

Lessons from Tomas Bata for the Modern Day Manager

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Introduction

When I first began this paper, I intended to demonstrate that what Bata did is a superb illustration of what is now called "quality management". The record shows that Tomas Bata did indeed precede modern "quality management" practices by at least half a century. If we look only at that side of the man, we must conclude that he was the first to use quality as a way to lower cost at the same time as he created customer delight.

However, as I delved more deeply into Bata's management methods, it became clear that looking at his work through such a lens gives much too narrow a focus. It is possible, of course, to analyze Bata's work as an example of what W. Edwards Deming has called his "System of Profound Knowledge". However, the level of abstraction at which Dr. Deming describes this system makes it capable of encompassing many different activities and while it provides great generality, it does not provide a focus on what was unique about Bata. I have chosen a less abstract approach, concentrating on the Bata contributions I thought would be of greatest value in contemporary management. My objective is to find the most important lessons that the Bata system of management can teach today's entrepreneurs.

What is the Aim of an Enterprise?

At a conference nine months ago, David Maley presented an analysis of various factors essential to business success. He pointed to three significant factors which could be arranged in three different ways, depending upon what the management thought was the aim of the enterprise.

The first arrangement corresponds to the dominant mode in most countries:

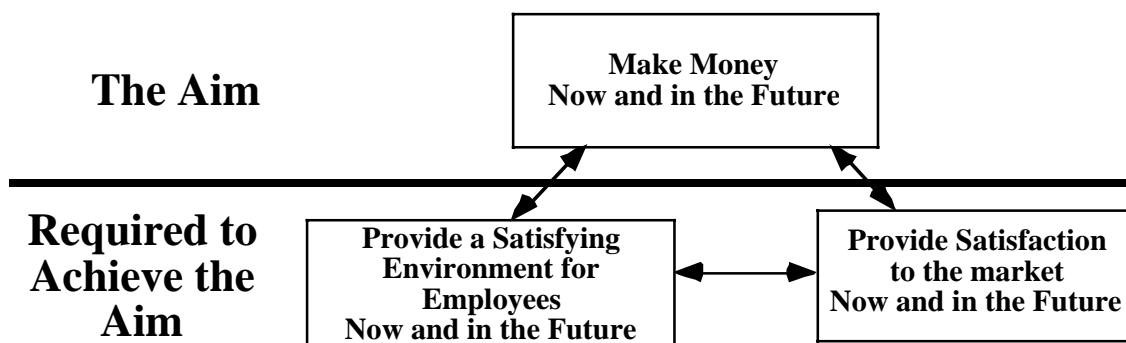


Figure 1: Shareholder dominance

In this view the most important objective for the company is to make money. It is the main reason for the company to exist. "Increase shareholder value" is the watchword. The second arrangement corresponds to the recommendations of people in the quality movement. "Put Quality First" is their slogan.

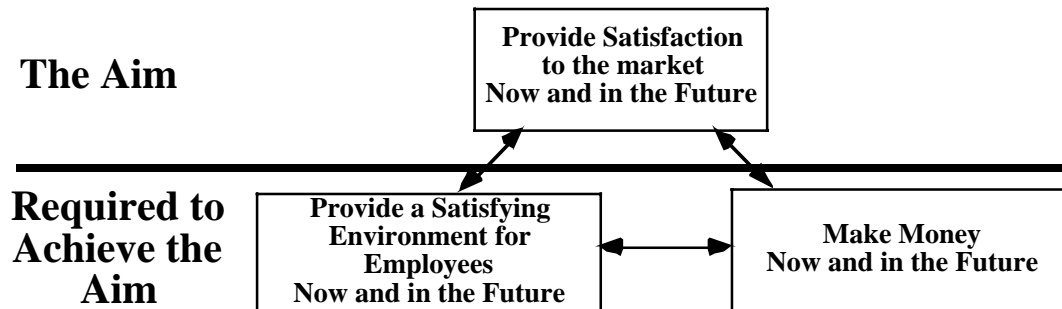


Figure 2. "The Customer Comes First"

The third possible arrangement, according to David Maley, is to make the welfare of the employees the first consideration, as shown in figure 3.

