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# **GENERIC BEHAVIOURS OF ORGANISATIONS IN DECLINING INDUSTRIES. EVIDENCE FROM DESIGNATED POSTAL OPERATORS IN SELECTED CEE COUNTRIES**

**Abstract:** The topic of the paper is organisations' behaviours in declining industries. The paper aims to present guidelines for the identification of generic types of organisations' behaviours in declining industries based on an intensity of decline, an attachment to the core activity and an organisation's approach to behaviour and verify it in letter-post items industries in selected Central and Eastern Europe countries. Six types of generic behaviours of organisations in declining industries can be identified: cadavers, prospectors, creators, drifters, defenders and leavers. The authors have applied the framework of generic behaviours of organisations in declining industries into letter-post items industries in selected CEE countries. The research reveals that three of the analysed organisations act as drifters (Hrvatska Pošta, Magyar Posta and Pošta Slovenije), one as a defender (Slovenská Pošta) and one as a prospector (Poczta Polska).

**Keywords:** behaviours of organisations, strategy and business strategy, letter-post items industry, declining industry.

**JEL codes:** L1, L2, L87.

## ZACHOWANIA PRZEDSIĘBIORSTW W SEKTORACH STARZEJĄCYCH SIĘ. PERSPEKTYWA WYZNACZONYCH OPERATORÓW POCZTOWYCH W WYBRANYCH KRAJACH EŚW

**Streszczenie:** Tematem artykułu są zachowania organizacji w sektorach starzejących się. Celem artykułu jest przedstawienie wytycznych do identyfikacji modelowych zachowań przedsiębiorstw w sektorach starzejących się, biorąc pod uwagę tempo starzenia się sektora, stopień przywiązania przedsiębiorstwa do dotychczasowej domeny i postawę przedsiębiorstwa oraz ich weryfikację w sektorze tradycyjnych przesyłek listowych w wybranych Krajach Europy Środkowo-Wschodniej. W artykule wskazano, że możliwe jest zidentyfikowanie sześciu modelowych zachowań przedsiębiorstw w sektorach starzejących się: tonący, poszukiwacz, kreatorzy, dryfujący, obrońcy oraz wycofujący się. Modelowe zachowania przedsiębiorstw w sektorach starzejących się zostały zweryfikowane w sektorze tradycyjnych przesyłek listowych w wybranych Krajach Europy Środkowo-Wschodniej. Z badań wynika, że trzy ze zbadanych przedsiębiorstw można scharakteryzować jako tonących (Hrvatska Pošta, Magyar Posta i Pošta Slovenije), jedno jako obrońca (Slovenská Pošta) i jedno jako poszukiwacz (Poczta Polska).

**Słowa kluczowe:** zachowania organizacji, strategia i strategia biznesu, sektor tradycyjnych przesyłek listowych, sektor starzejący się.

### Introduction

The industry life cycle is a concept used in industry analysis, which helps to understand how industries evolve as they age and explain how the behaviours and strategies of organizations change on a distinct stage (Anderson & Zeithaml, 1984; Covin, 1990; Hofer, 1975; Porter, 1980; Sabol, Šander, & Fućkan, 2013; Thietart & Vivas, 1984). Thus, industry life cycle is a critical factor affecting the behaviours and strategies of organisations (Anderson & Zeithaml, 1984; Day, 1981). In young and mature industries the behaviours and strategies of organisations are well described, but there is a lack of theoretical and empirical studies in declining industries (Koponen & Arbelius, 2009; Lilja, Sundberg & Sundberg, 2015; Sihvonen, 2010; Thietart & Vivas, 1984). The most prominent papers on behaviours and strategies of organisations in declining industries originate from the 1980s are Harrigan (1980) as well Harrigan & Porter (1983). Recently, the topic has not been explored by many academics; the most interesting papers are by Koponen & Arbelius (2009), Lilja et al. (2015) and Sihvonen (2010).

The behaviours and strategies of organisations should fit to the environmental conditions (Lukas, Tan & Hult, 2001) and a perfect fit results in high performance and enables organisations to succeed (Miles & Snow, 1984). Thus, to thrive in declining industries, managers should choose the proper behaviour respecting organisation-specific as well as industry-specific characteristics (Sopińska & Dziurski, 2018). Sparse studies on the behaviours and strategies of organisations in declining industries focus on managers' dilemma – stay (survival strategy) or disinvest (exit strategy) from an industry (Lilja et al., 2015). However, the authors argue that managers have more strategic options and profitable opportunities can emerge in declining industries, which is in line with Harrigan & Porter (1983) as well as Lilja et al. (2015). For organisations to overcome an unfavourable environment they need to implement individual firm-specific strategies and behaviours (Bamiatzi & Kirchmaier, 2014). Therefore, there is a necessity of developing a comprehensive framework of the generic behaviours of organisations in declining industries. The authors have developed their own framework of the generic behaviours of organisations in declining industries (Sopińska & Dziurski, 2018), which is applied in this paper. However, the paper extends the previous research by providing guidelines for the framework and its empirical verification in letter-post items industries in selected Central and Eastern Europe (CEE) countries.

