A SATISFIED CUSTOMER AS THE HIGHEST GOAL FOR BUSINESS AND THE MIGHTIEST TOOL OF COMPETITIVENESS

THE INSPIRATION IN TOMÁŠ BATA MANAGEMENT SYSTEM BETWEEN 1894 AND 1945 FOR CURRENT BUSINESS ENVIRONMENT

[A spokojený zákazník jako nejvyšší cíl podnikání a nejmocnější nástroj konkurenceschopnosti]

[Inspirace v managementu Tomáše Bati v letech 1894-1945 pro současné podnikatelské prostředí]

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Abstract: The main task of many businessmen is to generate profit. The purpose of business cannot be primarily a profit and if so it must be increase of the market value of the company. How to choose a business strategy which would generate a sustainable profit? The answer to this question a well-known businessman Tomas Bata the founder knew, the person who had created a very sophisticated system of management which had not generated sustainable profit only but socially responsible business too. The object of this research is to describe Bata management system and socially responsible behavior of Tomas Bata Company before 1945 through properly chosen research methods. Based on our findings, there is set a possible application of the results to the current business environment.

Keywords: Bata Management System, CSR, CSR of Bata Company before 1945, customer care, service, Tomas Bata the founder.

JEL classification: M3, M5, N34

Introduction
The main objective of the research is to analyze Corporate Social Responsibility (CSR) and Creating Shared Value (CSV) systems in Bata Company before 1945. Based on the findings, it is intended to create a model for application the CSR and CSV into the current business environment. The research is divided into several partial studies. One of them focuses on the application of customer care in Bata Management System.

Whenever in the article it is described the philosophy of Bata Company and its business strategy, it is always meant the period from 1894 to 1945. The period is chosen intentionally, the year 1894 is the year of founding AXT Bata Company, from which Bata Company had developed and had been developing until 1945 when it was nationalized (among the first companies in the country). At the turn on 20th and 30rd of the 20th century, Tomas Bata the founder was able to build a world significant company which survived World Wars, the financial and economic crisis, and the change into the communist political regime too. Much more important fact is that Tomas Bata the founder and his co-workers were able to create a perfectly sophisticated management system whose precision overcomes contemporary
management systems and inspires not only domestic entrepreneurs but world’s major companies too. Although it is such a significant historic heritage there has not been carried out any research, study and publication which would describe the whole Bata Management System in global yet. There are no primary and secondary historical documents and literature which describe Bata Management System integrally. These documents are the subject of a historical analysis. Based on these findings the Bata Management System before 1945 is described. An undeniably fact is that the Bata Management System had been able to transform a small family business into a world-class enterprise. This research aims to demonstrate the application of the system in the current business environment. Another goal of the research is to apply acquired knowledge to practice. The acquired knowledge is applied to existing management systems of properly chosen companies in the Zlin region. We assume that Bata Management System is universal and applicable to any company no matter in which business sector. The group of selected companies consists of following sectors: Manufacture, Finance, Services, and Non-profitable. The Bata Management System can be applied to a nonprofit sector too, as its main object is not profit but a satisfied customer.

The Aim of this paper is to describe a responsible attitude towards customers as a part of CSR in the Tomas Bata Company before 1945 and to inspire business environment to improve approach to its customers as a tool of competitiveness in today’s business environment.

A partial objective of the research is to describe the status of customer inside the Bata Management System and the possibility of inspiration for today’s business environment. What was the centerpiece of the Bata Management System? Was it profit or satisfied employee or satisfied customer?

At this stage we cannot answer with certainty, and if so, our answer would be irresponsible. The whole Bata Management System was (in essence) very simple and primitive but composed of many mutually and closely linked networks which could create one of the most amazing management system. The secret of CSR in the Bata Company before 1945, the Bata Management System and the personal example of Tomas Bata the founder is very simple and it is well known to each of us, regardless of our social, work and family status. The secret is: “Make everything as best as you can and how you would like other people to do things for you.” This sentence is the essence of the Bata Management System and CSR in the Bata Company.

This finding is very disappointing for many of those who expect complicated arrangements, extra high costs and variable obstacles on the path to success. To application of the Bata Management System is not necessary material and financial base, as it takes much more: “Personal capital inside every human being, desire to do things better and to serve the others.” The crucial question is: “Who of us is prepared to give this from yourself?” Going deeper, many of those who say it is difficult to implement the Bata Management System into practice are right. On the threshold of decision there are no excusable reasons such as lack of money, options and opportunities, legal and political barriers, ignorance etc. There are obstacles such as human ego which is rarely willing to make more for the others than for itself.

