regions in question and the picture of civic society as demonstrated by public involvement in building a local community. The conclusion drawn based on this study is that a considerable portion of Italian regions adapted to the changes proposed by the government, yet implementing those changes took a very long time and one needed knowledge to recognize that certain regions would be able to carry out the same tasks over a much shorter period of time.

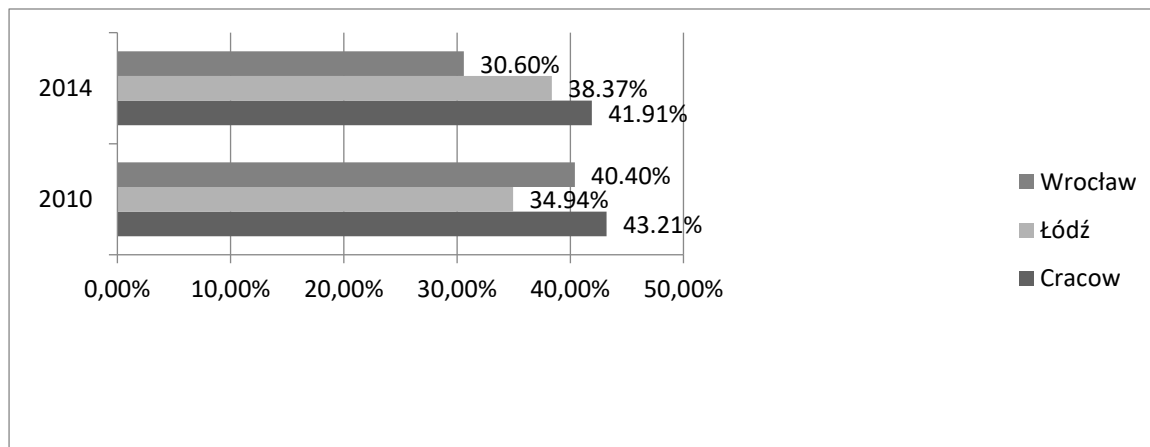
3. The level of citizens' involvement in shaping the development of municipalities in Poland

Cracow, Łódź and Wrocław are cities sharing a similar size in terms of their population and area. Cracow covers an area of 327km², with a population of 765.320, which creates the average population density of 2.340 per km² (Cracow in numbers, 2016: 3-4). Wrocław, the capital of Lower Silesian Voivodship, covers an area of 293km² with a population of 634.487 and density of 2.167 per km² (Wrocław in numbers, 2015: 2-3). The last of the cities discussed is Łódź. Its area is exactly that of Wrocław, which is 293km², with a population of 698.700 and average density per km² standing at 2.348 people (<http://uml.lodz.pl/dla-biznesu/dla-inwestora/lodz-w-liczbach/>).

Looking at the first of the indicators of civil democracy – voter turnout – one can observe significant differences in this respect across the municipalities concerned. In the first city– Cracow, the average voter turnout during the local elections held in 2010 and 2014 was at 42.56%. This result is slightly lower than the average national voter turnout – 47.27%. In Łódź it was 36.66% of citizens who cast their vote, which is over 10% less than the national average. In the last city, Wrocław 36.5% of eligible voters voted during those elections. What is of interest at this point is that in Wrocław in 2010 40.4% citizens voted, while the latest local election of 2014

saw only 30.6% of voters. Such considerable decline in citizens' interest in local elections could be dependent on the fact that the same candidate for the city president stood for election since 2002, Rafał Dutkiewicz, and the residents already accustomed to the government may have assumed that there was no need for casting their vote, since the likelihood of him being elected once again to the office was very high. It would seem that a similar voter turnout should be recorded in Cracow given that since 2002 Jacek Majchrowski has held invariably the President's office. Analyzing the results of the voter turnout, one can observe that the city president running for the office once again in Cracow has had the same electorate who places unwavering trust in him rallying its members during the elections in fear of competition.

Figure 1. Percentage-based comparison between voter turnout during Local Elections of 2010 and 2014 (in %)



Source: self-reported data.