The paper aims to present guidelines for the identification of generic types of organisations' behaviours in declining industries based on an intensity of decline (an external factor), an attachment to the core activity and an organisation's approach to behaviour (internal factors) and verify it in letter-post items industries in selected Central and Eastern Europe countries. The study contributes to the research in the field of the normative management literature on organisations' behaviour in declining industries (Koponen & Arbelius, 2019) and the strategic management in two key and specific aspects. The first, it expands the current knowledge on the behaviours of organisations in declining industries. The second, it indicates practical propositions on how organisations should behave with respect to different environmental conditions as well as organisation-specific characteristics. To meet the stated aim, the authors applied an appropriate methodology. The research method is a critical analysis of the academic literature (a desk research) supported by authors' own observations and previous research experience. The authors use a multiple-case study to illustrate the behaviours of designated postal operators in declining industries, here letter-post items industries in selected CEE countries.

The paper is organized as follows: section one presents a literature review on the behaviours and strategies of organisations in declining industries and it introduces generic types of organisations' behaviours in declining industries. Section two presents the methodology. Section three is dedicated to presenting the application of a comprehensive framework of organisations' behaviours in declining industries into letter-post items industries in selected CEE countries. The final section presents the conclusions.

## 1. Literature review

It is assumed that industries evolve through a life cycle. Thus, a concept of an industry life cycle is applied (Klepper, 1997; McGahan, 2004; Porter, 1980), which seeks to explain how industries evolve as they age. Depending on the approach, three (Williamson, 1975) or four stages (Klepper, 1997; Strategor, 1996) can be identified. The literature review revealed that the four-stage view of an industry life cycle is a more common approach and the authors adopt it in the study identifying the following stages: exploratory, growth, maturity and decline. The decline stage is characterised by a long-term shrink of demand (Porter, 1980), but different types of decline can be identified (Harrigan, 1980): rapid and volatile or slow and steady (Sopińska & Dziurski, 2018). In the decline stage growth rate is negative, most of organisations exit the industry and the market structure tends to be oligopolistic. Barriers of entrance to an industry are low, but new ventures are not attracted due to the gloomy future of an industry (low attractiveness for investors). The competition is concentrated around a few remaining competitors, rivalry intensifies, and managers focus on a cost-saving process (Gierszewska & Romanowska, 2014). It seems that the industry is doomed to perish. However, few authors indicate that industries may be cyclical in nature and termination is not the only solution (Gierszewska & Romanowska, 2017; Murmann & Frenken, 2006). Industries do not fall into entropy, but after a period of low activity they can flourish. Thus, industries have two options after the maturity stage, i.e. to decline or to renew.

In the strategic management literature there is an assumption that the industry life cycle is a critical factor affecting business strategy and organisations' behaviours (Anderson & Zeithaml, 1984; Day, 1981). Thus, the different behaviours of organisations and strategies are predominant on the distinct stage of an industry life cycle (Anderson & Zeithaml, 1984; Covin, 1990; Hofer, 1975; Porter, 1980; Sabol, Šander & Fučkan, 2013; Thietart &

Vivas, 1984). A small number of studies on declining industries on managers' dilemma – stay (survival strategy) or disinvest (exit strategy) from an industry (Lilja et al., 2015). However, managers have more strategic options to choose and as Harrigan & Porter (1983) state, in declining industries, profitable opportunities can emerge.

Harrigan (1980) as well as Harrigan & Porter (1983), as one of the first, focus on the strategies of organisations in declining industries. Harrigan's (1980) studies can be summed up as follows: there are several different types of shrinks; managers can adopt multiple strategies to succeed; a successful strategy exploited both internal (e.g. organisation's strength) and external factors (e.g. intensity of decline); managers have various reasons not to adopt the most economical strategy (e.g. misinterpretations of market signals). Based on Harrigan's (1980) conclusions, Harrigan & Porter (1983) describe four generic strategies (end-game strategies) for declining industries: a leadership, a niche, a harvest and a quick divestment. However, some authors propose that managers in organisations facing an industry decline should not simply implement one of end-game strategies, but they should simultaneously change businesses to new market conditions and pursue new growth opportunities (Bamiatzi & Kirchmaier, 2014; Lilja et al., 2015). Managers should implement a transformational strategy, which is "pursued through maximizing profits from the declining industry while subsequently investing those profits into new projects that the firm has identified as having growth opportunities" (Lilja et al., 2015, p. 47). In general, authors critique simplistic models, which give managers only two contrasting options – investment or disinvestment. They believe that managers have more strategic options than an exit or a survival strategy (Koponen & Arbelius, 2009). Therefore, the framework of the generic behaviours of organisations in declining industries is needed (Sopińska & Dziurski, 2018).

