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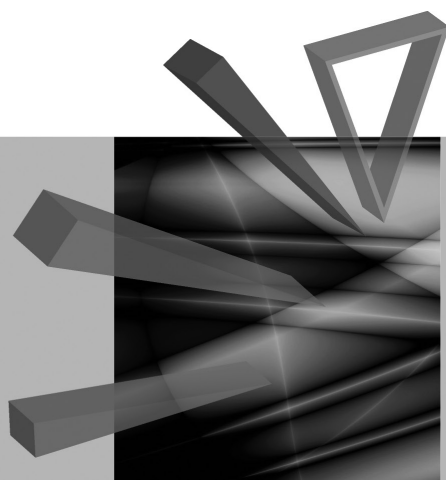
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DETERMINANTS OF ORGANISATIONAL CHANGES IN MUNICIPAL PROPERTY MANAGEMENT IN POLAND

Summary: The aim of the paper is to analyse the organisational changes of municipal property management systems, focusing on the organisational restructuring of municipal property management companies, and the analysis of determinants influencing the efficiency of the process. The legal determinants and management methods, including property valuation aspects, have been analyzed.

Keywords: organizational change, restructuring, property management.

1. Introduction

The significant and constantly increasing role of property in organizations [Wills 2009; Kaganova, Nayyar-Stone 2000], the growing interest in municipal property management, the permanent search for best practice by local communities and the changing regulations concerning property management in Poland, have inspired the author to carry out research in this area of knowledge. We can observe that the approach to public asset management¹ is subject to constant change. The unstable conditions of the functioning of municipal property management companies caused the need to implement restructuring programmes in many of them, identify, analyse and take under consideration the exogenous and endogenous determinants affecting the efficiency of the process.

The aim of the paper is to analyse the organisational changes in municipal property management systems, focusing on the organisational restructuring of municipal property management companies and to conduct an analysis of two

¹ The changing approach to public asset management is analysed by Kaganova and Nayyar-Stone, they observe: “(1) the shift away from public ownership of real property; (2) the increased recognition of public real estate as an productive asset; and (3) the adoption of private sector practices” [Kaganova, Nayyar-Stone 2000, p. 308]. Phelps indicates the difference in approaches to property management in developed and transition countries [Phelps 2011, p. 419].

determinants influencing the efficiency of the process: legal determinants (external factor) and management methods (internal factor).

The paper is divided into three main parts. The first one presents the organisational restructuring of municipal property management companies, its external and internal determinants along with an assessment model. In the second part the author analyses the legal aspects of property management in Poland, the aims of property management and the tasks of a property manager in relation to the management process. The final part of the paper presents management methods as internal factors, determining the efficiency of organisational restructuring, which could be used in the new approach to property – management by value. The valuation approaches, methods and techniques used in Poland are described.

2. Organisational restructuring in municipal property management

The starting point is the research conducted by the author in Poland, concerning corporate organisational restructuring [Kłosowski 2012], and the proposal of its implementation in municipal property management companies.

We may observe a lot of restructuring programmes, especially organisational restructuring with fundamental changes in municipal property management systems in Poland, essential changes in organisational structures and organisational processes of municipal property management companies (both local self-government entities and municipally owned commercial real estate management companies), the use of new management methods and changing their legal form for limited liability companies. On the other hand, for some researchers these changes are being implemented too slowly to meet the new market conditions. There is an increasing number of new, small private property management companies which want to compete with municipal property management companies, by offering for example lower prices for their property management services. New regulations, which at present are being prepared by the government, concerning the deregulation of some professions, will make it even easier to become a property manager and conduct such an activity.² This is one of the reasons why some municipal property management companies will have to implement organisational restructuring for the first time and some of them, which have already applied it, will have to implement it once again. There will be a need to introduce further necessary changes in the organisational structure, in its configuration, as well as in respect of other dimensions:³ centralisation, standardisation, specialisation and formalisation. To define the size

²In Poland, so far, property managers must have licences to perform their profession. The process of obtaining the licence has been lately facilitated, by the abolition of the state examination. On 30 September 2012 there were 23 722 licensed property managers in Poland [WWW1].