The results of voter turnout show that the highest level of citizens' involvement is in Cracow. The voter turnout is very similar to the national average. In the two other cities the average turnout is low, differing by over 10% from the national voter turnout.

4. The analysis of budgetary objectives in the selected municipalities

The second factor which is useful while showing the process of governing a city of nearly one million population and indirectly the trust bestowed on its leadership by the citizens is budget effectiveness. Higher effectiveness of the president is reflected in higher revenues flowing into

the city budget and they, in turn, are reflected in the development of the citizens' nearest region (Kozuch, 2003:51). President is becoming a person matching that of the municipality's manager whose responsibility is to take care and promote the city, in other words, use public relations of the local self-government unit outside. Public relations is an activity performed across various types of organizations: private enterprises, cultural institutions, sports and non-profit organizations, military and self-governing organizations. The aim of public relations comprises not only generating profit for the enterprise, but first and foremost, ensuring demand in the long-run, building sustainable brand of diverse enterprises and their good image among employees and customers. In numerous companies which are set on being perceived positively by consumers and the environment there are separate departments which deal with the company's image. PR should fulfill first and foremost the following functions (Kuśmierski, 2004:17):

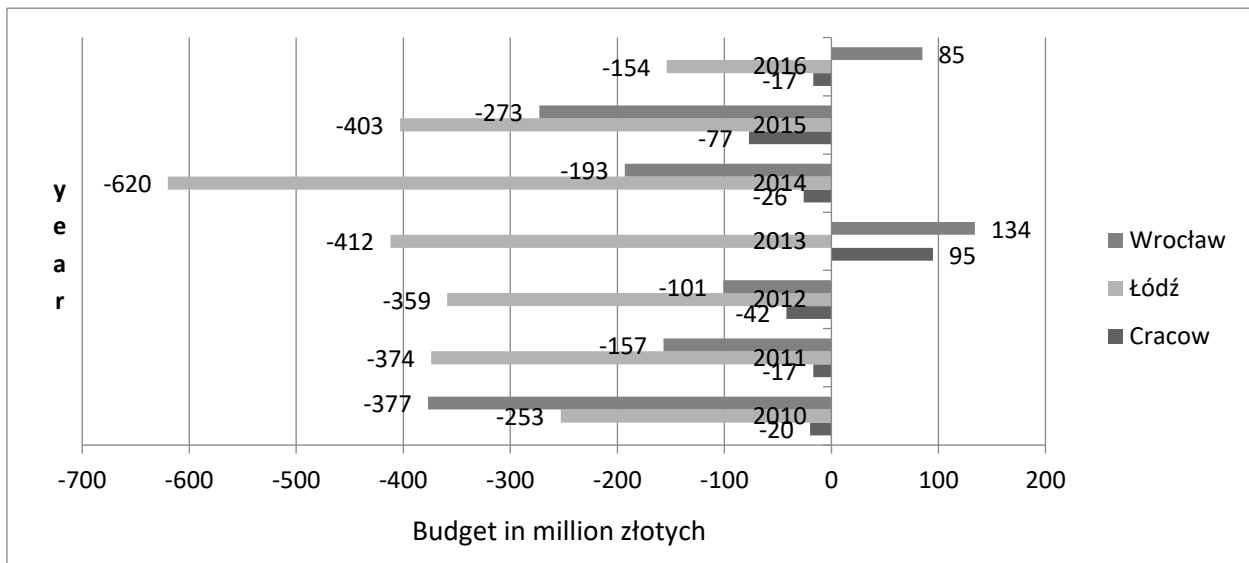
- contact, which is to ensure good communication between enterprises and environment in its broad sense;
- persuasive towards communities which are intermediaries in the process of imparting information, in other words, it is to influence the mass media as to the way information about a particular enterprise is conveyed;
- building acceptance and trust for activities which exert impact;
- taking care of entrepreneur's image in the way that would prove to be appropriate considering the products it offers;
- motivate staff at all levels to represent the enterprise in the best possible way;
- ensuring good relationships between employees and members of the organization;
- being of assistance during work-related difficulties;
- preventive, to be understood as foreseeing and averting actions that are aimed against the institutions;
- to help overcome and neutralize danger posed to the company by changing public opinion.