In the paper, the authors present their own framework of generic behaviours of organisations in declining industries (Sopińska & Dziurski, 2018), which is extended by the guideline for the identification of generic types of organisations' behaviours in declining industries based on an intensity of decline (an external factor), an attachment to the core activity and an organisation's approach to behaviour (internal factors). The paper presents an empirical verification of the framework in letter-post items industries in selected (CEE) as well.

There is a debate on whether it is organisation-specific capabilities or industry characteristics that explain organisations' behaviours. However, the literature review allows formulating the thesis that the behaviours of or-

organisations in declining industries are determined by two factors: external (industry-specific characteristics) and internal (organisation-specific characteristics). It is in line with Harrigan (1980), who states that a successful strategy can be exploited by both internal as well as external factors.

The authors argue that the most influential external factor on organisations' behaviours in declining industries is the intensity of the decline. An industry can decline slowly and steadily, or it can shrink rapidly and violently (Sopińska & Dziurski, 2018). The intensity of decline depends on the novelty of the innovations: incremental and disruptive (Knosala, Boratyńska-Sala, Jurczyk-Bunkowska & Moczala, 2014). Incremental innovations refer to the improvement of existing forms or their reconfiguration enabling achieving new goals. Opposite to incremental are disruptive innovations. They refer to original and useful products, services and solutions. Disruptive innovations cause rapid and volatile decline, while incremental innovations cause a slow and steady shrinkage.

The intensity of decline can be measured by a change in the industry's sales revenues over a period of at least three constructive years. The 3-year compound annual growth rate (CAGR) of sales revenues can be used as a measure of an industry shrinking. An industry is on the decline stage if the 3-year CAGR of sales revenues therein is negative (equal or less than 0%); otherwise (more than 0%) it is on others. The 3-year CAGR of sales revenues in industries with a slow and steady decline ranges from 0% to -10% (included), and in industries with rapid and volatile shrinking if it is greater than -10%. That approach is justified by an observation that an average growth rate of the industry is around 10% (Kotler 1994); industries with a growth rate above 10% are treated as fast-growth and those with a rate below 10% as slow-growth industries. Therefore, the same principle can be applied to declining industries and then the -10% threshold is adopted.

The authors argue that two internal factors influence organizations' behaviours in declining industries, such as: an attachment to the core activity and an organization's approach to behaviour (Sopińska & Dziurski, 2018).

The attachment to the core activity can be strong or weak. Strong attachment means that organizations exploit the core activity and it is not willing to change it. Weak attachment refers to an organisation that is willing to change the core activity (Sihvonen, 2010; Sopińska & Dziurski, 2018). It is notable that that proposed generic behaviours of an organisation in declining industries can be applied to organisations, when the core activity is in

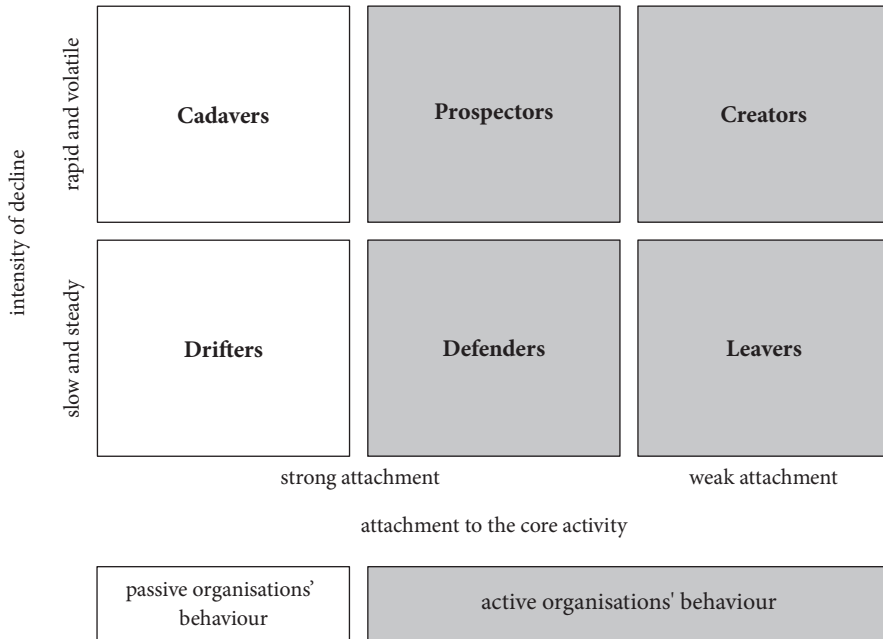
a declining industry. The core activity is the one, which accounted for the largest part of sales revenues.