Customers should feel as being among their friends and they always received the perfect services. Satisfied customer is returning customer and returning customer means future profit.

This article is a presentation of current results within the research carried out within the project IGA TBU No. IGA/FaME/2013/028 Analysis of the business philosophy of Bata
before 1945 and its application in the current business environment through Corporate social responsibility and outsourcing.

1 Theoretical solutions
Considering the fact that the objective of the main research is CSR and CSV systems in Bata Company, theoretical background is based on customers in CSR system. CSR or socially responsible business is not just a modern direction. Recent business environment has transformed CSR into a necessity which brings into business more than just a product or service offered. Public sector perceives CSR as something unique and new but is the term completely new or the system has been there for ages and we just have not called it CSR?

Hopkins (2006) states that CSR can be understood as the concept of the company’s ethics behavior related to its stakeholders. The task of CSR is to create higher and higher life standards while keeping the profitability of the company for its stakeholders, both inside and outside of the company.

Sri Urip (2010) perceives the main problem of CSR implementation in the business environment in particular that: “In general, people in business have yet to see the benefits of corporate social responsibility (CSR), and therefore have had no incentive to include the philosophy in their strategic framework or in their operational processes. Most still consider CSR activities as a sort of discretionary favor granted to the community by the business, and the such largesse in only appropriate after the company is well established, growing, and profitable.”

The definition of Mullerat (2010) says that CSR can be understood as the framework for managers to secure long term profitability of their company. It focuses on the methods of profit generating and its redistribution out of the company itself. This redistribution is the way how companies are related to their broader surroundings and how is the impact of their activities on surrounding community and environment.

Pohl and Tolhurst (2010) describe the position of manager within CSR activities as: “A CSR manager’s responsibility has to do with how companies engage in societal issue on a voluntary basis, usually in collaboration with stakeholders, with an emphasis on public relations.”

Petzhold (2010) finds the basic thought of the concept in „believing “that modern companies should have their duties within the environment, not just to shareholders. In essence, the concept provides long term wealth to the company. CSR considers all stakeholders: Customers, employees, communities, government and environment too.

Caleb Wall (2008) says that: “CSR is not philanthropy; instead it is about companies ensuring that their core operations contribute to social development and environmental protection as well as expanding the business and growing profits.”

Elaine Cohen (2010) combines the area of Corporate Social Responsibility (CSR) and Human Resources and deals with the Social Corporate Human Resource (CSHR). Within our research CSR is understood as an added value to the current business environment. Companies in this environment do not care just about quality of their products and services but do care about
their approach to manufacture, attitude to their employees, public relations and perceptions and what companies do for the environment themselves.

2 Research methodology
The methodology is divided into two parts: quantitative and qualitative. Methods of the qualitative research were used to process the historical data of Bata Management System and to carry out interviews with managers and owners of selected companies. The pilot research intended to prove an applicability of selected methods of Bata Management System in the current business environment. A specific feature of the historical research is that this research may not be initiated by hypothesis, but research questions. At the beginning of the partial research we set three research questions to be answered:

1. Which tools did Bata Company use before 1945 to care their customers?
2. Is it possible to apply the findings into the current business environment?
3. Are managers and owners interested to apply the findings into their business strategy and philosophy?

Within the research in selected companies, it was used quantitative methods to analyze questionnaires. The goal was to answer the question whether managers and owners might be open to apply our findings of Bata Management System in their companies and whether the application might result in measurable improvement of customers care in the companies.

The research of historical legacy of Tomas Bata the founder and the Bata Company is carried out through four main research methods that describe the historical context from several perspectives. They are:

- The method of content analysis of historical data
- The method of oral history
- The method of biographic research
- The method of phenomenological research

Given that each method is different and uses other data it is impossible to say which method is more useful for the research. An association between the methods is very narrow and they often overlap each other as they describe the same reality, but always from a different perspective.

