

An Analysis of Bata's System of Corporate Governance for Entrepreneurs and Head Office Employees

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Zásady pro vypracování:

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Stanovte kritéria pro systém řízení Baťa a porovnejte s moderním procesním způsobem řízení organizace.
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ABSTRAKT

Bakalárska práca je zameraná na analýzu základných princípov Baťového systému riadenia pre súčasných podnikateľov. Zmyslom tejto práce je poukázať na nadčasovosť a využiteľnosť týchto princípov v súčasnej dobe a za súčasných podmienok podnikania.

Bakalárska práca je rozdelená do dvoch hlavných častí a to na teoretickú a praktickú. Teoretická časť je rozdelená na štyri kapitoly. V prvej kapitole sa pojednáva o historickom vývoji firmy Baťa od jeho založenia až po súčasnosť. V ďalších kapitolách sa venujem priamo Baťovému systému riadenia a jeho princípom. Analytická časť sa venuje analýze jeho systému riadenia pomocou SWOT analýzy a druhá časť analytickej sekcii sa zaoberá možnými návrhmi a odporúčaniami využiteľnosti princípov Baťového systému riadenia pre podnikateľov a vedúcich pracovníkov.

Kľúčová slova: Tomáš Baťa, Baťova soustava řízení, účast na zisku a strátě, zaměstnanci, vzdělání, samospráva díelní

ABSTRACT

The bachelor thesis is focused on analyzing the basic principles of Bata management system for today's entrepreneurs. The purpose of this work is to highlight the timelessness and the availability of these principles today in the current business conditions.

The thesis is divided into two main parts to the theoretical and practical. The theoretical part is divided into four chapters. The first chapter discusses the historical development of the Bata Company since its establishment to the present. Other chapters deal directly with the principles of Bata's system of management. The analytical part deals with analysis of its management system through a SWOT analysis. Analysis of the second section deals with possible suggestions and recommendations of the usability of principles of Bata's system of management for entrepreneurs and executives.

Keywords: Tomas Bata, Bata's system of management, participation in the profit and loss, employees, education, workshop autonomy

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INTRODUCTION

Tomas Bata was one of the most influential and successful entrepreneurs in Czechoslovakia. He inspired many managers and other people to do their job well. Work of Tomas Bata was and still is extraordinary. He developed ways to be more efficient and ways to deal with employees and also he was the person, who cared about his employees. Tomas Bata is arguably the most influential person in Czech history. Although his beginnings were humble and he started his business from nothing, he established the most famous footwear stores in the country and his brand is famous throughout the world.

This is the reason, why I have chosen this topic. I admire this person and now I would like to find out, how his work influenced other people.

This bachelor thesis is divided into two main sections: theoretical and analytical, which correspond with required form of bachelor thesis.

The theoretical part is then divided into four chapters. First chapter introduces Tomas Bata and also the historical development of Bata's industry from its foundation in 1894 until the present. It is divided into important milestones. These are the milestones that have an impact on development of company. In second chapter is described the strategy of the company and characteristic features. The third chapter is talking about the Bata's system of corporate governance. This chapter together with the fourth chapter, which described individual principles of management system, presents a literature and information base for the analytical part of my bachelor thesis.

Analytical section is divided into two chapters. In this section I would try to analyze the system of management. In the fifth chapter I would analyze the system according to SWOT analysis into four parts: strengths, weaknesses, opportunities and threats. Practically the most beneficial part can be considered the sixth chapter of the thesis based on theoretical knowledge, and within which they would be submitted suggestions. These suggestions are devoted to managers, who could use the Bata's system of management in their companies.

The aim of my bachelor thesis is to make a literature search of the Bata's principle of corporate governance and also to make an analysis of the system of management and then based on these analysis and literature search, to make suggestions for today's managers and businessmen.

The aim is also to confirm my hypothesis:

1. The model of management system, which was established by Tomas Bata, is in modified form fully useable at present

I. THEORY

1 THE BIOGRAPHY OF TOMAS BATA AND HIS COMPANY

Tomas Bata is the most influential person in Czech Republic. He inspired many managers. His beginnings were not easy. He was born in shoemaking family. In that time it was common that the family of a shoemaker was poor. This is the reason why Tomas wanted to become a successful man.

1.1 Beginnings

“Tomas Bata was born on the 3rd of April 1876 in Zlín. His father was a venturesome shoemaker, who had good ideas, but lacked the persistency in performing his plans. He laid his hopes on his children, who he taught the secrets of shoemaking to since their childhood.” (Kudzbel 2006 12)

From the early childhood, Tomas was very interested in the process of shoemaking. He lived in the living room, which was also kitchen, bedroom and workshop at the same time. He spent his childhood there and he had the opportunity to watch his father working. Tomas started to produce shoes for puppets from the leather scraps. *“He probably learned at this time, when he was able to earn his first money by manufacturing worthless waste into valuable goods, that efficiency and savings brings fruit”* (Kudzbel 2006, 13)

At the age of 10, mother of Tomas Bata died and his father remarried. They moved to Uherske Hradiste. When Tomas was 14, he became the trainee of his father and he started to be responsible for all sales. After that, he was sent by his father to surrounding factories to find out what new production processes and machines were being used. Tomas was amazed by all these machines and this was the moment, when he started to love all technologies.

Tomas wanted to persuade his father to use new ideas in production and also to modernize the process of production. His father refused all these ideas, so Tomas decided to become independent and he started his own business with his siblings who were always his closest friends.

1.2 The period before WW 1

Tomas with his siblings established their workshop in a rented house on the square in Zlín. They had only 800 golden coins as the capital. They could not afford to buy material in cash, so they were forced to buy it for drafts. At the beginning they employed 10 workers into the workshop.

“The business of the Bata brothers was run in an up-to-date fashion, but they had repeated old mistakes. They succeeded in producing and delivering the goods on time but often were not paid for delivered shoes.” (Kudzbel 2006, 13) This was the first crisis of two brothers. After all Tomas solved this problem, when he started to work hard with his employees and he paid all their loans. The second crisis came with the bankruptcy of Koditsch & Co., the company which delivered raw materials to Bata. Antonin signed drafts to Koditsch in the value of 20 000 golden coins. The solution for the second crisis was the endurance and the will to not bankrupt. Tomas started to work day and night and after short time he paid the money back.