The attachment to the core activity is measured by a specialization ratio. Rumelt defines it as a “proportion of a firm’s revenues that can be attributed to its largest single business” (1974, p. 14). The specialization ratio ranges from 0 to 1 and it changes over time. The specialization ratio near 1 means that an organization is non-diversified; the ratio near 0 means that the organization is diversified. The 3-year CAGR of the specialization ratio can be used to evaluate the attachment to the core activity. The 3-year CAGR of the specialization ratio ranging from  $+\infty$  to  $-5\%$  (included) means a strong attachment; the 3-year CAGR of a specialization ratio lower than  $-5\%$  means a weak attachment.

The second internal factor influencing the behaviours of organisations in declining industries is organizations’ approach to behaviour. Organizations can be characterized by active behaviour, when they explore new growth opportunities or they can be named as passive, when there is poor adaptation to external conditions (Sopińska & Dziurski, 2018).

Two alternative methods of evaluation of an organisation’s approach to behaviour can be identified. The first method (organisation’s approach to behaviour I) is to compare a 3-year CAGR of an organisation’s sales revenues from the core activity with a 3-year CAGR of an industry’s sales revenues. The active behaviour of an organisation means that the 3-year CAGR of an organisation’s sales revenues from the core activity is equal or higher than the 3-year CAGR of an industry’s sales revenues, otherwise the behaviour is passive. Active behaviour means that an organisation is able to postpone the consequences of an industry’s decline by capturing the value more efficiently than competitors. The second method (an organisation’s approach to behaviour II) is to compare a 3-year CAGR of an organisation’s sales revenues from the core activity with a 3-year CAGR of an organisation’s total sales revenues. The active behaviour of an organisation means that the 3-year CAGR of total sales revenues is equal or higher than the 3-year CAGR of an organisation’s sales revenues from the core activity, otherwise the behaviour is passive. Active behaviour means that an organisation is able to replace a revenue stream from a declining industry to a new one.

Combining all three of the factors – the intensity of decline, attachment to the core activity and the organizations’ approach to behaviour – allows to identify six generic types of organizations’ behaviours in declining industries (Figure 1; Table 1) (Sopińska & Dziurski, 2018).



**Figure 1. Generic types of organisations' behaviours in declining industries**

Source: (Sopińska & Dziurski, 2018).

In industries with a slow and steady decline, where incremental innovations are dominant, and substitutes are not a threat, organisations can behave threefold as: drifters, defenders, leavers. Drifters refer to organisations, which are strongly attached to the core activity and they are passive to external conditions. They do not look for new growth opportunities, but they passively drift. Their future is the same as the future of a declining industry – they are doomed to perish. Defenders are organisations, which try to slow down the process of an industry aging. They experience industry decline and they act actively to impede the process. The future depends on their activity in the renewal of the core activity. Leavers refer to organisations, which adopt an exit strategy – slow disinvestment from a declining industry. They maximize profits from the declining industry; while simultaneously invest those profits into new businesses. The most common strategy is a related diversification, because organisations can use core competences in new businesses. The future depends on the accuracy of selecting related industries (Sopińska & Dziurski, 2018). A similar approach was developed by Liliya et al. (2015), who named it as a transformational strategy.



**Table 1. Identification methodology of behaviours of organisations in declining industries**

Factors	Measurement	Types	Values	Behaviour
<b>External factor</b>				
Industry decline	3-year CAGR of an industry's sales revenues	slow and steady	$\langle 0\%, -10\% \rangle$	drifters, defenders, leavers
		rapid and violate	$(-10\%, -\infty)$	cadavers, prospectors, creators
<b>Internal factors</b>				
Attachment to the core activity	3-year CAGR of specialization ratio	strong	$(+\infty, -5\%)$	drifters, defenders, cadavers, prospectors
Organisation's approach to behaviour I	3-year CAGR of organisations' sales revenues from the core activity (Ro) compared to a 3-year CAGR of industry's sales revenues (Ri)	weak	$(-5\%, -\infty)$	leavers, creators
		active	$Ro \geq Ri$	leavers, creators defenders, prospectors
Organisation's approach to behaviour II	3-year CAGR of organisations' total sales revenues (RT) compared to a 3-year CAGR of an organisations' sales revenues from the core activity (Ro)	passive	$Ro < Ri$	cadavers, drifters
		active	$RT \geq Ro$	leavers, creators defenders, prospectors
		passive	$RT < Ro$	cadavers, drifters

Source: Own elaboration.

