

What Do Companies in the Processing Industry Do in Order to Achieve Success?

Peter BÓNA* and Robert LIPPERT

University of Pannonia, Hungary

Borders of countries and continents have become more and more blurred by now, while distances have turned out to be less important. Markets of continents or countries are not separated anymore therefore competition between companies has gotten fiercer and much faster than earlier. What kind of instruments may companies in the processing industry use to maintain their existence and to remain competitive in the fragile system following the economic crisis in 2008? This research aims at finding out how the effects of components belonging to the concept of strategic management system influence outstanding achievement and success. It primarily analyses, in what ways instruments considered being the most determinative, i.e. strategic a structural success factors affect the processing industry. In order to do that the research defines the factors having an influence. Thereafter it explains successful operation of companies with factors emerging via the use of regression models. It uses the balance scorecard as a tool for success criteria describing success. The research tackles the issue of sustainability with a high priority in this system as a success component: the fifth perspective among the other four classic ones. Thus the results of the research will show how strategic and structural success factors can make a company successful and the satisfaction of which groups of interest they affect the most.

Keywords: success, balanced scorecard, success factors, strategy, structure

JEL Classification: M10, M12, M14

1. Introduction

Instruments necessary for effective operation depend remarkably on the current age and the environment surrounding the organisation. Various ages have had their different keys to success. This key has become more and more complex and complicated due to the continuous acceleration of world economy and

* Corresponding Author:
Peter Bóna, University of Pannonia, Veszprem, Hungary

Article History:
Received 31 March 2015 | Accepted 15 April 2015 | Available Online 19 April 2015

Cite Reference:
Bóna, P. and Lippert, R., 2015. What Do Companies in the Processing Industry Do in Order to Achieve Success? *Expert Journal of Business and Management*, 3(1), pp.53-61

the fact that distances have become negligible. While geographical barriers were more significant earlier, the time factor was not as determinative as it is today. Nowadays globalisation has become almost unstoppable.

Following the economic crisis of the past years it has been playing a more significant role how to remain existent and how opportunities can be better exploited in the current fragile system. The race between organisations is in fact on for competitiveness and to preserve it. Consequently the primary task of companies is to be competitive. Their success depends principally on that.

The instruments applied in the current situation differ from those used earlier, since companies have to maintain their position and achieve success in a different type of economic and social environment that has changed compared to the period preceding the crisis. The research provides an opportunity to bring the deliberate use of instruments in order to achieve success into focus, depending on the current environmental conditions.

2. Literature Review

The book of T. J. Peters and R. H. Waterman published in 1982 represents the first significant step in the analysis of reasons leading to the success of a company (Peters and Waterman, 1982). Their work was followed by research projects such as the study of Kotter and Heskett in 1992, in which they analysed how organisational culture affects the success of a company (Kotter and Heskett, 1992). Collins and Porras tried to find the answer to the question what permanently successful companies do (Collins and Porras, 2000), whereas Eisenhardt and Brown identified time pacing as a main instrument (Eisenhardt and Brown, 1998). Following them Foster and Kaplan brought the importance of transformation into focus (Foster and Kaplan, 2001) and Collin analysed what turns a good company into an excellent one (Collins, 2001). During the Evergreen Project Joyce and his colleagues explored what organisations assessed by them as successful do (Joyce et al., 2003). It is worth mentioning Spitzer from this period, according to whom the main issue is measurement so as to achieve the most productive operation. In his opinion a company may never be better than its own measurement system. He considers the appropriate measurement system to be the basis of the whole operation (Spitzer, 2007).

One of the most important periods in the course of identifying success factors was the end of the first decade of the 2000s following the economic crisis. Research projects conducted on the exploration of successful operation at that time are of key importance, because the latest results can provide the most information. The study of Beer in 2009 is one of these, which associates excellent performance with outstanding commitment (Beer, 2009). The analysis of Szabó and Csepregi draws attention to creativity and entrepreneurial attitude (Szabó and Csepregi, 2009). Breene and Nunes realised that companies able to renew again and again pay close attention to market relevance, distinctiveness and talent care. These aspects mature faster than financial performance (Breene and Nunes, 2011). Rumelt, however, puts the emphasis exclusively on strategy concentrating on what makes a strategy good and what does not. Effective strategy often occurs unexpected, but by filtering general mistakes and by monitoring activities related to successful companies the chances for it significantly increase (Rumelt, 2011).