Bata wanted to produce cheap shoes for all people in large quantities. He decided to make shoes from lightweight textile with leather soles. Everyone laughed at him, his idea succeeded and the shoes became fashionable. After this invention, the company T. & A. Bata became one of the most successful companies for manufacture of footwear in Czechoslovakia.

“In the end of 1904 Tomas Bata, together with his three head masters, went to the USA for a year to study and explore the American system of mass production and the newest shoemaking machines.” (Kudzbel 2006, 22) Tomas was amazed by all the new ideas, which he found in the USA. The most interesting thing for him was that they did not know the jealousy. Everyone tried to do everything what they can to achieve a success to that of the successful. He worked there as ordinary workman and he had the chance to try every part of the production process. When he came back, he started to implement these new ideas and methods to the production. During his staying in the USA he was impressed by the relationship of workmen with their employees. That was the reason, why he decided to establish a labor union in his factory.

“The tightened behavior and hard conditions resulted in a strike for wage increases for the workmen, who stopped working and therefore caused material damages.” (Kudzbe 2006, 23) Tomas decided to solve this situation in a radical way. He fired all the organizers of this strike and for other he issued disciplinary measures. After loss of some workmen, Tomas had to recruit and train new workers. *“Bata preferred to risk financial loss to the loss of reputation, although the effects of the strike manifested for the next several months.”* (Kudzbel 2006, 23) Bata’s attitude to the labor union after the strike had changed. He decided to forbid the labor union in his company. Tomas tried to create the environment, which did not need any labor union.

In June 1908 brother of Tomas Bata, Antonin, died of tuberculosis and Tomas Bata took over the management of the company, the name of the company remained unchanged and still remained T. & A. Bata. (Lehár 1960) In 1910, Bata was already employing 1500 employees and producing 3000 pairs of shoes daily. In those days there were about 3500 inhabitants in Zlín.

Between 1912 and 1914 a new economic crisis fell on the shoe industry in Austria-Hungary, which in its beginning led to the formation of a monopolistic cartel organization of shoe factory enterprises, organized in the Association of shoe factory owners in Bohemia, Moravia and Silesia. Member of the cartel, which immediately after its establishment increased the prices of footwear products by 10%, became the firm of T. & A. Bata. (Lehár 1960)

In 1913 Tomas went to the USA again. He wanted to study there practices of Taylor, Ford and Gilbreth. *“A conveyor belt was implemented in Ford’s factories in 1913. Thanks to the increased volume on the line he started mass production.”* (Kudzbel 2006, 13)

“Until the beginning of World War I, Bata succeeded in developing a company that belonged among the most important shoemaking firms in Austria-Hungary, with the highest labor productivity in the department.” (Kudzbel 2006, 13)

1.3 World War I (1914-1918)

Before the WWI the Bata’s industry focused on production of canvas shoe. They imported to the Balkans, Germany and the Near East. After the beginning of the war Tomas had to revalue the production and they had to switch the manufacture to a different kind of footwear. *“Most of the employees were to enter the military forces and Bata had only three days to fill the orders.”* (Kudzbel 2006, 13)

Tomas had to undergo a difficult way to Vienna, but finally he got the order on 50 000 pairs of military shoes. By this order he saved his employees who did not have to go to the war. The production was quite slow at first, but after some time, when they got some practice in producing new kind of shoes, new military orders approached. *“By the end of the war, Bata was already producing 10 000 pairs of shoes a day. Military shoes covered most of the production. The production of civilian shoes made up a much smaller part.”* (Kudzbel 2006, 26)

The war brought a big profit to Tomas Bata. The number of employees increased to 5000 by 1918 and the balance indicator increased from 1914 to 1918 from 4.008 786 K to 47.964 586 K.

“Bata’s factories were the biggest producer of shoe-wear in the area of Austria-Hungary by the end of WWI, and became one of the most important European producers of shoes.” (Kudzbel 2006, 27)

1.4 Bata’s enterprise in the time of economical crisis

After the WW I, Tomas decided to extend his business into other places. *“During the years of 1920 to 1922, subsidiary corporations were established in the USA, England, Holland, Yugoslavia, Denmark and Poland.”* (Kudzbel 2006, 28) All of these factories were very important for Bata and his further being in the time of economical crisis. They also helped him with the delivery of materials, which was needed and which was difficult to purchase in Czechoslovakia.

The period, which came after the war, was difficult for everyone, especially for entrepreneurs. In the world appeared the worldwide crisis. Tomas Bata decided to solve this situation in a psychological way. He used the psychological step, which is now known as the Bata’s price. This term is used for an amount of money which ends with number 9. This step was the first important thing in solving the situation of economical crisis.

With regard to the escalating postwar crisis, Tomas Bata decided to proceed to completely radical solution. 1 September 1922, in order to ensure sales, were running a retail event “Bata crushes high prices” and shoe prices have been reduced by 50%, which meant that shoes, which price was CZK 220 in spring, were sold for CZK 119 from September 1922. With this gesture was also connected the fact that staff salaries were reduced by 40%, but while they were secured cheap living. (Pochylý 1990)

His competitors thought that this solution would break Bata’s company, but the opposite occurred. He sold all products from his storehouse and the cash, he obtained, used for the improvement of his production.

“In the situation of firing the employees and stagnation, Bata paid his workmen only 60% of their previous salary, but he kept the working positions without any more firing and he promised to provide his employees with the basic life groceries and necessities for half of the price in the corporate grocery stores. These steps balanced the lowered salaries

and helped improve production, while the other competitors didn't survive the crisis.” (Kudzbel 2006, 30)

Tomas Bata was not only interested in his company, but he also cared about the development of the town. In 1923 he was elected as the mayor of Zlín.

In 1927 Tomas implemented into his factory the line production. It was the result to the low productivity. After implementing of the line, the productivity grew also the fluency increased and the production costs decreased. Tomas used his knowledge which he gained during his staying in the USA. *“He studied Ford's methods and exploited his experiences with mass production.”* (Kudzbel 2006, 30) Because of this mass production, Tomas became known as “European Ford”.