³Organisational dimensions identified by the Aston group [Pugh et al. 1968].

of an organisational chart, which is the graphical presentation of an organisational structure's configuration, for instance the Property Points Matrix, proposed by Cottingham, could be used in order to determine the number of properties which the property manager can manage [Cottingham, Muhlebach 2007, p. 41]. The municipal property management companies will have to adjust their organisational processes to meet the changing expectations of their clients. The organisational restructuring programme should take under consideration the external determinants influencing its efficiency, such as economic (local community budget, suppliers, other property management companies – competitors), legal and political (changes in law, local acts, political trends), social and cultural (changing expectations of clients, their needs and habits), technological (new technologies) as well as internal determinants, for example: strategy, management methods, managers' skills, organisational culture, life cycle of organisation, technology. Each of those determinants should be analysed in relation to the organisational restructuring process, the changes it may evoke in the organisational structure and the organisational processes of a municipal property management company.

In order to assess the efficiency of organisational restructuring, three measurements can be used as an assessment model of organisational restructuring: quality of property management services, level of costs and the level of intellectual capital.

3. Legal aspects of property management

One of the exogenous determinants of organisational restructuring consists in the legal conditions determining its efficiency. The legal acts of property management in Poland with relation to management process are presented below.

The legal act regulating the profession of a property manager in Poland is the Real Estate Management Act dated 21 August 1997 [Ustawa z dnia 21 sierpnia 1997...]. According to art. 185.1 of the Real Estate Management Act, the aims of property management are:

- 1) to provide the appropriate economic-financial economy of the real estate;
- 2) to ensure the safety and appropriate operation of the property;
- 3) to provide reasonable energy use as defined in the provisions of the energy law;
- 4) to guarantee current administration of the real estate;
- 5) to maintain the property without deterioration in accordance with its intended use;
- 6) to invest reasonably in the real estate.

In order to fulfil the tasks, the property manager must plan them, in the short and in the long term, organise his/her activity, motivate his/her employees and control them. An efficient property management process requires the implementation of all the management processes.

There is still another significant task of the property manager. That is increasing the value of the property. In order to achieve this, the property manager must, as part of the organisational restructuring process, analyse and take under consideration the legal acts – one of the external determinants of organisational restructuring.

Figure 1 shows the property management process in relation to the management process.

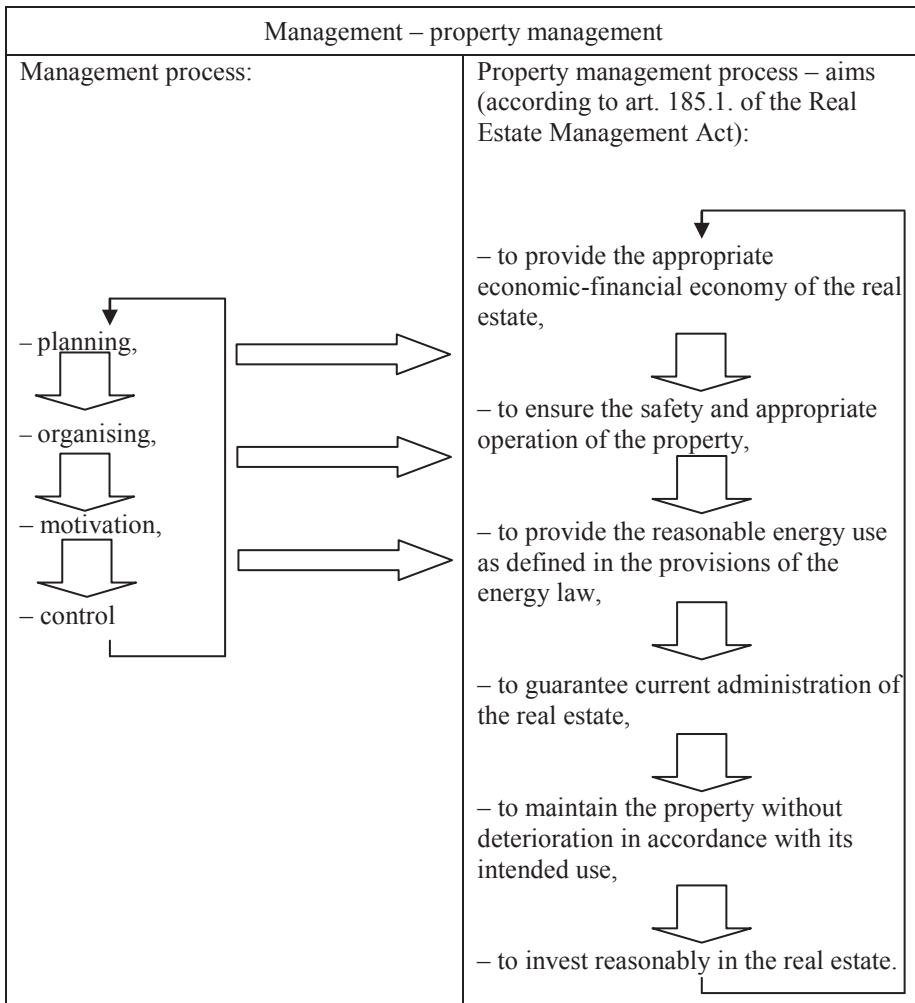


Figure 1. Comparison of the management process and the property management process

Source: [Kłosowski 2011, p. 98].