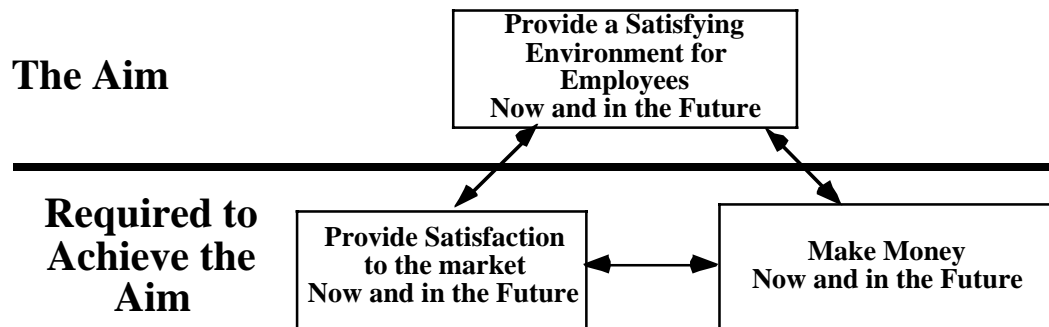


Figure 3. Employees First.

There are not too many companies following this third choice of aim. Pacific Southwest Airways in California advertises itself as looking after employees first, on the basis that if they do so, the employees will look after customers. Semler has carried this concept to an extreme, letting the employees run the company, even to the point of setting their own salaries!

Bata followed a different aim, as suggested in the following diagram.

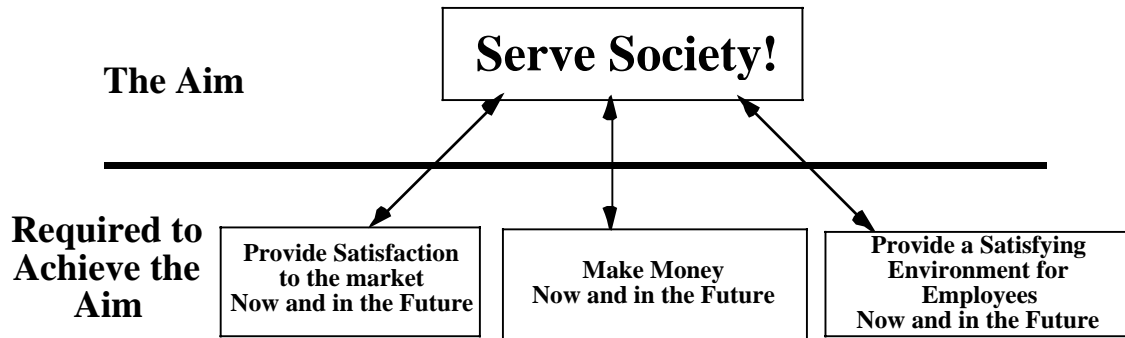


Figure 4. Bata's aim

Did Bata mean it? From both word and deed we see that he clearly thought of his business enterprise as an instrument for social good for everyone. From very early on, in the late 1800's he thought of his company as being the means to lift the standard of living of the people in Zlin. It is true that when he first began to create his company, as a lad still in his teens, he thought of it only as a means to become rich and raise his status in society. But by the end of the century he had begun to change. He exhorted his people to this aim:

Do not pursue money. He who pursues money will never achieve it. Serve! If you serve as best as you can, you will not be able to escape money."

Today the Greenleaf Foundation is dedicated to this same principle, basing their work on Robert Greenleaf's booklet, "Servant as Leader" (1982)¹. The Association for Quality and Participation in the USA publishes a monthly newsletter which in almost every issue touches upon one or another aspect of "servant leadership". Amazon.com lists 9 books on "Servant Leadership", all but one having been written in the last decade. Some were listed as "not yet released". This is obviously a "modern topic". Charles Handy has argued for the last two decades that this spirit of service should be the aim of every business.² The concept is as old as the Bible.

¹ The Power of Servant Leadership : Essays; Robert K. Greenleaf, et al
On Becoming a Servant-Leader; Robert K. Greenleaf, et al
Reflections on Leadership : How Robert K. Greenleaf's Theory of Servant-Leadership Influenced Today's Top Management Thinkers; Larry C. Spears(Editor), Max De Pree
Servant As Leader; Robert K. Greenleaf

² Charles Handy The Hungry Spirit - Beyond Capitalism: A Quest for Purpose in the Modern World
 Broadway Books, Feb. 1999
 Charles Handy and Warren Bennis, Age of Unreason Harvard Business School Press (Feb 1998)

Bata pursued this concept, before most of today's writers were even born. The success of his company attests to the wisdom of his aim. But this way of operating an enterprise goes far beyond business success. Today, so many years after his tragic death, there are still a few people alive who knew him and who revere his memory. People who 'graduated' from his service and his schools have testified how much his leadership meant to them in their own lives. Bata's choice of an aim created an enterprise that lived beyond his death. It took the communist domination of his country to destroy it and, even so, they only succeeded by breaking it up into smaller pieces. The people tried to continue the tradition and even to this day, there are people alive who are dedicated to Bata's aim.