“The situation became dramatic in the second half of 1928, when the production decreased 35% compared to the first half of the year. Strict customs barriers and contingents of shoe import caused a decrease in exports and also a stagnation of the whole shoe industry” (Kudzbel 2006, 39) This situation resulted into firing of about 600 employees and in 1929 Tomas fired some employees again. It was the first time since 1923, when someone was fired from the Bata's company. Dramatic situation repeated at the beginning of 1932, when great shoe industry crisis appeared. This crisis resulted into depression of the number of employees by more than 5000. Tomas Bata was not the type of person, who runs away from any problems. He was the person, who faced to all problems and who wanted to solve them. Also in the situation of crisis, he decided to undergo an investigative journey to the Near East and Asia. He wanted to gain new business partner and to expand his empire to new markets.

In 1932 Tomas Bata died in the plane accident, caused by the loss of orientation in the fog. The plane of Tomas Bata crashed into a factory chimney near the airport.

1.5 Bata's industry after the death of Tomas Bata

After the death of Tomas Bata, his stepbrother Jan. A. Bata took over the government of Bata's enterprise. It was logical, that he became the boss of the industry because since the end of the war he stood by the side of Tomas in the management of the company. Jan was in the charge of the industry together with D. Cipera, who was an educated entrepreneur, but he missed the charisma of the leader, which has the family of Tomas Bata.

“The period prior to the World War II was the most successful in the corporation's history and the company enlarged successfully and was able to spread out beyond the

shoemaking industry. Besides shoe production, the company invested into relative industries, including chemical, machine rubber production, bicycle production, stockings, synthetic fibers, airplanes and mining.” (Kudzbel 2006, 45)

1.6 Bata’s industry during the World War II

The political situation in Europe began to present worries about the expansibility of Germany. Before the outbreak of war Bata’s enterprise were the most important industry of production of shoes in Czechoslovakia. In that time Bata’s industry owned 63 subsidiaries in 33 countries of the world and the production of shoes were exported into more than 80 states in the world.

In 1938 the son of Tomas Bata, Tomik, was sent to Canada to establish the Bata Company. He went with hundreds of workers to the province of Ontario, in the city Frankford, where they established the base Batawa. After the World War II, this base became the settlement of Bata’s concern.

“Thomas J. Bata was leaving his hometown under dramatic circumstances, with the list of 64 foreign subsidiaries of Bata’s concern in the world. From these companies, after the war, arose the worldwide Bata Shoe Organization.” (Kudzbel 2006, 48)

After the invasion of German army and their military occupation of Bohemia and Moravia, the Bata’s industry had to change their purpose of production. They started make military production, which was determined for German army. This military occupation meant for Jan. A. Bata loss of his leading position in the enterprise. He was still in the charge of the company, but his influence was on the decline. Jan’s biggest problem was that he came from the country, which was connected with Germany. It resulted into his moving from USA to Brazil, where a new company was being built. Another problem was that the Canadian base lost his connection with the base in Zlín. There was a threat that Germany would take over the company in Zlín. Jan didn’t want to go back to Zlín, so the decision, who would go home, fell into the hands of Tomas Bata’s wife.

“At the end of the war, when its fate was already decided, the allied air force struck Zlín and bombed Bata’s factory. Most of the factory’s buildings were destroyed.” (Kudzbel 2006, 48)

The situation after the liberalization of Czechoslovakia became very difficult for Bata’s enterprise and especially for Jan A. Bata. In 1945 the nationalization decrees were enacted, which means, that the Bata enterprise became an asset of the state. Jan A. Bata

was found guilty of cooperation with fascism. The result of this accusation was the loss of his property.

In 1965 Jan A. Bata died and the management of Bata's industry was taken over by Thomas J. Bata.

1.7 Bata's corporation today

Bata is one of the world's leading footwear retailers and the company operates across 5 continents managed by 4 regional meaningful business units (MBUs):

- **Bata Europe**, Lausanne
- **Bata Asia Pacific-Africa**, Singapore
- **Bata Latin America**, Mexico
- **Bata North America**, Toronto (BATA 2010)

“The MBU approach provides quality resources and support in key areas to the companies operating in similar markets such as product development, sourcing or marketing support. Each MBU is entrepreneurial in nature, and can quickly adapt to changes in the market place and seize potential growth opportunities.

Bata's strength lies in its worldwide presence. While local companies are self-governing, each one benefits from its link to the international organization for back-office systems, product innovations and sourcing.

Although Bata operates in a wide variety of markets, Bata companies share the same leadership points. Two important ones are product concept development and constant improvement of business processes in order to offer customers great value and the best possible service.” (BATA 2010)

Bata today:

- Serves 1 million customers
- Employs more than 40 000 people
- Operates 4 600 retail stores
- Manages a retail presence in over 50 countries
- Runs 40 production facilities across 26 countries (BATA 2010)

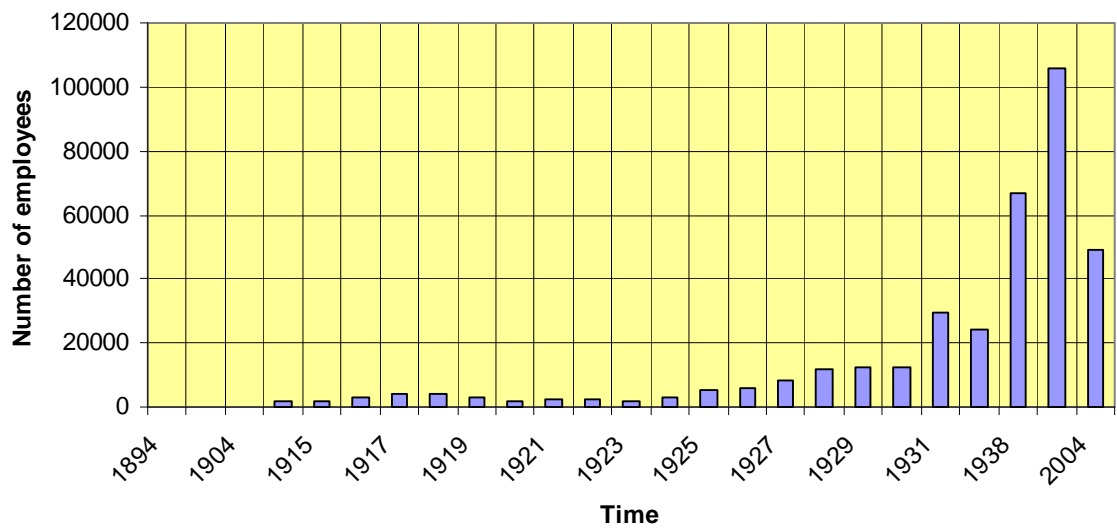


Figure 1: *Number of employees in company Bata 1894-2004* (Vítková 2005)

2 THE STRATEGY OF BATA'S COMPANY

Tomas Bata was influenced by Henry Ford and F.W. Taylor. He tried to inspire by them and he used some of their ideas. He didn't accept these ideas uncritical, but he tried to contribute with his own observation. It is remarkable, that person, which grew up in poor conditions from small country influenced so many managers and this system of corporate governance came from the place, which was far away from all big industrial centre.