The method of content analysis of historical data is the systematic collection of historical documents related to Bata Company before 1945. Most of these documents are stored in the Moravian Provincial Archive in Brno with the detached unit in Zlin. There are documents testifying to everyday operation of the company such as minutes of meetings, internal regulations, circulars, contemporary documentation (bills, invoices, personal leaves of employees etc), daily correspondence (including letters from Tomas G. Masaryk). Other documents related to the operation of public administration in Zlin (Tomas Bata the founder was part of that) are stored in the city archives in Klečůvka. The research also benefits from the personal archive of Tomas Bata Foundation and the Archives Alumni Club of Bata School of work. The club has actively worked until nowadays and gathers Bata School of work graduates from around the world. Many historical documents related to the company are being ensured by auctions and exchanges. (Hendl, 2005)

After gathering the necessary historical documents we move to the application of the method of content analysis of historical data. Due to the nature of the subject of research there is used
the phenomenological method of research. It can be used if the subject of the research was (in its time and in present time) considered as a phenomenon. The definition of the phenomenon is quite demanding and it is governed by several rules, which includes the frequency of mentions of the phenomenon in the media and in the public life. The examined phenomenon must be regarded as the phenomenon by participants and there must be enough references, publications and literature too. There is no doubt that Tomas Bata the founder, CSR in the Bata Company and the Bata Company itself were and still are considered as the phenomenon. (Hendl, 2005)

Why the analysis of historical data:

- To find desired answers,
- To find consequences between historical facts,
- To find consequences between the past and the present
- To gather new information about certain persons, certain situations and fact, to record and evaluate,
- To determine new theories how to explain gathered information (Hendl, 2006)

The method of biographic research explores personal belongings of the witnesses. The method is very closely related to the method of oral history. The method of oral history describes the research problem through oral testimony of participants (witnesses). Biographic research focuses on the analysis of their personal documents related to the research problem. These include personal notes, photographs, and any period artifacts. The method of oral history and biographic research is ideally complemented. Through oral history method we obtain personal testimony of witnesses and through biographic research methods we will add an authentic research material related to a particular witness. (Hendl, 2005)

The method of oral history helps us to describe operation of the Bata Company before 1945 through stories by those who had a unique opportunity to be a part of the Bata Management System in its original form. (Vaněk, 2007)

Overview of used methods (Table. 1):

Table 1: A comprehensive description of the research methods.

<table>
<thead>
<tr>
<th>Methods</th>
<th>The method of content analysis of historical data</th>
<th>The method of oral history</th>
<th>The method of biographic research</th>
<th>The method of phenomenological research</th>
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<td>Internal documents of Bata Company before 1945,</td>
<td>Personal testimonies of witnesses.</td>
<td>Personal documents of witnesses,</td>
<td>Contemporary international press,</td>
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<td>Photographs,</td>
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<td>Contemporary domestic press,</td>
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<td>Printings.</td>
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<td>Publications (Current and contemporary too).</td>
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Source: authors

When processing the data from qualitative research it is used certain methods of descriptive statistics to interpret the data. In particular, it was chosen mode, median and arithmetic
average. These methods are applied to determine how many contemporary articles between years 1932 and 1942 were dedicated to inform about CRM or HRM of Bata Company. The questionnaire survey in the current companies was mainly based on scaling questions. The evaluation was carried out using the methods mentioned above.

The outcome of our research is a summary of socially responsible behavior of the Bata Company towards its customers. The research uncovered that the business (sales) success of the Bata Company before 1945 stemmed from perfect knowledge of sold goods, customers, their current and future needs, psychology, sales, shops, and professionally educated and trained staff. Professional education of staff did not consist of product knowledge only, but sale psychology and kind behavior too. These attributes had been fulfilled by trained personnel from the Bata School of Work, the School of Vendors and professional courses, sophisticated system of stores organization, customer records and providing above standard services to each customer.

School for Salesmen
A great advantage of the Bata Company was well trained staff that cared of customer’s services and most of them were graduates of the Bata School of Work or the School of Salesmen. If the employee had not completed one of these schools he/she had to participate in special courses which guaranteed his/her professional competence.

Competences were not focused on the knowledge of goods and products sold, but perfect knowledge of sales psychology too. Sales psychology is an integral part of sales management in the Bata Management System and CSR of the Bata Company. Salesmen were perceived as professionally trained people who had decided to convey an important service to others (customers) and care of the comfort and health of their feet through sale of shoes. A historical definition in publications: „The salesman is a man who decided to pursue one of the most beautiful professions with love – serve to rich people as well as to the poor. He is the man who – from the fact that people need to be shoed, they need regular foot care and shoe repair – created his existence permission.

(Zpravodaj zaměstnanců prodejního oddělení firmy Baťa, Umění prodávat, 1932)

Any good salesman must exhibit the following qualities and skills.

