



Application of Management Theory in Practice II

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Cultural characteristic of small ventures

László Berényi

Day by day you meet small ventures. Think of food retailers at the corner, or when you just buy a rose for your wife – these cases are obvious. Nevertheless a small venture may work as a forwarding agent of a large venture, even an international one.

Small ventures are important for the whole economy. Small ventures have their own problems, so they need special management-tools.

I started my search, because I believe that working out the management tools of small ventures must be based on the characteristic of their organizational behavior.

Initial points

Ad 1. Being a small venture is defined by the law. In Hungary the criterion-system says the following:

- maximum 50 employees,
- maximum 700 million forints of sales revenue,
- or maximum 500 million forints of total amount of the balance sheet

for being a small venture.

The most important index of them is the 50 employees. The reason for it is the following:

From cultural point of view a business with e.g. 100.000 € of revenue may be alike to another one with 1 million €. Managing e.g. 20 workers is no more alike to managing 200. But managing 50 or 51 – there is no difference. We need another point of view:

Defining a small venture there is a qualitative argumentum, as well. We call a business a small venture, if its owning, leading and managing is in one hand. This means that we can find one major person (even if there are many owners) who determines the whole life of the business.

Ad 2. Why should we pay a special attention for small ventures? The short answer is: because they are important for the economy. There are 3 reasons for representing their importance:

a.) The number of small ventures: there are about 300 000 businesses and only 0.5% of them work with more than 250 employees. Individual entrepreneurs mean the widest part of these businesses, but under 50 persons the rate is about 30% of all businesses. And we can talk about affinitive number in the EU, as well.

b.) An EU-statistic: 66% of the labour-force is employed by small ventures...

c.) The benefits of the economies of scale are well known. But there are products and services (special ones for special consumers, or e.g. outsourced functions) which may be made advantageously by small ventures.

Ad 3. I had a theoretical initial point of my research, as well. When I studied the cultural theory of Handy, I found a critical point of it. Handy says about small ventures that their organizational culture can be alike to an arachnoid. There is one person (the manager), who knows everything about the daily and strategically happenings and has enough power to make changes. This type is called power (or influence). As you can see, this type fits a small venture. However, the theory has another important point: having such a culture is only a station of the organizational growth. But is it true? Just imagine that all of the food-retailers at the corner want to become - in a few years – a large, multinational firm like...

Ad 4. If

- being a small venture is not only a station of growth,
- but they are important for an economy,
- and they are in a great number

may we declare that they are similar to each other?

I hypothesized that rejecting the point of growing we can define new categories of the small venture's organizational culture.

Circumstances of the research

I made a focused research in the year of 2002. The basis-area was a county of Hungary.

My target was to show the cultural dissimilarity of small ventures. I worked out the cultural model with 20 firms. (All their indexes were under the limit of being a small venture.)

The reason for doing a focused research was that if you are working on a new methodic, it may need refining in the future. Working out a long-run and well-based methodic will be easier (and of course less expensive) if you start a focused research at first.

The methodic

The main element of the used methodic is a questionnaire (with 150 questions), and to make finer its analysis:

- interviews with both managers and workers;
- and firm-visits.

The wording of the questions in the questionnaire are not originally new. I have surveyed a Hungarian cultural research (an OTKA-research of the University of Miskolc) and an international one (GLOBE-research). But the aspect of the analysis is new, it is not built on an existed methodic. I have worked out new factors directly made for small ventures.

Most of the questions contain propositions. The respondent has to mark the value from 1 to 7 how the proposition shows the character of his firm.

Their mathematical part of the analysis was accomplished by MS-Excel. I calculated indexes: the averages, the minimum and maximum values, modus (most of the firms is like...) and median (half of the firms marked the value of the proposition below this one and half of them above). Calculating the range of dispersion is important – we can check this way if the answers concentrate at the number 1 (or 7).