3. Research Premises

3.1. Research Objectives

This research aims at finding out what kind of effects components of the concept of strategic management system have on success and to what extent they influence it. How do companies operating in the processing industry in Hungary validate their strategy and reach their long-term goals? The objective of the research is to develop a model, which shows in what ways success factors affect performance.

Questions denoting the focus of the research are, as follows:

- Based on which criteria of success may the success of a company be defined?
- Which success factors determine the outstanding achievement, success of a company?
- What kind of correlations may be pointed out between the particular success factors and success criteria, as well as their respective groups?

3.2. Variables of the Research

The research is looking for answers to the emerging questions within the scope of strategic management. Instruments used in the operation of a company can be basically classified in the three cornerstones of strategic management (Barakonyi, 2000). Beside them, leadership instruments play an important role; how those entitled to lead coordinate, motivate and develop participants to bring out the best

performance from themselves. This research raises the issue, what kind of success factors can be found within the defined groups and in what ways these instruments affect the performance, success of a company. Hence success factors will be the independent variables of the research, whereas success will be the dependent variable. The results of research projects on success concluded in the past years will formulate the basis for identifying success factor variables. In case of success criteria it is the balanced scorecard, which offers a consistent measurement system.

The research will look for success factors in the earlier determined four sections. In strategy, which is the tool of companies for the future, the challenges and the attitude to the environment. In solutions originating from cultural idiosyncrasies, which have an influence on the actions and ways of thinking related to a community. In the developed structure, which defines the formal and informal transmissions of information and actions. And finally in leadership solutions, with which those entitled to lead coordinate and motivate their co-workers to bring out the best in themselves. Success factors identified following the study of literature related to the subject are, as follows:

Strategic success factors

- Fine-tuning: Slight modification of ongoing strategy due to changes in the environment.
- Time pacing: Choreographed procedures for changes and the company's pacing for changes follows a well-definable rhythm.
- Long term plans: Company has set up objectives for longer periods of time.
- Slower growing businesses: Businesses growing slower than expected or sale or termination of divisions.
- Related businesses: Development and exploitation of unique skills in the central division of the company. Strong expansion to related industries.
- Responsibility: Integration of social and environmental aspects in the business operation and in the relationships with stakeholders at one's own will, on a voluntary basis.
- Proactivity: Company takes action typically ahead of its competitors.
- Communication of strategy: Clear communication of strategy for everyone involved.

Structural success factors

- Distribution: Simple, flat organisational structure.
- Relationship with customer: Endeavour to build up a relationship with the customers deeper than transactions. Setting up an internal system as if everyone was in a direct contact with the customer.
- Measuring system: Deep assessment measuring system working with numerical data.
- Proposal handling: Company has an organisational solution for considering and implementing improvement proposals submitted by co-workers.
- Decision-making: Important decisions are close to customers.

Cultural success factors

- Honour: Honour of performance and motivating others to perform.
- Teamwork: Cohesion, teamwork based on mutual help.
- Management breeding: Company breeds its own management.
- Common values: Mentality defining the whole company, the awareness concerning principal expectations and common values raised at all levels among employees.
- Core values vs. development: Company is able to preserve its own core values and objectives, while its strategy and internal processes adapt to changes in the world.
- Multi-skill labour force: Employment of co-workers deployable in several areas.

Leadership success factors

- Human relationships: Daily contact of management with colleagues working on lower levels.
- Intuitivity: Leadership is conducted not only with systematic methods and well-established practices, but also intuitively based on inner instinct.
- Senior management: Small number of management, simple structure in accordance with the possibilities.
- Talent care: Senior management takes part in breeding talent.
- Delegation: Involving employees in decision-making and preparation.

Success presupposes outstanding performance; therefore the basis for formulating success criteria is performance measurement. The research will apply the balanced scorecard developed by Robert S. Kaplan and David P. Norton. The authors basically differentiate four perspectives in order to measure the performance of a company (Kaplan & Norton, 2000; Kaplan & Norton, 2002). However, currently a prominent role has been given to sustainability. As a result of that, it is necessary to tackle this issue separately as a fifth perspective. Unlike previous practice this empirical research will analyse the performance of companies – as one of the pioneers – by taking five perspectives into account. Thereby new, yet unidentified correlations may be explored as opposed to earlier research.