- Be able to provide confidence to customers
- Be helpful at all times
- Loyalty to the Bata Company
- Be able to manage
- Be proactive
- Demonstrate expertise
- Be able to care of his/her appearance.

In all Bata stores regardless of the country, vendors had to follow the contemporary “10 Commandments of Salesman” which can be translated as:

1. Keep in mind „service“.
2. Adopt all the expertise.
3. Talk less, try more.
4. Remember names and faces of your customers.
5. Speak customer’s language (peasant, professor etc.)
7. Add a smile to goods.
8. Never eat and chat in the presence of your customer.
9. Do not gossip the competition
10. Keep your goal in your mind. (*Příručka pro prodavače Baťa, 1932*)

The salesmen used expertise, strong moral and loyal base together with contemporary “Tools of Salesman” which would ensure that the customer will be served on time. Great emphasis was given to the fact that salesman should be able to be fluent in at least one foreign language. Professional education and training of salesmen was a base for excellent customer care in the Bata Company.

Perfectly tailored stores
Bata stores were notorious for its systematic approach and identity. Shoes were always arranged in the same way around the world. This system was facilitating the work of inspectors, heads of departments who were able to orient in the store in any city or any state. The Storage system was managed by specific rules to be the most effective. Great emphasis had been minded to keep order in stores. It was highly unacceptable for any shops in any way being disheveled and chaotic. Goods might be issued in sample racks only, chair for customers had to be placed with sufficient surrounding space, so a customer could not feel uncomfortable. Each store had to be stocked by the entire collection to ensure that customer could buy shoes immediately. If the goods were sold during the day, salesman delivered the goods at the door of customer in the evening. Upcoming day, the goods had to be stocked up again. Each store was equipped with the current collection leaflets. Stores were always served by a sufficient number of staff, both men and women, so the customer was always served in time and could possibly choose whether he or she is served by a man or a woman.

Typology of customers
The Bata Company gradually built its own employees typology divided into two lines: psychological and physiological. The psychological line divided customers according to their profession, social status and character traits.

According to the character: Excitable; indecisive; talkative; customer followed by his/her friends.

According to the social status
- Man: Country man, urban man (clerk, worker, student)
- Woman: Urban lady, employed urban lady, rural woman
- Children: by their age

(*Průkopník úspěšného podnikání, Obchod je otázkou dorozumění obchodníka se zákazníkem, 1938).*

Furthermore, customers could be broken down according to these feet parameters: size, width, length, height and differences which affect comfort related to wearing shoes. For each type of customer there was an accurate description of services offered and related accessories (shoes, laces, shoe polish, adjustable shoe tree, etc.) Vision of the company was based on the fact that there are over 600 different types of feet belonging to different types of people and it is necessary to serve each customer by top quality services. All customers’ information had been recorded in the register of customers which was part of every shop.
Other customer services
The aim of sales psychology in the Bata Company was not only to meet all customers’ requirements through the sale of shoes, but providing additional services too. These services were related to footwear.

These services were following:
- Professional consulting on foot care, footwear, proper wearing, choosing proper type of footwear, foot hygiene, etc.
- Accessories offer, such as socks, stockings, shoe polish, laces, etc.
- Foot care – foot massage, pedicure.
- Shoe cleaning services.
- Home delivery (on phone call).
- The Bata Company shoe repair.
- Sophisticated marketing and advertising.
- Personal approach of salesmen.
- Good manners of salesmen – customer always at first place.
- Perception of the word “service” – social responsibility of the Bata Company towards its employees.

(Průkopník úspěšného podnikání, Specializaci k lepší službě a větším ziskům, 1938)

The word „service“ in the Bata Management System and CSR of the Bata Company had special meaning (Figure 3). Its meaning was not perceived as anything inferior but rather as the greatest virtues of each human being. The service was perceived as the highest purpose of human existence and it was based on Bata’s belief that the highest virtue of man is to be useful for someone else. High sales were the result of proper execution of services through both, professional expertise (needed for sale) and selfless and sincere relationships.