In industries with a rapid and violent decline, which is caused by disruptive innovations, three different types of behaviour can be identified: cadavers, prospectors and creators. Cadavers do not see and/or do not perceive disruptive innovations as relevant. They do not perceive them as forces, which can strongly influence their core activity. Their strong attachment to the core activity and passive behaviour make their future gloomy. Demand decline is rapid and violent and it makes that an industry will perish or no longer be a significant business; organisations are doomed to disappear. Prospectors refer to organisations, which are strongly attached to the core activity, but they are aware that the industry is rapidly and violently declining (opposite to cadavers). They do not want to go bankrupt, so they actively seek a lucrative niche. The future depends on the accuracy of finding an attractive niche, which in the long-term can become the new core business. Creators are organisations, which experience rapid and violent demand decline and they try to set up a new core activity. They are not attached to the core activity, so they quickly decide to a nonrelated diversification. Creators have many businesses, and one of them can become the new core activity. When an industry is declining, they are not afraid to disinvest (Sopińska & Dziurski, 2018).

## 2. Method

The authors research focuses on the behaviours of organisations in declining industries. To meet the previously stated aim of the paper, the authors applied an appropriate methodology. The research method is a critical analysis of academic literature (a desk research) supported by authors' own observations and previous research experience. The Authors use also a multiple-case study to illustrate the behaviours of designated postal operators in letter-post items industries in selected CEE countries, which are experiencing an industry decline. A multiple-case study was used as it opens up the possibility for analytic benefits, such as cross-case comparisons (Yin, 2009).

The comprehensive framework of organisations' behaviours in declining industries was applied into the letter-post items industries in selected CEE countries. The organisations operate in the letter-post items industry and are responsible for the receipt, transportation and delivery of priority and non-priority items, letters, postcards, printed papers and small packets (up to 2 kilograms), literature for the blind (up to 7 kilograms) and special bags containing newspapers, periodicals, books and similar printed documenta-

tion for the same addressee at the same address (up to 30 kilograms) (The International Bureau, 2013).

Designated postal operators, which run their business under the universal service obligation, operate in the letter-post industry. They are classified under 53.10 of the NACE code – postal activities under universal service obligation. They are responsible for maintaining the essential infrastructure to the receipt, transport and deliver of letter-post items in the domestic and international service at an affordable price to all citizens. In many countries, the letter-post items industry is a monopoly market structure (Ansón & Helble, 2014a) and the designated postal operator is a government-owned organisation, however the privatisation trend is observed in some countries. Other organisations can operate therein, nevertheless their market share in terms of value and volume is minor (Ansón & Helble, 2014b).

Designated postal operators from CEE countries were chosen for inclusion since they might represent different behaviours in an adverse environment. The specific organisations were chosen to illustrate the difference in how organisations approached the implementation of behaviours in the time of an industry in decline.

Multiple data sources were used for the study. A combination of internal (Executive Board reports, financial reports, information on a website) and external (articles, reports) documents, information from the International Bureau of Universal Postal Union (UPU) database and observations were used to gather sufficient information about the cases.

Data on the letter-post items industries was sourced from the UPU database available on the UPU website. UPU collects data by questionnaires sent to incumbent postal operators and regulators of all UPU member countries and territories. Ansón & Helble (2014a) state that the UPU database is unique and it delivers comprehensive information about the evolution of letter-post items industries worldwide. However, the authors add that “not all incumbent operators reply to all questions in the questionnaire” (Ansón & Helble, 2014b, p. 41). Regarding CEE countries the completeness of the available data is high. Based on the previous statement that the letter-post items industry in each country is a monopoly market structure, it is assumed that a country’s data is available at the UPU websites are organisation’s data.

The material was analysed in several steps. Firstly, the internal and external documents were analysed with a broader aim of increasing knowledge on the letter-post items industry and organisation therein. From these readings, questions regarding the behaviours of organisations in the letter-post items industry were derived for follow-up data analysis. Simultane-

ously, materials regarding the decline of the industry were retrieved and analysed with regard to information about the letter-post items industry and organisation therein. When all material was gathered and organized case by case, the whole mass of text was studied and ordered to provide an understanding of the behaviours of the designated postal operators in the letter-post items industries in selected CEE countries. Then, the theoretical framework of generic behaviours of organisations in declining industries was used to show the behaviours of the organisation therein.

### **3. Research results: behaviours of organisations in letter-post items industries in selected CEE countries**

For decades, the letter-post items industry was characterized by slow and steady growth. However, around 30 years ago the macro-environment started to change, and designated postal operators have had to transform “from a relic of the industrial era to a facilitator of exchanges of goods and messages in the era of global Internet connectivity” (Ansón & Helble, 2014a, p. 19). Critical forces affecting the letter-post items industry are as follows (Ansón & Helble, 2014a; Bogers, Sund & Villarroel, 2015; International Post Corporation (IPC), 2015; IPC, 2016; Opeyeolu & Khumbulani, 2015): the introduction of new means of communication, such as faxing, the telephone, email; digitalization; liberalization; privatization; globalization. On the one hand, they have caused a lower volume of letter-post items and higher competition (Ansón & Helble, 2014a; Bogers et al., 2015) that have negatively influenced sales revenues<sup>1</sup>. On the other hand, new opportunities have emerged, particularly the growth of e-commerce that results in the growth of revenues and volumes of parcels (Bogers et al., 2014).