During the implementation of the organizational restructuring of a municipal management company, the manager must analyse the relation (see Figure 2) and the influence of particular legal acts, its effect on the efficiency of the organizational restructuring, changes of the organisational structure, its configuration, centralisation, specialisation and formalisation and on changes of the main, organisational, regulatory and supporting processes.

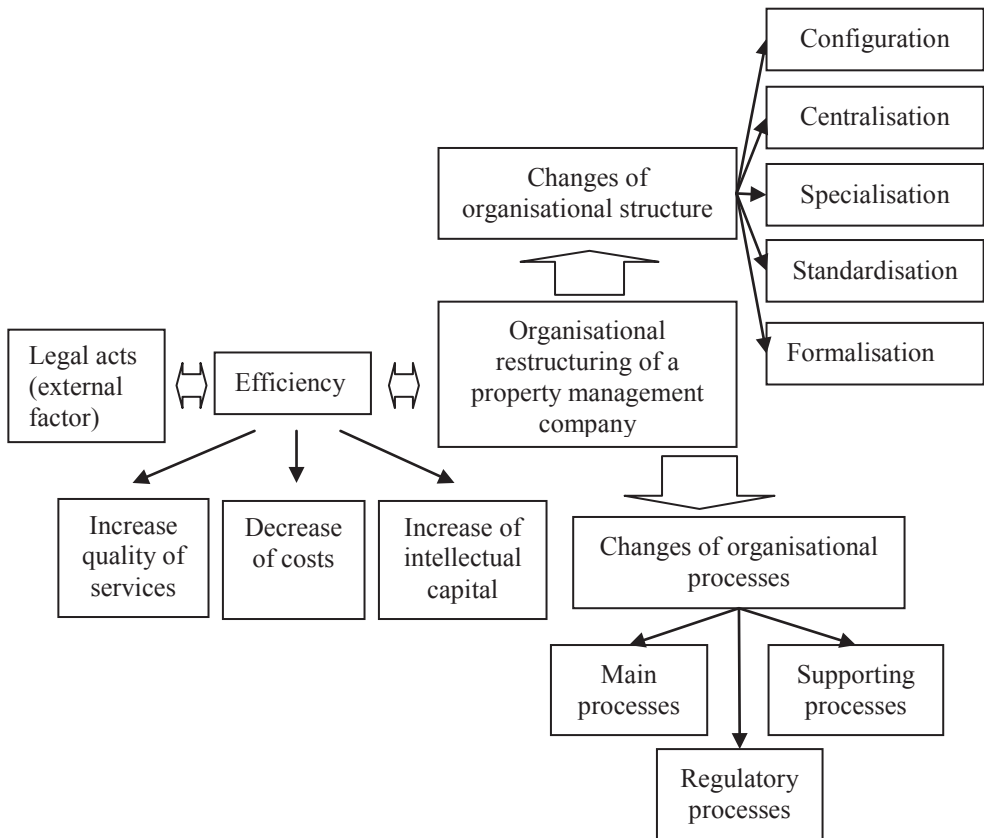


Figure 2. Relation between legal acts and the efficiency of organizational restructuring of a municipal property management company

Source: own elaboration.

The same procedure should be applied to the other identified external determinants. The omission to take under consideration the above determinants may lead to the opposite result: decreasing the quality of property management services, increasing the costs and decreasing the level of intellectual capital.

4. Property management by value

A new trend resulting in changing from “traditional” property management to property management by value⁴ can be observed. This applies also to residential real estates. Among others, it may result from the changing requirements of property owners who tend to pay more attention to the problem of the value of the real estate.

In order to increase the property value, the property manager must, during the organisational restructuring process, analyse and take into consideration management methods as one of the internal determinants of organisational restructuring (see Figure 3).