(Průkopník úspěšného podnikání: Jak zvýšíte svůj obrat v roce 1983?, 1938)

Figure 1: Contemporary picture is talking about the diversity of Bata customers and company’s readiness to serve everyone. The text is saying: „There are 6000 different feet to be shoed. We serve every customer! Realize that!“

Source: Příručka pro prodavače Baťa, 1932
Customer file
An evidence of responsible behavior of Bata Company towards its customers was the Customer file for each and individual customer. The purpose of the file was to improve services by saving time to both, buyers and sellers. There was a file in each store keeping local customers associated by their name and gender. The personal file of each customer consisted of the shoe size, related services offered, and types of bought shoes. This file also contained references to personal cards of other family members. That was particularly useful for wives of busy men who did not have any time to buy new shoes or did not like shopping. During the research it has been shown that keeping customers records file saved approximately 15 minutes of time in serving any customer (serving customer w/o the file took 18 minutes, serving with the file took 3 minutes). If the customer visited a different store, the one which kept the file handed information by telephone. This responsible approach to customers enforced the feelings that the Bata Company really cared of them. (Průkopník úspěšného podnikání: Znáte své zákazníky podle jmen?, 1938)

Based on the results of the pilot survey there will be conducted research that will combine qualitative and quantitative research methods. During the pilot survey we asked 50 selected companies in the Zlin region what they do to improve customer services and what their added value is. The sample was chosen intentionally. There were companies that sell products to their customers through personal sales in stores. We assumed that companies in the Zlin region would react positively to our research as the success of Tomas Bata the founder of the Bata Company is well known around.

Our survey was focused on selling persons. The goal was to find out how are they skilled and educated in sales, whether they are familiar with sales psychology, which “sales tools” they use and what do they consider as an art of sales. The pilot survey was conducted through a
questionnaire which contained 15 questions (combination of open and closed) followed by personnel interviews. The pilot survey brought interesting conclusions which instigated us to carry out extensive research. Its aim is to improve customers’ services by reference of CSR in the Bata Company and the Bata Management System.

In our pilot study we focused on professional training of salesmen. The results showed that only 8% of respondents are able to prove by professional training to sell products they offer. Nearly 50% of respondents are not able to prove professional training in their field (sales) and do not improve their skills themselves. An interesting finding was the fact that people who are trained (educated), whether professionally or through self-education in the field, run the business too. We can conclude that people who own the business (store) are more interested in increasing their qualification in sales. They look for new ways to improve their business and therefore the results of our research could be useful for them.

**Figure 3:** Professional training and education in sales

The research also revealed that the target of sales is individual for each business. The question what is perceived as important, whether profit or satisfied customer, answered 88% of respondents that both. On the other side, when asking about their preferences, the answer of 78% of respondents was that profit comes before satisfied customer. This result is very important for us as a basis for explaining to the current business environment meaning of the word “service”.

*Source: authors*
The results of our pilot research were used as the basis to carry out a broad research aimed to improve current CSR through the inspiration of Bata Management System and the Bata Company before 1945.

The results consist of answers asked before the research itself. As will be seen in the conclusion, we were able to describe the methods of Bata Company – how they care about their customers – educated staff, logical layout of the stores, customer file, services provided and knowledge of sales psychology.

To answer the question whether our findings are applicable into the current business environment, there are still few questions after the pilot research. Application of the findings is possible, but the question here is added value for managers and owners. The precise results will be discovered after a performance measure in those companies.

So, are managers and owners willing to apply the findings into their business strategy and philosophy? Based on the pilot research, our answer is positive. The current business environment is inclined to apply Bata Management System. The remaining question is whether the companies would be willing to apply any elements of Bata Management System if the application would mean unpleasant action (towards employees etc.)

**Conclusion – ideas for improvements**

Finally, we can conclude that the analysis of historical documents brought some interesting information about CSR in the Bata Company and its application towards its customers. This responsible behavior is the result of many factors on which Bata CSR was based on:

- Product knowledge
- Expertise
- Sales psychology
- Knowledge of customers
- Sophisticated stores
- Customer records
Detailed analysis of CSR in the Bata Company before 1945 may be the great inspiration for current business environment. Based on the response to our research that we gained during the pilot survey we are sure that “market” is interested in further results.

Our research supports implementation of CSR into current business environment and spreads the history and culture of Tomas Bata the founder, the Bata Management System and business philosophy. Recommendations that come from our research for current business environment are: “Perceive the business as a service”. Through the service a man and his work (or business) becomes useful. Being useful and needful is one of the highest man’s needs which can be fulfilled through offering high quality services. The question that remains is how current business environment is moral. This question is related to Tomas Bata (1932) opinion about any financial crisis: “There are not any financial crises, but moral crisis which allowed financial failure of society.”

The primary goal of our research which is focused on mapping of Bata CSR is to prove that this responsible system can be applied to current business environment and prevent further moral fall. After the implementation of our findings to practice our goal is transforming it into the proof that CSR based on the Bata Management System generates profit.

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