My first conclusion from this study of Bata is this: You can probably build a successful company following one or another of the three aims proposed by Maley, but if you want to create a great company, one that leaves its mark long after you are gone, then only Bata's approach will make it possible. Do as he did; use your enterprise to make the world a better place. Make this your aim.

Providing Satisfaction in the Market

Of course, when you have an aim, you must be concerned with what it takes to achieve this aim. Bata meant to do more than just do the minimum required. He wanted to excel in all three areas of "necessary support".

It was this aspect of Bata's management system that first attracted my attention. When the Quality Movement began in the USA around 1980, it was evident that in comparison with the Japanese, American managers were woefully unconscious of what was needed to produce quality products. W. Edwards Deming and Joseph Juran deserve the major credit for awakening American Managers, having done the same thing for managers in Japan. As we now know, the true pioneer in this subject in Japan was Homer Sarasohn, whose paper for this conference provides many details of how it happened. Homer's work paved the way for Deming, Juran and others who followed.

I decided to analyze Bata's management style to see how it conformed to a list of the characteristics required in an enterprise to achieve quality. My guide to understanding the Bata style was a little known book, "Principles of the Bata Management System", by Zdenek Rybka. I understand that a copy of this book, in the Czech language, will be

made available to the attendees at this conference³. I have commissioned an English translation, which I intend will also be available to the conference attendees.

Based upon my previous work with quality management principles, I prepared a list of critical action items which characterize leading an enterprise to make "quality first" a way of life. I called them the 'links' in a chain of transformation.⁴

Essential Link

1. Leadership
2. Agreed upon Aim
3. Articulated Vision
4. Accepted Values
5. Visible Strategy
6. Goals, Long and Short Range
7. Appropriate Rewards
8. Adequate Training
9. Internal promotion of quality
10. Organization and Communication
11. *Supportive Constituency*

Consequences if the Link is Absent

- Nothing happens. Status quo.**
- Crossed purposes become probable**
- People are not moved to change**
- People have no guide to behavior**
- False starts**
- No sense of immediate purpose**
- Bitterness**
- Anxiety, fear**
- Loss of enthusiasm**
- No coordination of effort**
- The naysayers take over***

Bata fulfilled the requirements in all areas, with the possible exception of statistical methods. Bata died in 1932. Shewhart's pioneering work was first published in 1931.⁵ We may understand, therefore, why this modern tool was not part of Bata's system. I have been told that something like Shewhart's methods was in development in the Skoda Works at the same time and that there was an active interchange of information between Skoda and Bata. This is a research topic awaiting a good master's thesis in the new Thomas Bata University, i.e. "What role did statistical thinking play in the Bata Management system?" The information available to me does not now permit a definitive answer.

On all of these topics I had to give Bata high marks, but as I went through this clinical analysis, it became clear to me that I was, somehow, losing the spirit of the man and his company. Quality was certainly a way of life in the company. But quality is a means,

³ The book was made available at the conference, along with a CD rom containing the English version. Discussions are underway to publish the English version of the book on the Deming Electronic Network, <http://www.deming.ces.clemson.edu/pub/den>

⁴ M. Tribus, "Eleven Links in the Transformation of An Enterprise To Make Quality the Strategy for Success" (1984) Available on the internet at http://deming.ces.clemson.edu/pub/den/deming_tribus.htm

⁵ Shewhart, Walter Economic Control of Quality in Manufactured Product, originally published in 1932 by the D.Van Nostrand Company. A commemorative edition was published by the ASQC in 1980

not an end. There are many considerations beside quality required to make a great company.

Providing satisfaction in the marketplace means satisfaction for all players. Not just the final customer, but all the people in between and the suppliers as well.