During the inclusion of sustainability it is important that it – not being a market aspect – affects the other four factors and thus the whole system as far as direct and indirect effects are concerned (Figge et al., 2002). Success criteria as the indicators of success have been outlined based on perspectives:

Success of Financial Perspective

- Changes in profit
- Changes in revenue
- Changes in costs

Success of Customer Perspective

- Customer satisfaction
- Prizes awarded
- Changes in number of customers
- Customer complaints
- Timely deliveries

Success of Internal Processes Perspective

- IT investment
- Number of deliveries
- Patents
- Flawless supplier deliveries
- R&D&I expenditure

Success of Learning and Growth Perspective

- Co-worker satisfaction
- Labour force fluctuation
- Hours of training
- Improvement proposals submitted

Success of Sustainability Perspective

- Charity donations
- Graduate starting salary
- Environmental fines
- Environmental investments
- Recycled waste
- Renewable energy
- Ratio of women in management

3.3. Hypotheses of the Research

The research is looking for answers to the emerging questions within the scope of strategic management. Instruments used in the operation of a company can be basically classified in the three cornerstones of strategic management (Barakonyi, 2000). Beside them leadership instruments play an important role; how those entitled to lead coordinate, motivate and develop participants to bring out the best performance from themselves.

Hypotheses set up as a result of explorative research are, as follows:

Hypothesis No.1: Factors having an influence on the successful operation of a company can be identified and my assumption is that they can be categorised in four groups: strategic, cultural, structural, and leadership factors.

Hypothesis No.2: We presume that the group of strategic success factors is primarily in correlation with the customer success component.

Hypothesis No.3: We presume that the group of structural success factors is primarily in correlation with the internal processes success component.

4. Research Methodology

Success factors determined by earlier research projects formulate presupposed groups. The research analyses in details how explored instruments affect the whole operation of a company and its objective performance. This is shown in the logic model of the research (Figure 1). How do they become more effective and successful than their competitors based on the particular aspects?