Structure of the questionnaire

The questionnaire is divided into 3 main parts:

1. General picture of the firm;
2. Personality of the leader;
3. Organizational characteristic.

Part 1. The methodic is first of all trying to get to a general picture of the firm. Its target is to collect information which can be used for sorting and category-building, as well. It contains:

- questions with YES or NO answers;
- marking one category fits the firms;
- and opened questions.

The focus-points of the study of the overall view:

- Identifying the size and the working area of the firms;
- Ownership structure
- Collecting information about present strategy (whether it is written or in-head, what it is like etc.);
- Communication habits in the firm and with outside-partners;
- Wages and salaries, other compensations (premium, bonus) and differences in compensation-system;
- Habits of training and retraining;
- The use of special managing-devices (e.g. BSC, team-structures);
- Collecting information about future conceptions.

Part 2. The personality of the leader is a central problem of the small ventures. It is obvious, because of the central position of the person (he or she is the only one, who has deterministic affect on happenings). E.g. a leader, who has egoistic personality will not be able to work together in group with workers.

In the research I focused on two questions:

- How can the leader communicate with other people?
- What is his/her approach to changes?

Leaders had to sign the characteristic value of the predicates.

(I would like to note, that at this point the methodic was fined: I have assorted a questionnaire based on a psychological personality test (in it 12 factors in connection with characterizing the leader)).

The result was amazing at the first sight: Most of the tested leaders:

- can communicate very well with other people,

- do not isolate themselves from changes (however, they are not totally open-minded toward them).

One can say this is unreal and the answers were concentrated at the positive point. But the result of statistical analysis proved there was no concentration (the dispersion of the answers is acceptably high). I think and hope that this result is worth a further research what is: The connection between the personality of the leader and the success of a small venture.

Part 3. The longest part of the questionnaire studies the cultural characteristic of the organization. It uses questions from existing methodic, but the factors and the way of analysis is original.

I worked out 6 special factors which can help representing the characteristics of small ventures. They are the following:

1.) Loyalty

The factor of loyalty means not only the loyalty between the firm and the employees, but also between the leader and the employees and even - it may be at the first sight surprising - between the leader and firm, as well. This last relationship becomes interesting, if we are talking about an “old” firm.

2.) Innovative capacity

This factor is methodically similar to loyalty. It studies the innovational possibilities of the firm (as an entity), of the leader (who has deterministic affect on everything around the firm) and the employees (who may have new ideas).

3.) Orientation to throughput

The factor studies the importance of the throughput and observing the working processes. That means of course the importance of other circumstances (like quality of working atmosphere, individual innovation-movements).

4.) Orientation to future

This factor studies the planning-habits of the firm. The results show the characteristic of the strategic thinking and the consideration of the employees' conceptions on future.

5.) Working atmosphere

This factor analyzes the attitudes and behavior of the employees. The questions ask for the characteristics of the daily work and the quality of personal relationship during the work. The results show the characteristics of the relationship between the leader and the employees, as well.

6.) Way of task-defining and control

This factor studies the leader again. It scans the function of the leader during defining tasks and checking the throughput: if he uses his power or allows a wide give for them. (It does not measure the orientation to it, just the way of participation!)

The factor is in connection with innovation: if the participation of the leader is at a low level, the innovation-capacity of the employees may be higher. There is another connection, as well: lower participation (assistance) of the leader may cause a more friendly atmosphere.

Results of the research

Results of the factor-analyses: 5 new categories, 5 cultural types for small ventures. I labeled them based on a behavior-analogy: animals gave them their names. The types are: bee, goose, bear, panther and elephant.

In a BEE-firm the products and services, the production processes and technology are all well known. Their innovational capacity is low, but they do not need basic changes for being able to prosper in the future. The first man of the firm is not a real leader, he/she works as a manager. (As we know: a manager does things well, and a leader does good things). Such firms I found mainly in the industrial area.