At this point I quote Mr. Rybka, who described how Tomas Bata learned to think of the marketplace first:

*In the first case he left for Vienna as a 15-year-old boy in 1891 having borrowed 30 florins from his sister to start and to run his own enterprise. He produced slippers. He knew neither the market nor the place and language. Hoping to grow and gradually produce and sell, he concentrated only on production. Eventually he found that his goods were unsaleable. He reached a conclusion, which has guided the Bata company up to these days: **The market is more important than production.***

He learned that lesson well. For example, when he discovered that selling his shoes through the existing stores could not guarantee quality service to the customer, he designed his own idea of a proper shoe store. Today all shoe stores are essentially designed according to Bata's creation. The customers sit on a row of seats, usually back to back, in the center of the store, facing rows of boxes of shoes stored on the walls surrounding them.

Bata went further. On reading the Bible and learning that a host would wash the feet of an honored guest, Bata added pedicure services in his stores.

When sales were slack, Bata salesmen would call upon customers and offer to clean their shoes, free of charge. In this way the salesmen learned about customer habits, how the shoes were wearing and countless other items of customer preferences which they were expected to report back to headquarters. Through these visits to customers they also solidified customer relationships.

Bata insisted that all bills from suppliers be paid promptly. He knew that a win-win situation for suppliers was good business practice. Quoting Rybka again:

He often declared that the essence, and the human mission, of business and of a businessman, consists of searching for ways to help his customer to get a good and inexpensive product.

Bata, therefore, understood the marketplace in a much broader way than would be emphasized by only thinking of quality management tools and techniques or even the philosophy of quality.⁶ For Bata, being effective in the marketplace included treating the customer as "king", the marketplace meant more than just selling.

Contrary to advice that I have given when wearing my quality consultant hat, Bata made frequent use of slogans. Here are some:

"Our customer - our master"

"The Customer's order is sacred for us"

"A genuine service to the customer"

The difference between these slogans and the ones I have often seen on the walls of modern enterprises is that Bata actually believed in them and expected the same of all his employees.

As Rybka reports:

In his address in 1928: "Such a businessman has never become rich whose mouth was full of slander and his heart full of envy of success of the others, who could with great skill reveal the mistakes of his competitor. However that one has never been and will never be poor who serves his customers with words of cordial kindness and whose eyes can see rather the positive than the negative features of the competitor so that he could use them."

Employee Satisfaction

In this area, Bata really stands out. However, his concept of service extended beyond just providing jobs, and high paying jobs at that. He was concerned over what kind of person grew in the culture surrounding his factories. He wrote:

⁶ Unless one broadens the concept of quality management to mean simply "management". This broadening of the concept was, in fact, often urged by Dr. Deming, himself, but his followers generally kept a narrower view, coining such phrases as "TQM", "Quality Leadership", etc., etc.

"During my work my intention was not to build the company, but people. I have built a man to be more proficient and effective and to serve better the customers so that later he could build the company".

He made clear that it was his intention to raise the standard of living of all the people around him. He intended that all his employees should save enough money to be able to retire at age 55 and either live off his accumulated savings or use his money to start his own enterprise. Some might say that he was much too paternal, but I believe that what he did was right for the times in which he lived and the state of development of the society around him.

Today in most developed countries, there are concerns that the existing educational system does not supply the graduates with the capabilities required for modern industry. In consequence there is a great rush to supply computers to the schools and to upgrade the science and mathematics contents of the curriculum. Bata would have scoffed at the short sightedness of this approach. He would have been concerned over the *development of character* of the students. He would, above all, have been concerned with whether they were developing those habits of responsibility required to be self-sustaining citizens in a capitalistic society. He went beyond mere technical training.

The steps that Bata took to develop the character of employees would be very difficult to implement in these days. Difficult, but not impossible. Today companies are contributing to charitable organizations, such as the Josephson Foundation, which promotes character education in schools. Just to make the point more emphatic, here is a quotation from Bata himself:

"Let's bear in mind that the chances to multiply wealth are unlimited. All people can become rich. There is an error in our understandings - that all people cannot become equally rich. Wealth can not exist where the people are busy with mutual cheating, have no time for creating values and wealth. It is remarkable that we can find the greatest number of wealthy tradesmen and a population on a high standard of living in countries with a high level of business morality. On the other hand, we can find poor tradesmen and entrepreneurs and an impoverished population in countries with a low standard of business morality. This is natural because these people concentrate on cheating one another instead of trying to create value."

Management Involvement

When a manager takes on the responsibility to manage, whether at the level of the CEO or as a first level manager, he or she accepts a number of responsibilities. These include, but are not limited to:

- Providing guidance to subordinates, i.e., explaining the aim of the sub-unit of the enterprise.
- Providing leadership
- Providing for proper use and conservation of resources
- Providing for the development of subordinates.
- Creating the system within which the work gets done
- Improving this system, with the help of the people working in the system.
- Etc., etc.