The business strategy of Tomas Bata hasn't been recorded in any materials. However Bata's strategy should be explained by his own words: "Although in the world is 2 billions of people, it is producing 900 million pairs of shoes every year. If we count two pairs per person, we will see the difference between the production and the demand. This is our opportunity." (Bat'a 1990)

Using of this opportunity demanded business producing strategy, whose base was:

- Production of shoes focused on large amount of people – cheap shoes of good quality.
- Constant minimizing of factory costs and sales prices.
- To be the first one and the best one in technique, organization of work and system of governance.
- To gain the first place in the world influencing of shoes production (nowadays transnational monopoly). From the letter, which was addressed to foreign minister, E. Beneš was obvious, that Tomas Bata planned to create transnational monopoly of shoe production: *"From the development of production after the World War is evident, that the whole production would be checked and oriented into the world in very short time. That means that every production would have their central in certain country. We are making every effort to ensure the supervision of shoe industry in the world for our country."* (Ladová, Tomašík 2007)

2.1 Structure of the company

The administrative structure of the company wasn't described in any documents. The organization scheme was replaced by the list of departments, which was made every half year by the accounting department. From the list was possible to draw basic organization structure. (Garlík 1990)

The corporation was primary divided into factories; these factories were then organized according to particular production line of business into groups and finally these groups

were divided into departments. The smallest unit was always as big so one direct headman could handle it. (Ladová, Tomašík 2007)

An important task in the organization and in the management of the company, when applying the combination of operational and direct management by responsible headman, had in the first place these units:

- Personal department
- Costing department
- Salable department
- Central accounting department (Nádvorník 1990)

2.2 Characteristic features of management in Bata's enterprise

According to Garlík, there were six main features, which characterized Bata's company:

1. Direct controlling of top management
2. System of control
3. Operability
4. Flexibility
5. Simplicity and usefulness of management
6. Economic evaluation of decision (Garlík 1990)

3 BATA'S CORPORATE GOVERNANCE

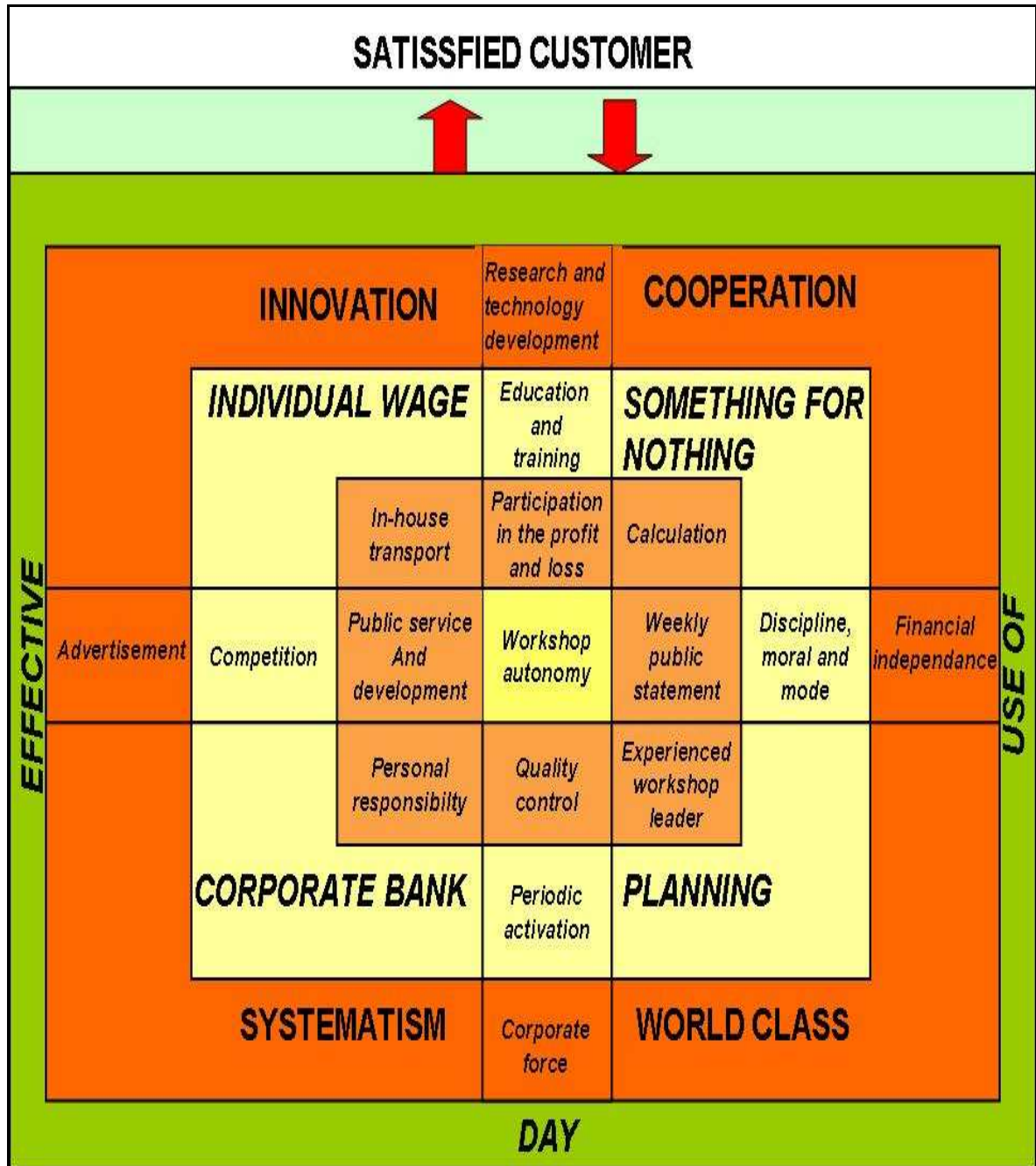


Figure 2: Bata's system of management (Vítková 2005)

Bata's corporate governance is a term, which is used for the system of practices that were used in Bata's company. He implemented these practices step by step. Nowadays with the knowledge, which managers have, it is easier to build company, but it was obvious that someone in that time could make from nothing so famous company.