Based on the UPU data it can be stated that the letter-post items industry worldwide is declining. Between 2000 and 2015 the number of letter-post items fell in the world (CAGR 2000–2015 is  $-2.03\%$ ). Also, between 2013 and 2015 the number of letter-post items dropped worldwide (CAGR 2013–2015 is  $-2.90\%$ ). In developing countries in Europe and the Commonwealth of Independent States, including CEE countries, the CAGR of a number of letter-post items between 2013 and 2015 was  $-10.44\%$ <sup>2</sup>.

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<sup>1</sup> Decrease in sales revenues is often slowed down by prices increase; monopoly market structure and a low-price elasticity of demand contribute positively to sales revenues.

<sup>2</sup> Here, the authors resigned from presenting data on sales revenues, because there is lack of accurate data in the UPU database covering all countries in the world.

Every year the International Post Corporation (IPC) publishes *Global Postal Industry Report* that includes aggregated information about the activity of 45 of IPC's members. In 2015, sales revenues from letter-post items growth was 0.0% and volume decreased by 4.8% compared to 2014 globally. In 2015 sales revenues increased in North America as well as in the Asia Pacific (respectively by 1.6% and 5.0%) and decreased in Europe and BRICS + Mexico (respectively by 2.1% and 0.5%). In all regions, the volume of letter-post items dropped between 2014 and 2015 (IPC, 2016). It confirms that the letter-post items industry is declining in the world and in Europe, including CEE countries.

The UPU database provides data on the industry's sales revenues in CEE countries between 2013 and 2015. Based on these data, it is possible to state if the letter-post items industries in CEE countries are declining or not (Table 2). Nine out of 14 industries in those countries are declining (Republic of Bulgaria, Croatia, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine) and five are non-declining industries (Belarus, Czech Republic, Estonia, Latvia, and Lithuania), thus they are excluded from the further studies<sup>3</sup>. The letter-post items industries in three countries (Republic of Bulgaria, Poland and Romania) are declining rapidly and violently and in others slowly and steadily. In the indicated countries, the designated postal operator is the main entity operating in the industry, respectively: BG Post, Hrvatska Pošta, Magyar Posta, Poczta Polska, Pošta Română, Posta Serbia, Slovenská Pošta, and Pošta Slovenije.

UPU provides information about the operating revenues and they can be broken down into the following categories: letter-post items, parcels and logistics services, postal financial services and other products. It is assumed that sales revenues from the letter-post items category constitute sales revenues from the letter-post items industry. Based on the UPU's data it is possible to evaluate the attachment to the core activity of selected designated postal operators measured by a change in the specialization ratio (Table 2). In not all cases, the letter-post items industry is the core activity. In BG Post and Pošta Română the largest portion of sales revenues comes from other products, while in Post Serbia from the postal financial services. Thus, indicated the designated postal operators are excluded from further research. The further investigation includes five following designated postal opera-

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<sup>3</sup> Additionally, the following countries are excluded from the study: Bosnia and Herzegovina, Montenegro, Macedonia, Albania, Kosovo and Ukraine, because there is lack of accurate data.

**Table 2. Identification of behaviours of designated postal operators in CEE countries**

Designated postal operator (country)	Industry decline*	Attachment to the core activity**	Organisation's approach to behaviour II***
Belpost (Belarus)	+10.19%**** (non-declining)	excluded from further analysis	
BG Post (Bulgaria)	-11.14% (declining)	core activity not in the letter-post items industry	excluded from further analysis
Hrvatska Pošta (Croatia)	-3.92% (declining)	+4.99% (strong attachment)	RT → -8.49% Ro → -3.92% (passive behaviour)
Česká pošta (Czech Republic)	+5.74% (non-declining)	excluded from further analysis	
Omniva (Estonia)	+21.10% (non-declining)	excluded from further analysis	
Magyar Posta (Hungary)	-3.70% (declining)	+5.41% (strong attachment)	RT → -8.64% Ro → -3.7% (passive behaviour)
Latvijas Pasts (Latvia)	+8.15%**** (non-declining)	excluded from further analysis	
Lietuvos paštas (Lithuania)	+7.20% (non-declining)	excluded from further analysis	
Poczta Polska (Poland)	-15.29% (declining)	-4.37% (strong attachment)	RT → -11.42% Ro → -15.29% (active behaviour)
Pošta Română (Romania)	-13.29% (declining)	core activity not in the letter-post items industry	excluded from further analysis
Posta Serbia (Serbia)	-7.02% (declining)	core activity not in the letter-post items industry	excluded from further analysis
Slovenská Pošta (Slovakia)	-8.82% (declining)	-1.50% (strong attachment)	RT → -7.43% Ro → -8.82% (active behaviour)
Pošta Slovenije (Slovenia)	-6.11% (declining)	+0.27% (strong attachment)	RT → -6.36% Ro → -6.11% (passive behaviour)

\* CAGR 2013–2015 industry's sales revenues.