Apart from the revenues generated by taxes paid by the citizens, a commune that is managed in an interesting way attracts sponsors and investors who in investing their funds in the particular region are guarantors of new jobs.

One of the powers, while being also a privilege of local self-government units is to draw up a development strategy. The strategy provides the basis for activities related to public relations.

Strategy is a process which seeks to achieve an objective that has been planned earlier for a particular organization for the purpose of overcoming competition, strengthening its market position or development. The main objective of creating public image in the local self-government is reliable information, providing knowledge about activities and a comprehensive offer of benefits addressed to potential residents or investors, with this offer being closely linked to the development strategy of the given local self-government. Striving for this should allow the recipients to express their opinions and expectations and to exchange views, for all these elements underpin democratic systems, and they should create appropriate conditions for mutual consensus between authorities and the local community. Many municipalities, apart from the budget adopted annually by the budget council, draw up long and medium-terms financial plans which allow for including financial needs in advance for the expenses planned before. In their premises, financial plans allow the budgetary funds to be used effectively minimizing the financial risk, and in addition they allow for avoiding activities bound to be unsuccessful (Piechowicz, 2003: 26-27). The practice found that drawing up long-term plans is largely based on the intuition of their authors, and there are only few cases in which an in-depth analysis of data has been conducted.

Figure 2. Budget implementation in Cracow, Łódź and Wrocław in 2010-2016



Source: self-reported data.

According to the World Bank, a considerable number of units would overestimate their estimates in order to raise their creditworthiness (Swianiewicz et al., 2016: 39).

Having assumed that the cities compared are similar in terms of their population and area covered, one can assume that Cracow and Wrocław can implement their budgets to a similar degree, given that in Cracow as well as Wrocław the same persons held the office of city's president since 2002.

Analyzing the budget revenues and expenditures from 2010 to 2016, the highest deficit in each year under study was recorded for Łódź. Over the seven years each year was marked by the budget deficit which in 2016 stood at no less than PLN 154,315,577, with the city seeing the highest debt of PLN 620,560,495 in 2014. This result could have been produced by the fact that Jerzy Kropiwnicki, the then incumbent city president holding the office since 2002, was removed from his post on 22 January 2010 by a referendum. As a result Tomasz Sadzyński and Paweł Paczkowski exercised the function of the city president until the local elections of 2010. Abrupt changes coupled with a short period of holding the office may have led to the instability of the Łódź budget over the subsequent years. Since 2010 the city's debt grew on average by 70 million annually. The year 2016 ended with the budget deficit of 154,315,577 (see Figure 1).

Slightly different looks the comparison of the budget implementation in the two other cities. Despite the fact that in the municipality of Wrocław the budget execution in 2013 and 2016 recorded surplus, the average debt stood at about PLN 126,000,000. In 2013 Cracow saw a surplus at a level of PLN 95,000,000, with the average debt amounting to PLN 12,000,000 over the seven years spanning the study. The revenues from the European Funds which were accounted for in 2013 may have affected the surplus recorded in the budgets of Cracow and Wrocław in 2013. Moreover, in all the cities, the largest portion of the budget revenues is comprised of loans and credits which make the municipalities additionally indebted. In the municipality of Łódź the main source of income is credits, while expenditures cover predominantly repayment of those credits, as in 2013 when a total of the credit-based revenues stood at PLN 142,000,000 annually, with a total of the expenditures on their repayment at PLN 149,000,000. Over the period in question there were only two years in which the city of Łódź paid up a higher amount than the debt incurred for the given year – in the already mentioned years of 2013 and 2016. In most of the years analyzed the budget revenues stemming from the credit were higher than the repayment of the debt arising from them, which increased the city's