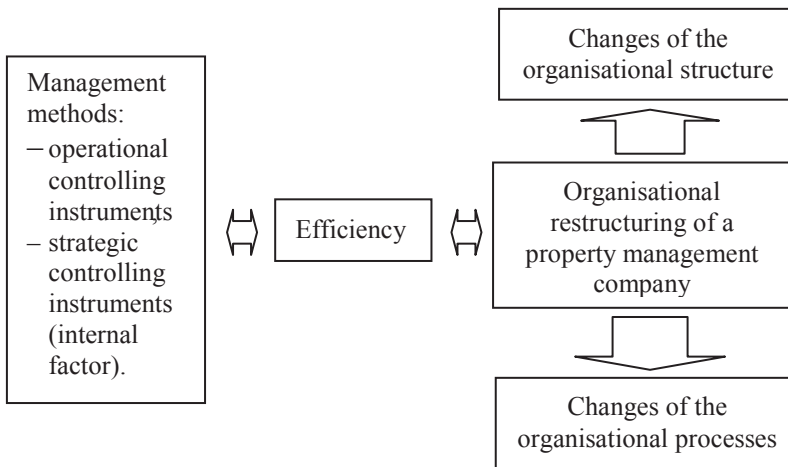


Figure 3. Relation between management methods and the efficiency of organizational restructuring of a municipal property management company

Source: own elaboration.

During the implementation of organizational restructuring of a municipal management company, the manager must analyze the relation and the influence of particular management methods, its changes of the efficiency of organizational restructuring, changes of the organisational structure, its configuration, centralisation, specialisation and formalisation and changes of the main organisational, regulatory and supporting processes. Among the many management methods, operational and strategic controlling instruments can be proposed, for example break-even analysis, budgeting, operative planning (operational controlling), SWOT analysis, BCG

⁴ According to Phelps and other authors, in the past “[...] property was a neglected resource with little executive attention and general ignorance of property costs, value or performance” [Phelps 2011, p. 417].

matrix, ADL matrix, Balanced Scorecard (strategic controlling). The same procedure should be applied to the other identified internal determinants.

In order to control the efficiency of property management, property valuation methods should be applied. In Poland we distinguish approaches, methods and techniques [Cymerman, Hopfer 2009, p. 15], which are used by appraisers to estimate property value. According to the Regulation of the Council of Ministers, dated 21 September 2004, concerning real estate valuation and procuring real estate valuation report [Rozporządzenie Rady Ministrów...] we identify:

- the comparison approach,
- the income approach,
- the cost approach,
- the mixed approach.

According to Skarzyński [Skarzyński 2006, p. 254], for the purpose of property appraisal by comparison approach, we use the following methods: the method of comparing pairs, the method of average price correction and the method of statistical analysis of the market; for the purpose of appraisal by income approach, we use the investment method and the profit method (there are the following two techniques: the simple capitalisation technique and the discounted cash flow technique); for the property appraisal by cost approach we use the method of reproduction costs and the method of replacement costs (there are the following three techniques: detailed technique, integrated elements technique and indexes technique); for the purpose of appraisal by the mixed approach we use the residual method, the method of liquidation costs⁵ and the method of estimated farmland indexes.

The presented approaches, methods and techniques are too complicated for property owners to estimate the property value and control the property manager, so hiring an appraiser seems to be the only solution – but it is expensive. For this reason a simplified method should be formulated, which could be applied by a property owner in order to control the work of a property manager.

5. Conclusions

The presented changes in municipal property management systems focused on the organisational restructuring of municipal property management companies in Poland. The author conducted an analysis of two determinants influencing the efficiency of the process: legal determinants and management methods. The analysis of both determinants in relation to organisational restructuring was presented.

In the author's opinion, it is necessary to carry out further research concerning the organisational restructuring in municipal property management companies in Poland as well as in other countries, to analyse their organisational structure and

⁵ According to Cymerman and Hopfer, for the purpose of using the method of liquidation costs, two techniques can be used: detail technique and indexes technique [Cymerman, Hopfer 2009, p. 15].

organisational processes, identify their external and internal determinants, examine them and conduct a comparative analysis to make organisational restructuring more efficient.

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DETERMINANTY ZMIAN ORGANIZACYJNYCH W ZARZĄDZANIU NIERUCHOMOŚCIAMI KOMUNALNYMI W POLSCE

Streszczenie: Celem artykułu jest analiza zmian organizacyjnych systemów zarządzania nieruchomościami komunalnymi, ze szczególnym uwzględnieniem restrukturyzacji organizacyjnej komunalnych przedsiębiorstw zarządzających nieruchomościami, oraz analiza determinant sprawności restrukturyzacji organizacyjnej. Analizie poddano uwarunkowania prawne i metody zarządzania z uwzględnieniem problematyki wyceny nieruchomości.

Słowa kluczowe: zmiana organizacyjna, restrukturyzacja, zarządzanie nieruchomościami.