\*\* CAGR 2013–2015 of the specialization ratio.

\*\*\* CAGR 2013–2015 of organisations' total sales revenues (RT) compared to CAGR 2013–2015 of organisation's sales revenues from the core activity (Ro).

\*\*\*\* CAGR 2012–2014.

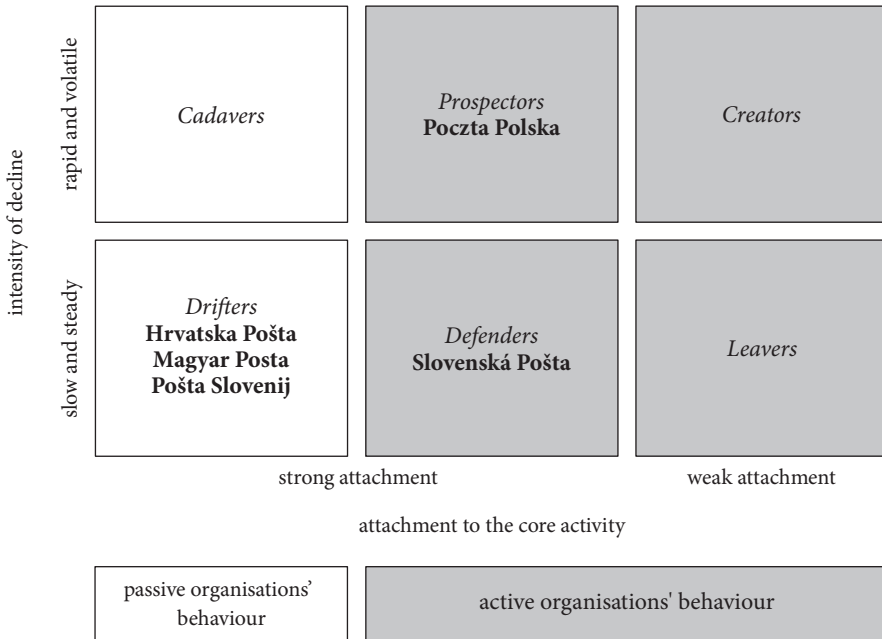
Source: Own elaboration based on UPU Postal Statistics.

tors: Hrvatska Pošta, Magyar Posta, Poczta Polska, Slovenská Pošta, Pošta Slovenije and all of them can be characterised by strong attachment to the core activity meaning that they are not willing to change their core activity.

Based on the UPU data, the approach to the behaviour of selected designated postal operators can be identified (Table 2). The authors decided to apply the second method of evaluation of the organisation's approach to behaviours, because the letter-post items industry in each country is a monopoly market structure, which means that the organisation's sales revenues are from the core activity in the industry's sales revenues.

Based on the conducted estimations it is stated that Poczta Polska and Slovenská Pošta can be characterised by active behaviour, the other designated postal operators – Hrvatska Pošta, Magyar Posta and Pošta Slovenije are described by passive behaviour. Active behaviour means that organisations take actions in response to the industry decline, so they are actively looking for new growth opportunities within the core activity or not. On the other hand, passive behaviour implies an inactive approach to the industry shrinking. Organisations are not looking for new growth opportunities and their future depends on the industry's future. Please note that in all cases total sales revenues decreased between 2013 and 2015. Thus, it can be suggested that designated postal operators do not deal well with operating in the declining industry.

The conducted investigation enables identifying the behaviours of organisations in the letter-post items industry in selected CEE countries (Figure 2). The behaviours of three designated postal operators – Hrvatska Pošta, Magyar Posta and Pošta Slovenije can be characterised as drifters. They operate in the industry with slow and steady shrinking and they are characterised by a strong attachment to the core activity and a passive approach to behaviour. They do not perceive the industry shrinking as a threat and they do not do anything to survive, because they do not look for new growth opportunities, but they exploit the core activity. Their future is gloomy. Slovenská Pošta, the designated postal operator in Slovenia, can be characterised as a defender. The letter-post items industry in Slovenia is declining slowly and steadily. The Slovenská Pošta has a strong attachment to the core activity, but it has active behaviour. Managers want to slow down the declining process by finding new customers for existing products or finding new applications for existing products. While Poczta Polska in Poland acts as a prospector. It is operating in an industry with rapid and volatile decline and it is characterised by the strong attachment to the core activity and active behaviour. Managers are looking for a lucrative niche



**Figure 2. Behaviours of designated postal operators in selected CEE countries**

Source: Own elaboration.

within the letter-post items industry, which should impede or even reverse a drop in sales revenues in the long run.