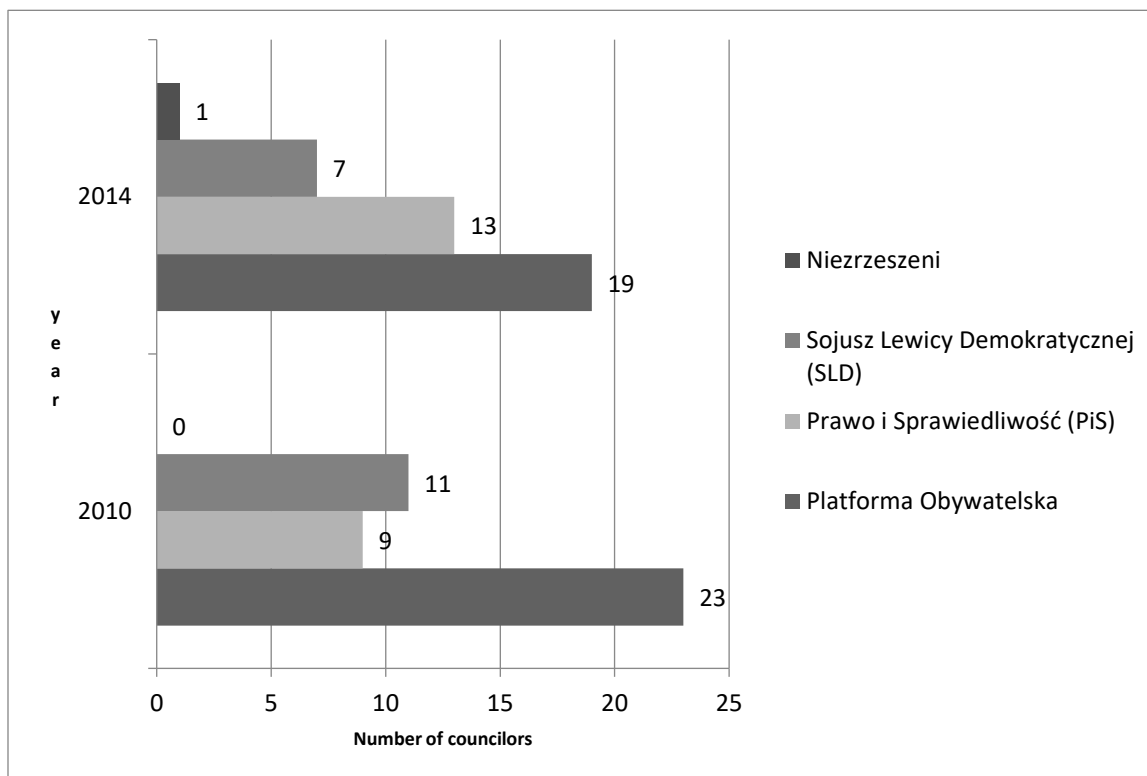
debt over the next years. Since 2011 and the next four years the municipality recorded revenues generated by bonds and securities, but during the last two years the revenues were zero.

The municipality of Cracow also invested in bonds and securities from which it derived annual revenues in the average amount of PLN 200,000,000. In Cracow over the years of 2011, 2012, 2013 several times higher repayments were possible regarding the credits and loans than the revenues that were expected to be thus generated for these years. This trend began to change in 2014 when the loan-based revenues were at PLN 240,000,000 while expenditures stood at PLN 236,000,000. The year 2016 saw a small difference between those amounts, with the amount of loans taken by the commune prevailing.

Just like in the municipality above, Wrocław also made a larger portion of its budget dependent on credits. The year 2015 saw the revenues derived from the credits at a level of PLN 588.000.000 while the payment of debts was less than half, or PLN 270,000,000 in that year. In 2016 the situation improved and debt payment was higher than the debt incurred. The varying budget value suggests the need of careful planning of the budget considering that although there were two years when the budget had closed showing a surplus, the debt was over a hundred million zloty during the years spanning the study.

5. The resolution-making power versus executive power

What affects the budgets is the differentiated party affiliations of members of the municipality council and the political likes and dislikes of the presidents and council members. The municipality budget may be defined as a compromise between the council and the president and constituents (Piechowicz, 2003:25). Establishing and executing the budget is not only the key instrument in management but it is also the accountability to constituents, and a control tool of the executive power.