The term wasn't established in Bata's concern. The reason is that all the points of the governance were established step by step. We could say that corporate governance is the system, which is used by many managers and other head office employees. It influences lot of academic writers or entrepreneurs, who are trying to find there ideas, which could help them in their work.

The idea of foundation of world famous company came with traveling to USA. Tomas saw there entrepreneurs, which managed their companies not only on the base of empiricism but also on the base of science. *"Bata organized his firm under the influence of his own experiences and the ideas of F. W. Taylor, H. Ford, A.E. Filene, and also G. Johnson, all practitioners who were according to their life-long experiences and observations trying to analyze scientific approaches to management."* (Kudzběl 2006, 62)

Generally we could say that Bata's corporate governance came from objective causing economic laws, it used all economic categories and it developed with great movement on the base of the own capital. (Lešingrová 2008)

All ideas, which are included in the system, are simple and they are based on basic principles of logical thinking. It includes basic needs of people, which Tomas used for increasing of the productivity of people.

It is said, that working in Bata's factories was not easy. He demanded the respect and the obedience of his employees. In some books it is said that within the frame of management was applied a form of dictatorship, that the corporate governance came from the authority of headman and collective cooperation. However this matter of fact was denied by graduates of Bata's school of work and also cooperators of Bata's company. Nevertheless the use of certain way of dictatorship was proved by words of Tomas Bata: *"The liberty ends behind the gate of the factory."* (Lešingrová 2008) The decision making in the company was equal between the employees and head office management. Nevertheless there were logical rule of full competence of decision for head office managers.

4 BASIC PRINCIPLES OF BATA'S CORPORATE GOVERNANCE

4.1 Financing of the employees

Tomas Bata was the entrepreneur, who rewarded his employees for good work, but also workmen were penalized for insufficient or bad work.

Bata's company was the first company in Czechoslovakia, which implemented the scheme of just rewarding according to amount and quality of performance. (Lešingrová 2008)

We can find in Bata's company four main types of wages:

- *Individual task wages* – it was wage paid per pieces. It was different for different type of shoes and level of wages was in proportion to importance, seriousness and difficulty of work.
- *Collective task wages* – it was applied in workshops, in which was implemented the line production. For every unit of production in one workshop it was paid fixed salary, which was then multiplied by the number of done working unit. The whole amount of money was then distributed among workers into particular workshops. The half of employees of Bata's industry was paid by this system.
- *Weekly wages* – it means that wages were paid once a week.
- *Profit sharing* – it was the most interesting type of wages, because the worker gained the share from the profit of his work. (Lešingrová 2008)

“In addition to regularly paid wages, there were special rewards and bonuses paid for workers with the most initiative. It was given especially to those employees who were developing improvements that saved materials and work.” (Kudzběl 2006, 84)

Wages in Bata's company were higher than average in Czechoslovakia in that time. For lot of people it meant prestige to work in this big company. Every year, more than 19 000 people wanted to work there, but they accept only about 1000 new employees.

From the chart bellow we could see the difference between average wages in Bata's company, in Czechoslovakia and in France in 1932.

	BATA	Average in CSR	France
Qualified	400	270	373
Non qualified	280	150	140
Apprentice	180	100	108

Table 1: Average weekly wages in CSR, Bata's company and in France in 1932 (Kudzběl 2006)

4.1.1 Profit sharing by the employees

Principle of profit sharing was established in 1924 in Bata's company. Tomas was the person, who tried to motivate his employees. He found out that people who had the firm salary didn't care about the quality of their production, so part of their works was sometimes insufficient and the department, who had to finish their product, was in loss. This was the reason, why Tomas decided to implement the system of profit sharing. At first, his employees participated only in profits. Although there were some improvements in the productivity, it still wasn't sufficient, so Tomas decided to implement the system of loss sharing.

The point of profit sharing was the depression of cost of production and the assurance of continuity of the production. Individual interest of every workman as a single part of production was replaced by the responsibility of individual departments. (Lešingrová 2008)

At first Tomas had to divide the factory into hundreds of small departments, which were independent, so they could operate with their own stocks. Thanks to this division, it was impossible that one department could absorb the profit of another department. Individual departments used to buy semi-products from other departments and they could decide if they accept the semi-finished product or not. This purchase was made according to intradepartmental prices, which were fixed for half a year and the market behavior of raw materials did not affect the department. (Kudzbel 2006, 74)

“The profit sharing system was not new idea, in the first third of twenty century this idea had been used by many American entrepreneurs. Tomas Bata was trying to find the way of profit sharing, which could help him to build autonomy of workrooms. This way was conditional by three key assumptions:

- The profit had to be calculated once a week.
- Every employee had to be able to calculate his own share on the profit.
- The participation was focused on small department, so that every worker could participate on the scheme of profit sharing.”
(Lešingrová 2008)

The scheme of profit sharing was not offered to all employees. Just 30% of employees participated on profits. The rest of workers had fixed salaries.

Income of employees was formed from 20% to 30% by profit sharing. As we can see in the table, from the implementation of this scheme in 1924 the profit sharing constantly increased.

Year	1924	1925	1926	1927	1928	1929	1930	1931
Week's profit sharing in Kč	50	60	80	90	90	90	90	98

Table 2: *Week's profit sharing of employees* (Stříteský 2003)

Tomas also decided to implement this scheme into the life outside the gates of his factory. He motivated purchasing agents of raw materials and also, what is interesting the fire brigade in Zlín. Their salaries increased, if the number of fires in the town decreased. (Kudzběl 2006, 76)

Bata used this system to motivate all departments of his factory. It was great idea how to ensure grow of the production and how to motivate his workers. From that moment every worker had in interest to provide the best work, because of increase of his salary. Nowadays many companies are influenced by this scheme and they try to implement it into their company policy. We can see various schemes of rewarding of employees. Usually in companies, which are focused on telemarketing, are schemes of rewarding their operators for successful orders.