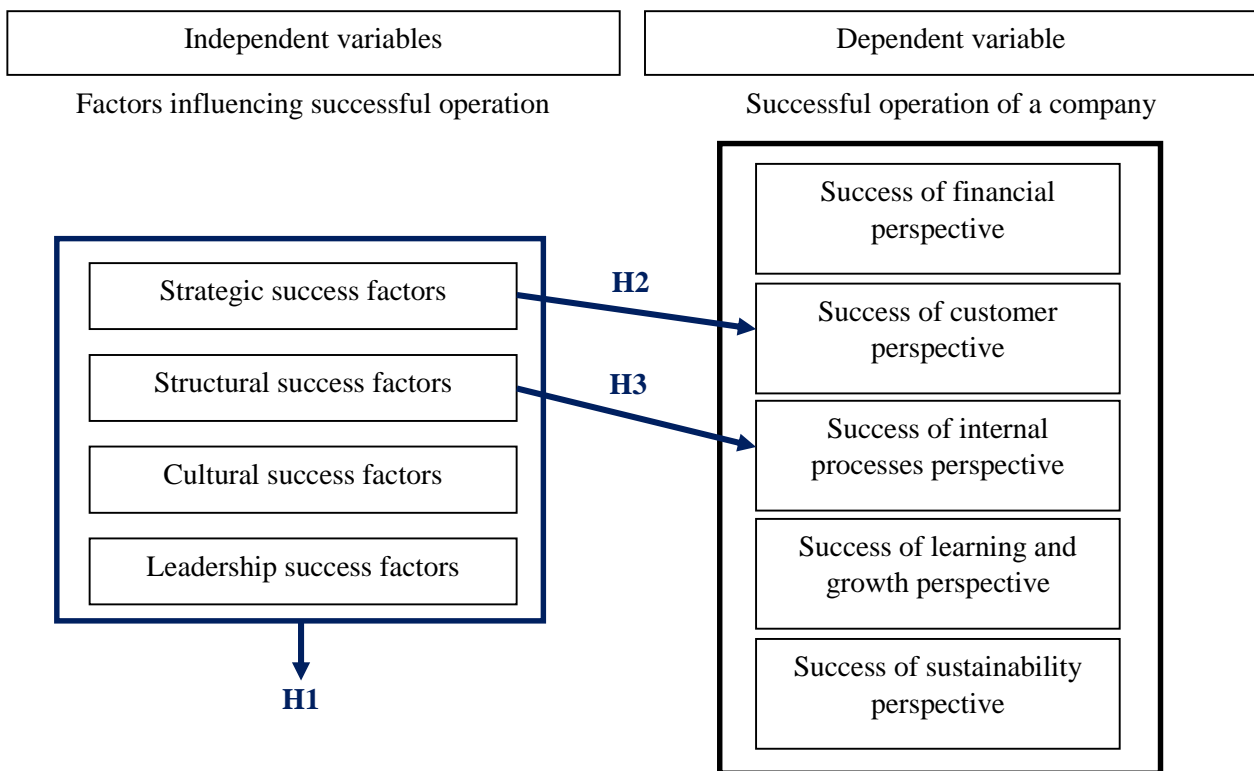


Figure 1. The Logic Model of the Research

4.1. Measurement and Research Instrument

During the practical analysis of the research the inspection of success factor groups was carried out with factor analysis, whereas the definition of the success component via principal component analysis. The examination of correlations was conducted by path analysis, since the linear regression analysis could not be accomplished because of the internal effects due to the balanced scorecard. Via the application of linear regression models indirect and direct effects have been identified.

4.2. Data Collection and Sample

The survey of the research has been prepared based on the model of the research. Knowledge acquired via the literature on the subject formed the basis for the compilation of the content, which was accompanied by further characteristics and results of companies to be scanned. 109 company leaders helped by filling in the survey and it has been modified based on their observations and suggestions.

Companies having more than 50 employees operating in the processing industry in Hungary have been brought into the focus of the research. Markets are dominated mostly by these businesses; therefore most of the labour force available in Hungary is employed by them. In order to let the research provide new useful information and correlations to the widest number of people it is necessary to examine and concentrate on the instruments used by these organisations as a consequence. The finalised survey was handed over to employees having a managerial role in the targeted companies. Data collection took place between August and November 2014. Altogether 4,411 managers received the survey, out of which 464 were sent back. 230 of them could be used for the research. That means a 5.21 % response rate.

The analysed aspects may bring important results in case of other types of organisations too. Accordingly further research directions may be opened, such as the analysis of effective success factors related to the public sector or to small and medium-sized companies.

5. Analysis and Results

5.1. Factor Analysis

The examination of success factors identified as a result of the theoretical research was carried out via factor analysis. The analysis showed how the suspected variables and their respective groups appear. Conditions have been fulfilled both the Kaiser-Meyer-Olkin (KMO=0.792) test and the Bartlett test (Sig.=0.000) showed conformity. The analysis resulted in five factors (Table 1).

Table 1. Variables of Success Factors

Name of Factor	Name of Variable
1.External success factors	Fine-tuning
	Time pacing
2.Internal success factors	Long term plans
	Communication of strategy
3.Structural success factors	Relationship with customer
	Proposal handling
4.Cultural success factors	Teamwork
	Multi-skill labour force
	Intuitivity
5.Leadership success factors	Talent care
	Delegation

Thus factors facilitating successful operations in a company may be grouped in five factors. It is true that five groups have emerged instead of the presupposed four, but this only means that strategic success factors have been separated into two parts: external and internal success factors. The first factor is the ‘external strategic success factors’ (S_{Se}), which brings changes into focus. The ‘internal strategic success factors’ (S_{Si}) include long-term plans and raising awareness to them internally. ‘Structural success factors’ (S_{uS}) includes organisational solutions for services and maintenance improvement. ‘Cultural success factors’ (CS) mean organisational standards and values, according to which work organisation takes place. ‘Leadership success factor’ (LS) comprise in what ways managers develop their co-workers and divide the tasks.

It was only ‘Intuitivity’, which was not positioned in accordance with the earlier categorisation. The classification of this factor proved to be questionable already during the theoretical identification, because it is greatly dependent on culture. Finally the practical analysis made it evident that it needs to be taken into account not at leadership, but rather at culture as a success factor influenced by culture.