The manager must *delegate* some of these responsibilities to others. For example, the manager may appoint someone to be in charge of the tool-room, where expensive tools are kept and supplied to workers. Having *delegated* this *responsibility* and the *authority* that goes with it, the manager still retains *accountability*. This is a subtle but important issue. You may delegate *responsibility and authority*, but you cannot delegate *accountability*. You remain accountable to others for the actions of your subordinates. What actions should you take to meet your obligations? How you respond to that question describes your "management style". At one end of the scale is "micromanagement", that is, meddling in every detail until the subordinate is no longer managing but simply taking orders from you. At the other end of the scale is *laissez-faire*. You go out and play golf and leave everything to the subordinates.

It appears to me that Bata was very far in the direction of micro managing. I do not believe he would have been much fun to work for. But it would have been a rewarding experience, not just from the point of view of finances, but rather like having a very demanding teacher. You do not enjoy the experience at the time but you look back on the experience with a certain fondness. You realize that you grew under the stress; that you were stretched and it was good for you.

Bata tried to make the need for such micro-management less by the way he developed his system for setting pay and rewards. He said: "*I was seeking a method which would work automatically as the sun rises and the sun sets.*" He wanted to wind the company up and then let it run without his attention. His main method for doing so is illustrated in the following diagram.

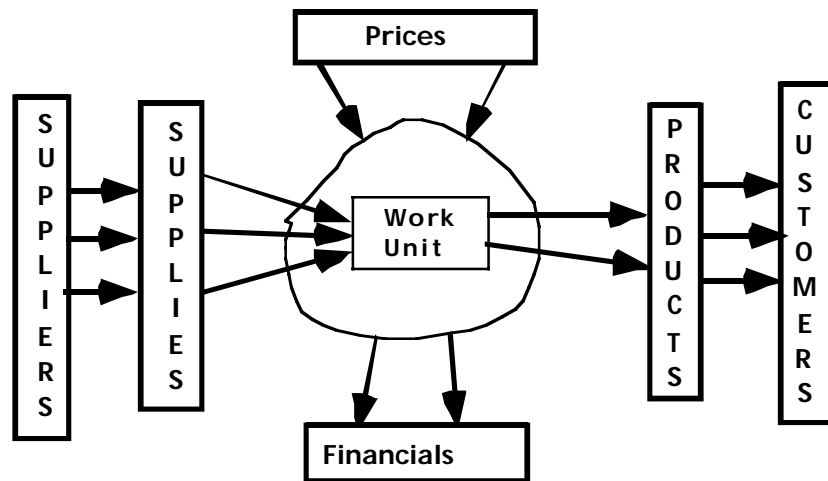


Figure 5: Bata reward system.

In this system, every work unit was engaged in 'buying' and 'selling' goods and services to and from other work units. The prices were established by a central accounting office and were not negotiable. The 'customer' for the product or service dictated the quality and schedule. Naturally the setting of these prices was subjected to considerable discussion and debate. However, all of the facts and figures used in setting the prices were available to the work unit so they had a basis for their side of the debate. The prices were set with due regard for prices of similar products which might be available on the open market. Work units were not constrained to buy only from within the company.

What made the Bata system different from other methods of cost accounting was the agreement that if the workers could devise an improved method, which reduced waste, improved times of delivery and produced a profit beyond expectations, the workers could share in this profit. In other words, Bata produced a system which encouraged each work unit to become more entrepreneurial. Quoting Rybka again:

T. Bata's views were substantially different. He established the following principles:

- a) Profit balancing must be carried out as soon as possible, i.e. weekly*
- b) The participant can calculate his share himself.*
- c) The participation must be related to small departments so that every employee is able to influence running the workshop.*

I am aware of only three companies which have, or continue to have, a similar system. During World War II, the Lincoln Electric Company devised a work system which allowed workers who could devise better methods to profit from them. In Japan the Kyocera Corporation employs the "Amoeba System" in which individual work units, called 'amoeba', are engaged in buying and selling to other 'amoebas'. At Kyocera the individual amoebas do not share the profits among their own workers but the entire work force does participate in a profit sharing scheme. Semco, in Brazil, uses a scheme which is similar, in some respects, to the Bata method.