Figure 3. The number of the City Councilors of the City of Łódź with their party affiliations

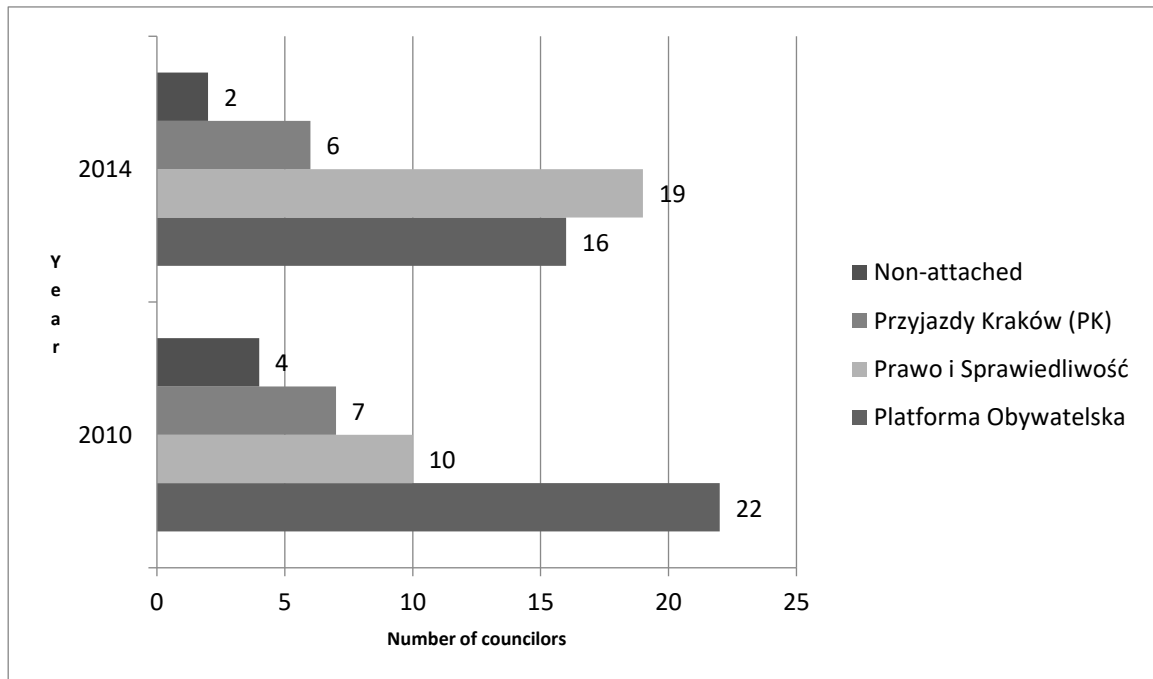
Source: self-reported data.

During the last two terms of the presidents and city councils the city of Łódź had the most stable distribution of the political parties in the council.

In 2010 Zdanowska, the candidate of the Civic Platform party (PO), was elected for the president of the city of Łódź enjoying invariable support of the majority of councilors who were PO members. Since 2014 the second largest party has been Law and Justice party (PiS) – 13 councilors, followed by Democratic Left Alliance (SLD) – seven councilors and one non-attached councilor (See Figure 3). The distribution across the party lines suggests that it should be easy to adopt the budget also ensuring its effective implementation, and yet, as the annual budgetary reports show, it was precisely between 2011 and 2015 that the municipality saw the highest debt during the period analyzed.

The Cracow City Council underwent much more significant reshuffling. In 2010 PO had a considerable majority (22 people), while since 2014 it is the PiS party that has had the largest number of seats in the Council (19 people).

Figure 4. The number of City Councilors of the City of Cracow with their party affiliations