4.1.2 Corporate bank

Bata's corporation had its own bank system. The creation of this system provoked Dominik Čipera. In that time, all savings and especially movable part of wages was of every young man, young woman and also of every directional worker saved in corporate bank. Bank paid them 10% interest per year. (Lešingrová 2008)

According to unwritten rules, certain amount of money was bound to payment of possible loss, caused by employees. It was for example payments of found shortage or a compensation of damage for delivered goods under complaint. (Křeček 1992)

"The convenient interest, much higher than in any other bank, gave this system the feeling of fellowship between the company and the employees. Employees knew that, in this way, they could harm the company with bad work, which would affect the finances managed by the company bank." (Kudzběl 2006, 79)

4.2 Workshop autonomy

The workshop autonomy was established in 1924 and it became central and worldwide respected element and characteristic feature of The Bata System of Management. The point

of this autonomy was increase of performance, improvement of management with material and decrease of costs. (Lešingrová 2008)

“Every department in Bata’s company purchased needed materials from other departments and after finishing their job they sold their product further to another department. The departments were dealing with fixed intradepartmental prices.”(Kudzbel 2006, 67)

Competition dominated between particular departments, which were good, because every department tried to do their best. Every workshop checked bought material and also bought product and if they were not in good quality they returned them back. This was good about this principle of workshop autonomy. Every workshop was individual unit; it looked like several small companies inside one big company. Every department had their own accountancy and also their own administration.

The division of particular activities into departments came from rule that every activity in the factory had to be divided into autonomy of individual departments:

- Purchasing department
- Productive department
- Sales department
- Clerical department (Křeček 1990)

“Tomas Bata summarized the main axioms of workshop autonomy in his brochure “Prosperity for All.” Here they are:

- *In every department there is one leading personality responsible for the work, profits and losses of the department.*
- *Every department has its own account of profits and losses, accounted publicly every week.*
- *The foreman and some of the employees share the profits of the workshop.*
- *Every worker in the workshop is personally responsible for the quality of his own work.*
- *The whole department tries to perform work of the highest quality.”* (Kudzbel 2006, 70)

4.3 Organization of company

As we know, Tomas implemented the scheme of workshop autonomy, which means that there were several departments, which worked independent. All these departments contributed to creation of final product. According to Nádvorník we could divide the structure of organization in Bata's industry into:

- Manager's office
- Purchase and storehouse
- Main production
- Facility production
- Sale
- Associated activities
- Producing factories outside Zlin
- Companies associated with Bat'a a.s.
- Overseas factories

4.3.1 Purchase

Purchasing activity was the most important part of business activities provided in Bata's company, which influenced the business results in industry. This is the reason, why Bata insisted on specialists, who had to be qualified, with great knowledge base. They had to have knowledge about goods and these specialists had to obtain commercial, organizational, law and language skills. Except of this, they should have the ability of working with people and also they should be loyal to the company. (Garlík 1990)

Purchasing department was divided into smaller departments and each of them had their own specialization. There were small independent units focused on purchase of leather, unit focused on purchase of pelt and natural caoutchouc etc.

“These departments were economically independent from each other. Each unit kept its own register of activities. Economic results of each source unit were created regardless of the economy of the others.” (Kudzbel 2006, 92)

Employees of purchasing departments had to buy materials for prices, which were lower than prices in calculation. If they bought materials for higher prices, they had to pay the gap from their own account. Every purchase department owned one storehouse. These storehouses were small units. The reason, why they were so small was that every storekeeper should know about each issue. (Lešingrová 2008)

Tomas Bata wanted to create a company, which would be absolutely independent. He didn't want to be dependant on external suppliers. Because of that he produced almost everything that he need in his company. He established several subsidiaries which supplied him, from the shoe boxes, elaborations on the leather in its own tannery, rubber components and building parts.

4.3.2 Sales department

In the beginning of his entrepreneurship he used to supply his goods to salesman, who sold it. Unfortunately Tomas could not influence their quality of services. Except of this longing of businessman for profit was much higher than the price of shoes and this way of their thinking was against to Bata's philosophy of public services. As we know Tomas ruled his company according to his famous slogan "Our customer – Our master" and this was the reason, why he decided to open his own stores and sale his goods by his own. (Kudzbel 2006, 102)

According to the scheme bellow we can see the division of purchase department. Particular departments had their own workers and also own duties.

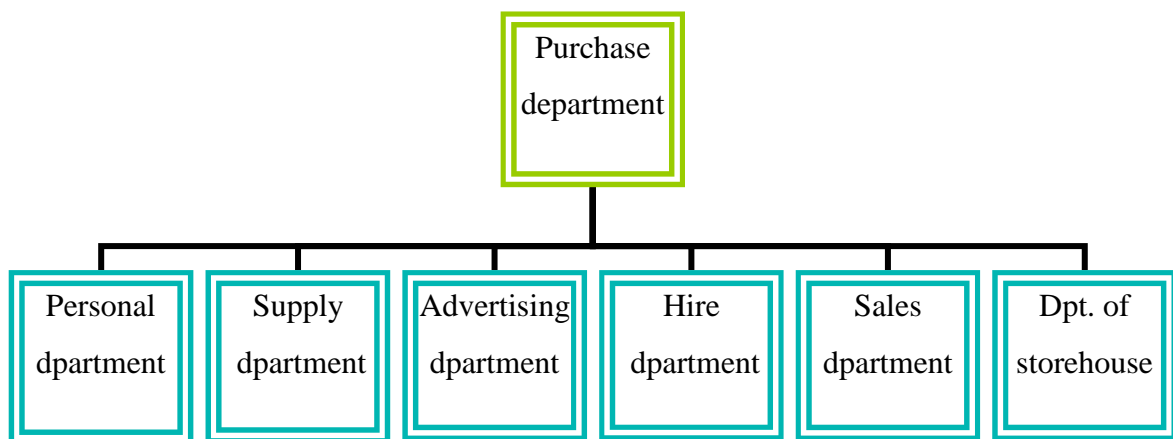


Figure 3: *Organization of purchase department of Bata's company* (Lešingrová 2008)

- Personal department included training of shopkeepers.
- The main duty of supply department was to supply individual stores.
- The advertising department focused on advertisement of company and they had their own printer.
- Hire department was responsible for hiring new people and also for building and adaptation of new stores.