5.2. Path Analysis

Based on the correlations among variables the following five linear regression models could be outlined, where letters of the Greek alphabet denote partial regression coefficients and the RESID_i is the i-th error term of the regression equation:

$$PNS = \alpha_1 \times CS + \alpha_2 \times VNS + \alpha_3 \times IPPS + \alpha_4 \times LGPS + RESID_1$$

$$VNS = \beta_1 \times SSe + \beta_2 \times SuS + \beta_3 \times LS + \beta_4 \times IPPS + \beta_5 \times LGPS + \beta_6 \times SPS + RESID_2$$

$$MNS = \gamma_1 \times SSe + \gamma_2 \times LS + \gamma_3 \times LGPS + RESID_3$$

$$TFNS = \delta_1 \times LS + RESID_4$$

$$FNS = \varepsilon_1 \times SSe + \varepsilon_2 \times SSi + \varepsilon_3 \times SuS + RESID_5$$

According to the significance test related to the validity of the regression models each model is significant. The examination of conditions concerning variables and error terms has been conducted and it showed conformity in each and every case. The heteroskedasticity of error terms was tested with the White-test. The inspection of the effects of success factors on success criteria was conducted by path analysis due to the relationships between dependant variables set by the balanced scorecard. First relationships have been determined based on the correlations among factors, with the help of which linear regression models used for the path analysis could be outlined, thus defining the internal effects. With the results identified paths can be laid down (Figure 2).

Factors influencing successful operation

Successful operation of a company

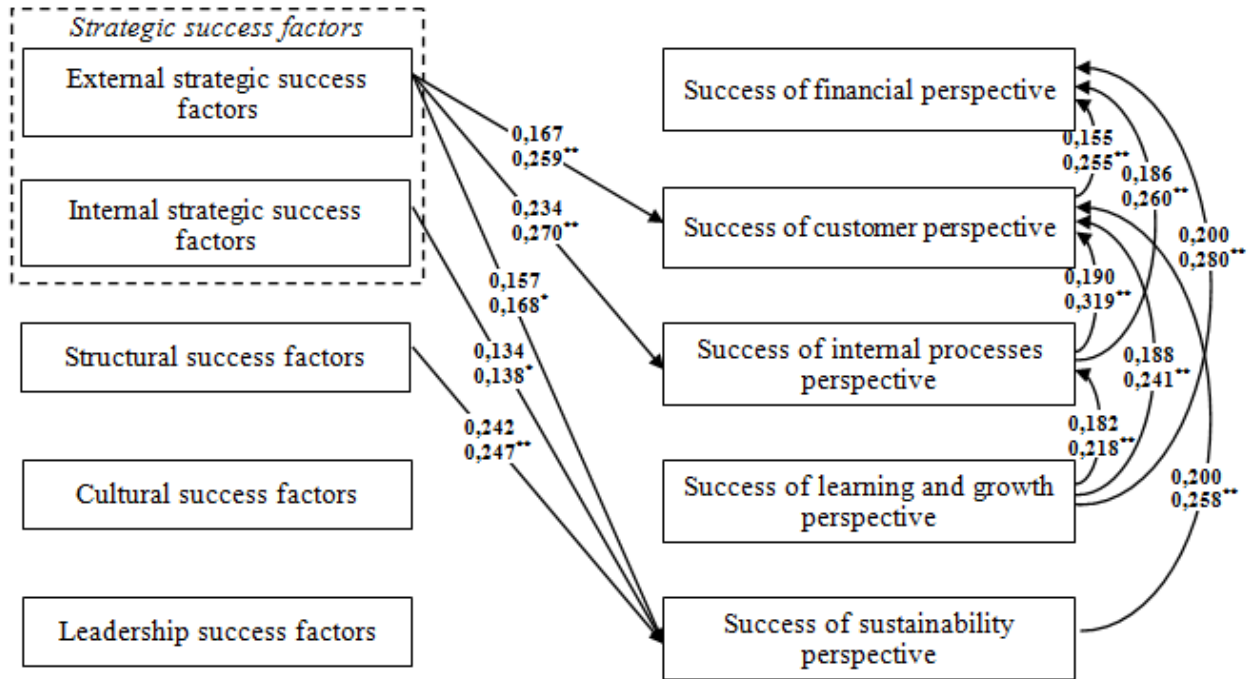


Figure 2. Path Model Evolved via the Analysis

The numbers in the higher position on the arrows in the figure show the β value indicating the slope of the regression line, whereas the numbers below them are the values of the Pearson product-moment correlation coefficient related to the strength of correlation. In case of correlation the double asterisk following the numbers indicates 1 percent significance level, while single asterisk denotes 5 percent significance level.