The picture of organisations' behaviour in the declining industry that emerged from the conducted study is gloomy. Three out of five designated postal operators can be characterised by the passive approach to behaviour, which means that they do anything to survive as they do not perceive the industry shrinking as a threat. Organisations that want to survive should apply active behaviour, which characterises Slovenská Pošta and Poczta Polska. They are looking for new growth opportunities, which are receipt, transportation and the delivery of letter-post items and parcels in the domestic and international service. Nevertheless, these two organisations – Poczta Polska and Slovenská Pošta – have not achieved good financial results confirming that industry effect is more important for performance than organisation-specific factors (Hawawini, Subramanian & Verdin, 2003). Thus, decreasing sales revenues from the letter-post items industry are not being sufficiently replaced by increasing revenues from new activities. New growth opportunities are still to be discovered. To survive,



managers should actively look for new growth opportunities and their success depends on how they will be able to exploit them. Thus, organisations should have active behaviour.

It is worth noting that designated postal operators operate under the universal service obligation, which means that they cannot completely divest from the letter-post items industry. They should maintain an infrastructure enabling the provision of services. However, some organisations implement a divestment strategy from the letter-post items industry (IPC, 2015; IPC, 2016), which is a limitation of the activity, not a discontinuance.

Postal operators around the world apply different responses to this industry's decline. On the tactical level organizations are launching new offers (IPC, 2015), and are introducing cost-reduction and efficiency-improvement programs (Ansón & Helble, 2014a; Brannström & Lindeborg, 2011). On a strategic level, they are implementing diversification (Ansón & Helble, 2014a; Bogers et al., 2015; IPC, 2015; IPC, 2016; Sund, 2011, 2013) and an internationalisation strategy (Dietl & Jaag, 2011; IPC, 2015) or in some cases introducing entirely new business models (Bogers et al., 2015). Most of designated postal operators are implementing a related diversification strategy diversifying into parcels, logistics and financial services (Ansón & Helble, 2014a; Sund, 2011). However, some organisations are performing better than others (Ansón & Helble, 2014a). Data from the IPC suggests that operators with a high degree of diversification achieve better performance than ones with low-diversified sales revenues (IPC 2015). However, Ansón & Helble (2014a) indicate that for some organisations new business activities do not replace sales revenues from the letter-post items industry sufficiently, which is an issue in selected designated postal operators in CEE countries. Postal operators are known to be conservative and bureaucratic which may inhibit strategic transformation (Bogers et al., 2015), particularly in CEE countries that operate in competitive markets. Organisations in the letter-post items industry have an extensive postal network, which should be monetized in the decade of e-commerce growth and the rising interconnectedness of organisations and countries.

## Conclusions

The topic of the paper is organisations' behaviours in declining industries. There is lack of theoretical as well as empirical research covering the indicated area. Only a few studies on organisations' behaviours and strategies

in declining industries can be identified, which most often focus on two strategic options: surviving or exiting.

Six types of generic behaviours of organisations in declining industries can be identified: cadavers, prospectors, creators, drifters, defenders and leavers. So many types of generic behaviours are a result of considering one external: the intensity of decline and two internal factors: the attachment to the core activity and an organizations' approach to behaviour (Sopińska & Dziurski, 2018). The authors argue that strong attachment to the core activity does not mean a lack of opportunities for growth. An important factor is organizations' approach to behaviour. Organisations with a passive approach are doomed to fail, whereas organisations with active behaviour may have a bright future.

The comprehensive framework of generic behaviours of organisations in declining industries was applied to the letter-post items industries in selected CEE countries. The conducted investigation reveals that three analysed organisations act as drifters (Hrvatska Pošta, Magyar Posta and Pošta Slovenije), one as a defender (Slovenská Pošta) and one as a prospector (Poczta Polska). Drifters are doomed to perish as the industry will do. Defenders and prospectors can survive, but they should actively look for new growth opportunities.

The discussion presented here does not cover all issues related to organisations' behaviours in declining industries and the study has its limitations, which Authors' are aware of this. Thus, the generic behaviours of organisations in declining industries should be empirically verified in different industries and organisations by using objective instruments and a longitudinal analysis. Nevertheless, it should help managers to choose the proper behaviour considering the intensity of an industry's decline, an attachment to the core activity and an organisation's approach to behaviour.

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