Bata had a larger purpose. He intended for each worker to become much more conscious of the economics of the factory, to relate the results of the enterprise to his own fortunes and to become a more responsible guardian of wealth. For Bata the system of internal transacting was more than a way to run the company; it was a way to train people to become fiscally responsible in their own lives. He emphasized this in 1924 when he said (again quoting from Rybka):

" We are granting you the profit share not because we feel a need to give money to the people just out of the goodness of the heart. No, we are aiming at other goals by this step. By this measure we want to reach a further decrease of production costs. We want to reach the situation that the shoes are cheaper and workers earn even more. We think that our products are still too expensive and worker's salary too low."

Returning to the list of essentials for quality management (page 5), we can see that Bata provided us with an exceptional example on all counts.

The Link

1. Leadership
2. Agreed upon Aim
3. Articulated Vision
4. Accepted Values
5. Visible Strategy
6. Goals, Long and Short Range
7. Appropriate Rewards
8. Adequate Training
9. Internal promotion of quality
10. Organization and Communication
11. *Supportive Constituency*

The Consequences

Change became possible.
 People knew what they were to do
 People were motivated to change
 People had a good guide to behavior
 There were very few false starts
 They knew where the company was headed
 People were proud to work for Bata
 People were confident
 The enthusiasm outlived Tomas Bata
 Coordination was detailed.
 Support was world wide
 (except for competitors)

There Were Others

I am indebted to Professor Milan Zeleny of Fordham University for alerting me to one of his publications of a decade ago. His paper, "Management Wisdom of the West"⁷ presents an interesting compilation of creeds and beliefs of managers of the modern era, such as Ross Perot and of earlier eras, such as James F. Lincoln of half a century ago, with many men in between. They owned their companies; they were not hired managers in a company dedicated to increasing shareholder value. They also saw the customer as central to their purpose. I have taken a few quotations from his paper, which I urge all who would become entrepreneurs to read.

Henry Ford: *"Labour is not a commodity. One's own workers ought to be one's own best customers."* (He wrote this in 1926. Later in life he and his successors forgot what had made the company great)

Ross Perot: *"Listen, listen, listen to the customers and the people who are actually doing the work."* (Part of his advice on how to reform General Motors)

George F. Johnson: *"We could build up a great enterprise by making our workers comfortable, free of worry, whether in the factory or in their homes; by thinking of them and treating them as human beings, not machines to be run till they broke down and had to be scrapped; to make them as contented as we could within reason."*

James F. Lincoln: *"There are no layoffs at the Lincoln Electric Company when business slumps. Employment is continuous. There is only retirement at advanced age and the occasional drop off when the man does not fit."*

Sir Fletcher Jones: *"The only justification for the ownership of the means of production and distribution lies in a determination to 'give more and more for less and less'."*

Conclusion

I started this study of Bata's method of management, first with the idea of looking mainly at his methods to insure quality. Then, as I dug more deeply, I realized that I could not

⁷ Zeleny, Milan "Management Wisdom of the West", Human Systems Management, (1990) pp 119-125

really understand this aspect of his work without seeing it in a larger context. Each aspect of his management system led me back to one central theme. The man, his beliefs and his character were the determining factors.

Dr. Deming used to say, scornfully, you cannot just "install" quality management. Anyone who studies the Bata management system in depth will discover that you cannot "install" or "copy" his system without first transforming yourself into the kind of man that Bata was. He believed in his principles. He stuck with them. He had the courage to persevere, even when times were most difficult.

Most of all, he believed that the sole purpose of his company was to enhance the welfare of his community and of society everywhere.

Out of all this, what lessons are there for today's entrepreneurs? I believe that the most formidable barrier to using Bata's methods is the belief that the company exists only to enhance shareholder values. Therefore, despite the attractiveness of "going public" and raising money through the sale of shares, I would urge the person who desires to create a great company to build it from within. Figure out how you intend to serve the public. Then figure out how your employees are going to prosper by working with you. Then put your efforts into understanding the customer, on elimination of waste and on production with quality. Do not try to buy your way into the market. Find a way to make profit from your ideas, even if it is not initially the big profit of which you might dream. Use the profit to fund your way forward. When you have a proven business plan, borrow the money; do not sell your company. Do not succumb to the attractiveness of 'going public'. You may be able to make some money that way; perhaps quite a bit. But you will never be able to create a great company.

Everything depends upon what you really want to do. On that score, I can offer no advice. It's all up to you.