The generally presupposed correlations can be found between the four ‘classic’ perspectives. The sustainability perspective has, however, a direct effect only on customer perspective and via that an indirect effect on financial perspective. This shows that sustainability in Hungary is rather a marketing aspect for the time being. It has a value generating effect for customers; it increases their satisfaction and they prefer to choose services and products of the company.

External strategic and structural success factors affect the financial performance indirectly in a positive way, though the effect of the latter is practically zero. However external strategic success factors already have a direct effect on customer satisfaction in a positive way. Accordingly the fine-tuning and pre-planned time pacing of strategy envisages a higher customer satisfaction. The effect can be traced in the internal processes perspective too, because the analysed success factor has a direct positive effect on what results internal processes show. The relationship is also positive here, which defines that the operational efficiency of the organisation will be thereby better and more successful. In case of customer perspective internal strategic and structural success factors have less effect in an indirect and positive way. Three factors have direct positive effect on the success of sustainability perspective: external, internal strategic success factors and structural success factors. Direct and indirect effects can be summarised in tables (Table 2-4).

Table 2. The Effect of Success Factors on the Financial and Customer Perspectives

Independent variables	Success of financial perspective			Success of customer perspective		
	Direct	Indirect	Total	Direct	Indirect	Total
External strategic success factors	-	0,081	0,081	0,167	0,076	0,243
Internal strategic success factors	-	-	-	-	0,027	0,027
Structural success factors	-	0,008	0,008	-	0,048	0,048
Cultural success factors	-	-	-	-	-	-
Leadership success factors	-	-	-	-	-	-

Table 3. *The Effect of Success Factors on the Internal Processes and Learning and Growth Perspectives*

Independent variables	Success of internal processes perspective			Success of learning and growth perspective		
	Direct	Indirect	Total	Direct	Indirect	Total
External strategic success factors	0,243	-	0,243	-	-	-
Internal strategic success factors	-	-	-	-	-	-
Structural success factors	-	-	-	-	-	-
Cultural success factors	-	-	-	-	-	-
Leadership success factors	-	-	-	-	-	-

Table 4. *The Effect of Success Factors on the Sustainability Perspectives*

Independent variables	Success of sustainability perspectives		
	Direct	Indirect	Total
External strategic success factors	0,157	-	0,157
Internal strategic success factors	0,134	-	0,134
Structural success factors	0,242	-	0,242
Cultural success factors	-	-	-
Leadership success factors	-	-	-

6. Discussion and Conclusion

The first hypothesis concentrates on the success factors as well as on their identification and classification. It may be stated about success factors identified with the help of factor analysis that they verified the presuppositions of the research model. Factors having an influence on the successful operation of a company can be identified and comprised with the groups of strategic, cultural and leadership factors, where strategic success factors can be further subdivided into external and internal success factor sections. The success factors emerging this way are, as follows:

- Strategic success factors:
 - External strategic success factors: Fine-tuning of strategy, pre-planned time pacing of operations.
 - Internal strategic success factors: Long term plans, clear communication of strategy to everyone involved.
- Structural success factors: Creation of a Service providing – customer system within the company, organisational unit for the consideration and implementation of improvement proposals.
- Cultural success factors: Cohesive team, multi-skill co-workers deployable in several areas, not only systematic, but also intuitive work organisation.
- Leadership success factors: Participation of leaders in talent care and involvement of employees in decision-making as well as the creation of operational mechanisms.

The second hypothesis analyses the effect of strategic success factors on the customer success component. Based on the results of the analysis it may be stated that not the effect related to customer perspectives is the strongest.