In a GOOSE-firm the leadership is weak. The working atmosphere is not friendly but aggressive. Everybody is trying to “fry his own barbecue”. As a result the organization is sometimes only a juristic frame of their work. Such firms I founded in the commercial sector.

A BEAR-firm is an organization with friendly atmosphere. The first man is a real leader. Leadership and control are strong but anyway rude. The leader helps the employees to work better. Such firms are mostly from the service-area.

An interesting and amazing result of the research was that I have found 2 more cultural types in connection with the age of the firms. PANTHER-firms are young, dynamic organizations. Leaders and employees are both opened for changes. They are on finding the way being (more) successful in the future. They have a strategic thinking (but this does not mean a written planning anyway!).

ELEPHANT-firms are old ones. There is no more loyalty, even between the leader and the firm. The leader (who is the owner at the same time) is no more interested in the business actions, but he continues the work. Maybe the leaving-barriers are too high.

(Note: it is important to make the methodic more fine to clear the reasons why a firm behaves as bee/goose/bear or panther/elephant)

[Chart 1] sums the main characteristic points of the types.

Summary of the results

I believe my results show that small ventures are not alike to each other. There are dissimilarities between their cultural patterns. One can ask why it is so important to know their characteristics? Please, do allow me to reply the initial points: there are a great number of small ventures in an economy; most of employees work for them; this means they are elemental parts of an economy.

If we know their cultural characteristic, we can help them to be able to work more successful. An obvious critical point of the support is the strategic thinking and behavior. Knowing their

nature of being – the work they do, products and services, personality of leader, relationship between the element of the human resources etc. - we can also find the acceptable management tools for them.

The theme has a special actuality in Hungary and in Eastern-Europe: The connection to the EU. EU means not only new possibilities, but also new challenges. If we want to win on the connection, we have to try to make the economy more competitive. That means supporting the small ventures, as well.

Continue of the research

Studying small ventures is important and beneficial. I hope the advantages and possibilities are recognized and there will be demand on seeking their characteristics.

A broader – even an international - research needs some support. Support from universities, from the government (by money, but also by information and consultations about the economic policy), and there is need for help from the firms, as well. They should fill out the questionnaire, and by ordering counseling-services they can support by money the continuing of the research.

Searching the support is the first thing to do. The next is the rebuilding the questionnaire. That means three main tasks:

- To make it more fine (because there were questions which leaders did not understand perfectly; or other additional elements etc.);
- To make it able to work with thousands of small ventures (ability to analyze fully by computer)
- To translate it in English (and other languages) for establishing an international research.

I hope that in a few years we will be able to give a complex picture about the small ventures' culture in whole Europe.

Chart 1 - Cultural characteristic of small ventures

	Type:	BEE	GOOSE	BEAR	PANTHER	ELEPHANT
	Accepted styles of leadership	From autocracy to participation	Consultative and participation	From autocracy to participation	From autocracy to participation	Consultative and participation
	Information for the leader	In a wide range	Partly hidden	Concentrated at the leader	In a wide range	Hidden
The leader's characteristic	Fortitude	High	Low	High	High	Middle
	Ability for coaching	Good	Weak	Middle	Middle	Middle
	Open-minded personality	Middle	Middle	High	Very high	Weak
	Optimism	High	Middle	Middle	High	Middle
	Affect of parents in behaviour	Strong	Weak	Middle	Middle	Mixed, some parts strong, some weak
Organizational culture	Loyalty	High	Low	Very high	High	Weak
	Innovational capacity	Weak-Middle	Middle	Weak	Middle	Middle, but the highest one
	Orientation on throughput	High	Low	Concentration on competition	High	Low
	Orientation on future	High	Middle	Middle	High	Low
	Working atmosphere	“Workaholic” but not bad	Aggressive	Very good	Friendly	Middle-friendly
	Way of task-defining and control	Middle	Weak	Strong	Strong	Weak