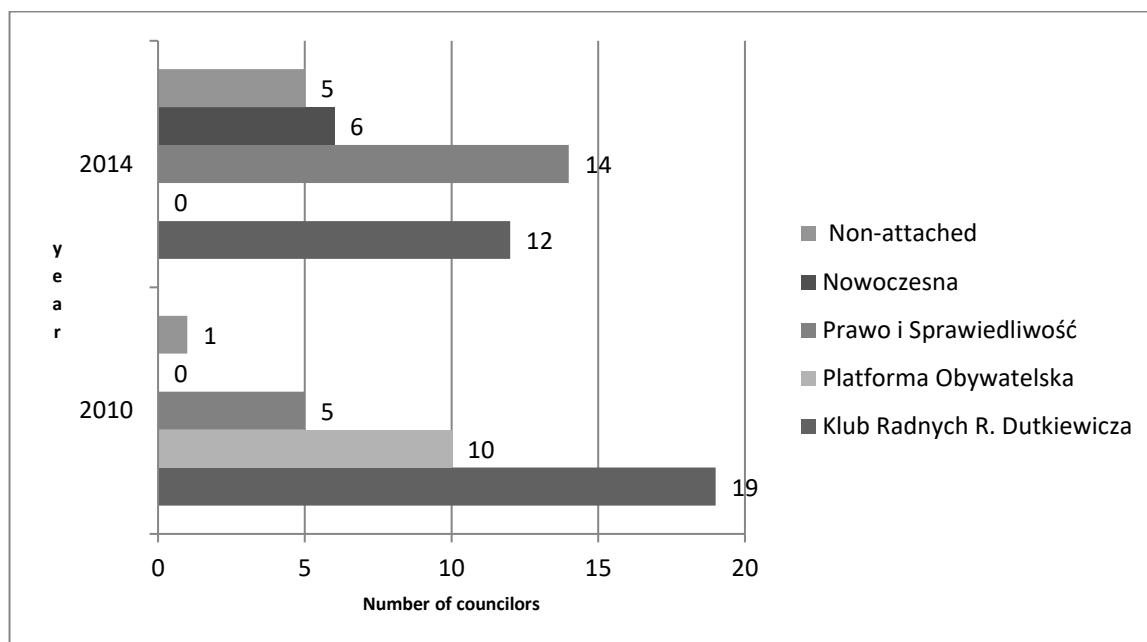


Source: self-reported data.

Considering the entire distribution across the party lines of the Cracow councilors, what also plays a role is the relationship with the President. Running for the office of the city President was Jacek Majchrowski representing the SLD party who suspended his party membership for the term of his presidency.

A similar party distribution can be observed in Wrocław. President Rafał Dutkiewicz is a politician disseminating liberal and centralist views. In 2010 the largest number of councilors came from the Club of Councilors of Rafał Dutkiewicz (19 people) with the lowest number of councilors being members of the PIS party (five councilors). The year 2014 brought changes with the largest number of councilors representing PIS – 14 councilors, followed by PO – 12 and Modern party (Nowoczesna) – six, with five councilors being non-attached. This party configuration is slightly more advantageous than that of Cracow in terms of gaining mutual consensus and cooperation between the resolution-making power and executive power.

Figure 5. The number of City Councilors of the City of Wrocław with their party affiliations



Source: self-reported data.

Nowadays every one exercising power in the budgetary units such as, first and foremost, head of a village, mayor and president is the manager of the commune/municipality. Following the fall of the People's Republic of Poland, the subsequent period of over 20 years has seen a shift in the way public administration authorities are perceived away from the absolute exercising power towards a kind of mutual benefit organization working together with its constituents. People casting their vote for a particular candidate can exert influence through their candidate on the shape, budget and image of their immediate environment. An organization such as the commune interacts with the public with a view to achieving mutual success (Kožuch, 2003: 50-51).

6. Conclusion

Drawing on the data analyzed one can conclude that the municipality which have been thriving the most among those discussed is that of Cracow. Its debt was the smallest between 2010-2016, while its citizens' active participation in Local Elections reflects a high level of trust in the President whose management allows for solutions which do not interfere with the active

execution of the budget. It can also be observed that effective repayment of the debt incurred is the goal.

In Wrocław the distribution of the resolution-making power and the executive power over the years discussed seems the most conducive to managing the city's budget effectively. The largest number of councilors in the City Council of Wrocław are members of the Councilor Club which supported the policy of the City President holding the office over the period analyzed. Yet, despite this cohesion existing between the resolution-making and executive power, it is hard to maintain balance in the annual budget accounting, which might suggest that the city has considerable financial obligations.

In Łódź, where voter turnout is the lowest, the municipality budget is the most unstable despite the fact that the President enjoys backing of the City Council majority.

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