- Sales department included administration, accounting and control of individual stores.
- Department of storehouse was in charge of delivery to stores and in selling the goods on a large scale. (Lešingrová 2008)

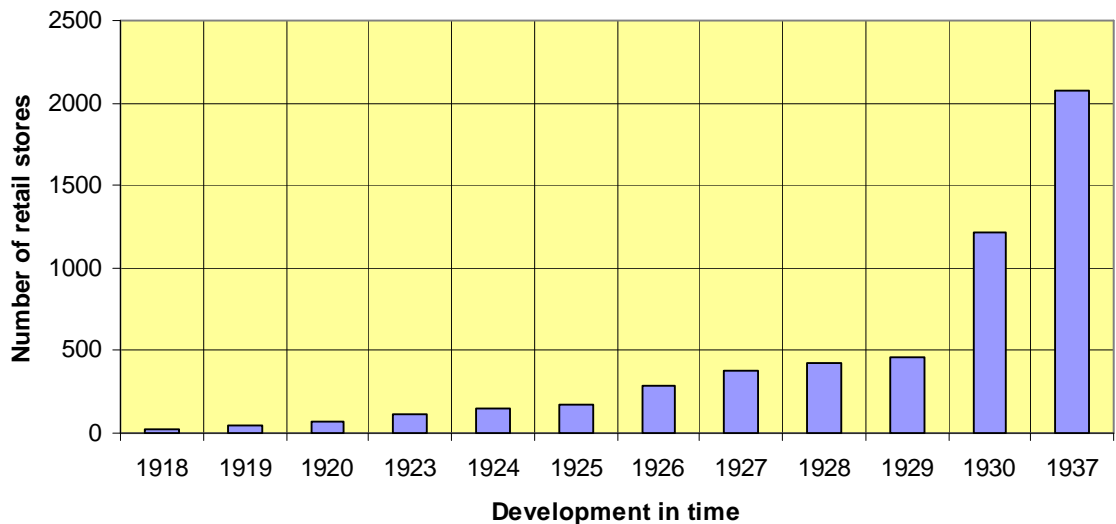


Figure 4: *Number of own retail stores of Bata Company in 1918 – 1937*

(Lešingrová 2006)

4.3.3 Production

Tomas Bata tried to lead his employees to efficient work. It means that he wanted to teach them how to work economy with material.

In effort to decrease the cost and also to decrease supplies, the main production of Bata's company was gradually extended by production of material and semi-finished product, which were needed for production of shoes. For example leather processing, production of shoe board, production of shoe textile, glues, creams etc. The main production was later extended by products, which were sold together with shoes; for example pantyhose, socks etc. (Lešingrová 2008)

Later Tomas Bata decided to extend his company by building department, which major task was to ensure the construction of typical Bata's factories and also buildings, not only in Czechoslovakia but also abroad. (Lešingrová 2008)

He established this department mainly because of production of shoe machines, so he was not dependant on other companies. All machines that he needed for his production were made in his subsidiaries.

Particular parts of production:

- **Creating collection** – the basic starting point for preparation, planning, management and organization of production was collection for particular season. “A number of workers, working all around the world, were responsible for observing fashion trends and providing up-to-date samples. So, the main inspiration came from the salesman, who were bringing ideas, picture, or shoes, and suggested what would be suitable for a certain region.”(Kudzbel 2006, 88) Collection was approved by domestic sales department, exporting department and by management of Bata’s industry.
- **Technical preparation of production** – central pattern-room was responsible for all technological documentation. They had to prepare exact technical description of product, drawing for costing calculation, measure of parts, production regulation that consist technical and technological parameters of product. (Lešingrová 2008)
- **Economic preparation of production** – for every made pattern was worked out preliminary calculations. To these calculations were constantly reflected changes, which came from changes in material or from improvement of technologies, proposals of estimators, suggestions of improvement etc. (Lešingrová 2008)
- **Organizational preparation of production** – the period of operational planning was one week. Daily plan then connected to this week plan. The production was always planned on Wednesday afternoon two weeks before a start of production.

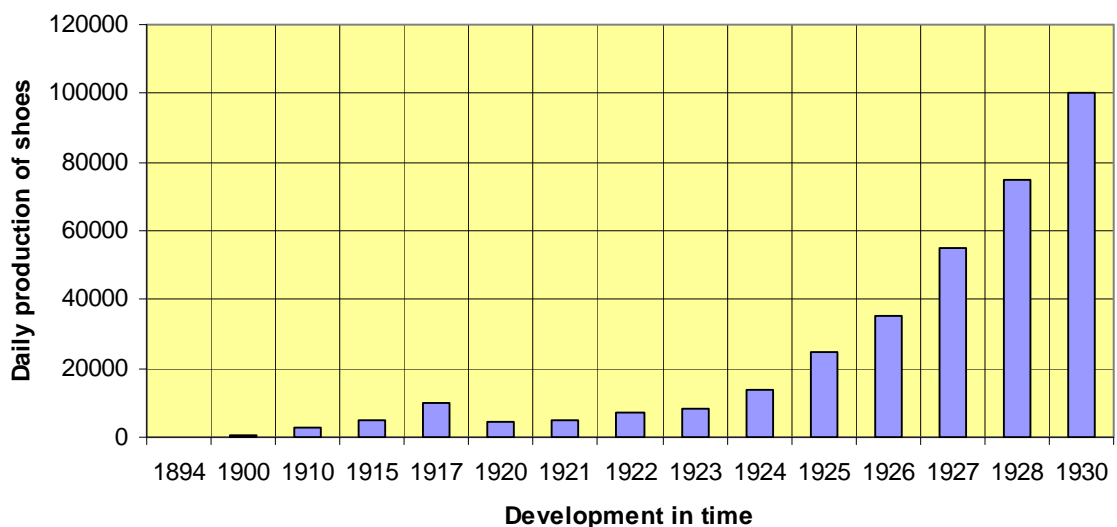


Figure 5: Daily production of shoes in years 1894-1930 (Vítková 2005)

4.4 Advertisement

The twentieth century has been called by some authors as the "century of advertising." By gradual development, advertising became irreplaceable instrument of economic competition. Major role in promoting ads played crisis after the First World War, which was accompanied by overproduction in many areas and a small sale of goods.