In case of strategic success factors the application of fine-tuning and time pacing has a greater effect on customer, internal processes and sustainability results and it affects financial success less in an indirect way. Accordingly if a company immediately takes new social trends into account, prepares itself for transitions and moves with the market, customers will be more satisfied, the number of customers will increase, the internal processes will improve and the sustainability prospects will be on the rise too. It is also shown that raising awareness of long term plans and strategy on all levels and its clear communication helps to improve sustainability perspectives in a direct way and thus it indirectly improves customer results too.

The third hypothesis analyses the effect of structural success factors on the internal processes success component. The analysis did not confirm the presupposition. The results show that structural success factors primarily have an effect on the sustainability success component rather than on internal processes. Thus it may be assessed that the development of an internal system clearly motivating innovations based on customer-oriented aspects has the greatest influence on sustainability. This shows that employees consider environmental and social issues of a very high importance concerning development and improvement proposals. It also has an indirect effect on the customer perspective revealing that because of a system built up this way customers will be more satisfied, which generates an increase in the number of customers.

References

- Barakonyi, K., 2000. *Stratégiai menedzsment*. Nemzeti Tankönyvkiadó, Budapest
- Beer, M., 2009. *High Commitment, High Performance: How to Built a Resilient Organization for Sustained Advantage*. John Wiley & Sons, San Francisco
- Breene, R.T.S. and Nunes, P.F., 2011. Reinvent Your Business Before It's Too Late. *Harvard Business Review*, January, 2011
- Chikán, A., 2008. *Vállalatgazdaságtan*, 4. átdolgozott, bővített kiadás. AULA Kiadó, Budapest
- Collins, C.C. and Porras, J.I., 2000. *Built To Last: Successful Habits of Visionary Companies*. 3rd edition Random House Business Books, London
- Collins, J., 2001. *Good to Great. Why some companies make the leap... and others don't*. Harper Business, New York
- Eisenhardt, K.M. and Brown, S.L., 1998. Time Pacing: Competing in Markets that Won't Stand Still. *Harvard Business Review*, March, 1998
- Figge, F. and Hahn, T. and Schaltegger, S. and Wagner, M., 2002. The Sustainability Balanced Scorecard - Linking Sustainability Management to Business Strategy, *Business Strategy and the Environment*, (forthcoming). Volume 11, Issue 5, pages 269–284, September/October 2002
- Foster, R. and Kaplan, S., 2001. *Creative Destruction: Why Companies That Are Built to Last Underperform the Market – and How to Successfully Transform Them*. Currency Book, Random House, New York
- Joyce, W. and Nohria, N. and Robertson, B., 2003. *What Really Works: The 4+2 Formula for Sustained Business Success*. HarperBusiness, New York
- Kaplan, R. S. and Norton, D. P., 2000. *Balanced Scorecard (Eszköz, ami mozgásba hozza a stratégiát – BSC – Kiegyensúlyozott stratégiai mutatószám-rendszer)*. KJK-KERSZÖV, Budapest
- Kaplan, R. S. and Norton, D. P., 2002. *A Stratégiaközpontú szervezet: Hogyan lesznek sikeresek a Balanced Scorecard vállalatok az új üzleti környezetben?*, Panem Könyvkiadó Kft., Budapest
- Kaplan, R. S. and Norton, D. P., 2002. *A stratégiai központú szervezet*. Panem – IFUA Horváth & Partner
- Kotter J.P. and Heskett J.L., 1992. *Corporate Culture and Performance*. Free Press, New York
- Peters, T.J. and Waterman, R.H., 1982. *In Search of Excellence (Lessons from America's Best-Run Companies)*. Harper & Row, New York
- Rumelt, R.P., 2011. *Good Strategy, Bad Strategy: The Difference and Why It Matter*. Crown Business, New York
- Spitzer, D.R., 2007. Transforming performance measurement: rethinking the way we measure and drive organizational success. AMACOM, New York, 2007
- Szabó, L. and Csepregi, A., 2009. A gazdasági válság hatása a szervezeti kultúra alakulására - jó irányba megyünk?. *Harvard Business Manager*, 2009. 11. szám, 29-35. oldal
- Vörös, J., 2010. *Termelés- és szolgáltatásmenedzsment*. Akadémiai Kiadó. Budapest