Representatives of many enterprises when realized that advertising can help them to improve their market position, and so the company began to organize a large advertising campaign in which they also worked on the public by all possible means.

The Czechoslovak advertising was specific in distinctive originality in the details. Overall, Czechoslovak advertising was considered as ineffective and irresolute.

Most of the companies approached to it without a deeper thought and longer-term plan and it resulted into the fact that approximately 80% of all funds have been issued totally unnecessary. (Vítková 2005)

Do not copy ads from other companies, especially not from competition, because the reputation of the advertising is transferred to the company name and is stolen by a lot of money. (Zelený 2001)

The most important firms were mainly: Schicht, rollers, Neher, Otto, Pra-ga, and Bata. These big companies in their advertising did not use only traditional methods, such as posters, flyers, brochures, advertisements and shop windows or shop signs, they introduced a number of innovations, especially the movie, neon signs, advertising on vehicles, advertising services, etc. (Lešingrová 2008)

Bata Shoe Company to other companies invested relatively little money to anonymous advertising. Her best advertising was inexpensive shoes and other products for a wide range of population, the extensive network of own shops and perfect service connected with repair of worn shoes, stockings, servicing the tire, etc. (Maršalek 1992)

Tomas Bata knew that advertising has a very significant impact on sales success in the market. Therefore, even in this area was nothing left to chance.

Types of advertising media:

- tin plates
- paper posters and leaflets
- shop windows
- portals
- business signs

- company logo Bata
- advertising service
- Bata price
- Brochures
- exhibitions and fairs
- advertising campaigns (Lešingrová 2008)

4.5 Motivation

Tomas Bata knew in that time, that the motivation of employees is very important. If he wanted to increase the productivity of his employees he should motivate them.

The motivation in Bata's industry we could divide into two spheres. The first one is the motivation based on financial rewarding and the second one is based on social sphere.

- **Financial sphere of motivation:**

Tomas Bata's philosophy was to reward good work and also to punish bad work. He tried to manage his company in this spirit. This is the reason, why he implemented the scheme of profit sharing for his employees. It motivated them to do their work good and to try to improve. If they were good in their work and their products were made excellent they earned some extra money, but on the other hand, if their work was insufficient and the quality of their products were bad, so it reflected on the height of their bonuses. It was great way how to motivate people and Tomas knew that.

- **Social sphere of motivation:**

Another way how Tomas motivated his employees was based on social conditions. He was the person, who wanted to give to his employee not only financial stability, but also social security. We could consider his social care about employees, the best one in that time in Czechoslovakia.

“Bata built houses for the employees, dormitories for the students, department stores with cheap products, a library, company club, hospital, cinemas, hotels, sport centers and schools.” (Kudzbel 2006, 125)

4.6 Education

Tomas Bata said: “During my work, my intention was not to build the company, but the people. I have built a man to be more proficient and effective and to serve better customers so that later he could build the company.”(Baťa 2002)

“Tomas Bata did not have exceptional rhetoric and diplomatic talent. On the other hand, his pedagogical talent was more than remarkable. It was he alone who taught tens of thousands of his co-workers both at home and abroad – where he built factories and department stores – such a way of work and style of life that its practical results were admired all over the world. Besides the practical steps towards the education of his co-workers and his youths, he was immensely interested in the public educational system.” (Rybka 2008, 8)

In 1925 Bata’s School of Work was established. Its aim was to teach young people to responsibility, politeness, conscientiousness. He knew that expert knowledge in connection with consistent education would make from boys self-confident young men, who would handle not only technology, but also they would understand to management and administration. In 1929 Bata’s School of Work was established also for young women. In 1934 19 000 people wanted to be part of Bata’s School of Work, but only 1000 candidates were admission to school. They preferred candidates from poorer social conditions, because they expected that they would be modest and hard-working.

“The brilliance of the pedagogic successes of the Bata’s educational system is illustrated by the fact that many people from various nations came to Zlín to gain experience that they later applied in the whole world. Even now we can meet them abroad. They were Yugoslavs, German, French, Polish, English, Indians, Dutch,, Rumanians, Swiss, Egyptians, Austrians, Americans and Bulgarian.”(Rybka 2008, 14)

4.6.1 Tomášov

Tomasov was established in 1937. It was an institute, where 60 successful young men were accepted. Their aim was to create senior managers from young men. Men in Tomasov were raised to strengthen their abilities in international purchase, business and production also they were led to expertness and to organization of their work. Tomasov meant an extension of general education and also an extension of their company manners.

Students in Tomasov worked in factory at various positions, because of acquirement of work experience. (Mayzlík 2005)

II. ANALYSIS

5 SWOT ANALYSIS OF BATA'S CORPORATE GOVERNANCE

5.1 Internal analysis

5.1.1 Strengthens

- *Workshop autonomy* – every department was individual unit of company
- *Benefits for employees* – it includes catering, communication, culture, sport, health care, insurance, and advances to employees...
- *Education of his employees*
- *Usage of the newest technologies* – Tomas Bata created a special department, which aim was to innovate technologies
- *Connection between purchase and distribution*
- *Advertisement* – in that time advertising of Tomas Bata corporation was on very high level
- *High agility of the company* – failure was one of the main attributes, which drove along the company
- *High level of wages*
- *Motivation_* - it includes the scheme of profit sharing by the employees

5.1.2 Weaknesses

- *Prohibition of trade unions* – Tomas wanted to create company and policy of company, which would not need work of trade unions. On the other hand trade unions were in that time to protect interests of employees.
- *Autocratic style of managing the company* – Tomas Bata was very strict in his management even in some books it is said that he was like dictator

5.2 External analysis

5.2.1 Opportunities

- *Use of the system as an educational method*
- *Development of road-traffic infrastructure and also development of railway infrastructure*
- *Improvements of relations with foreign countries and making new connections with foreign companies*

5.2.2 Threats

- *Ignoring the negative influence on environment*
- *Competition of other system of management*

5.3 SWOT analysis

	INTERNAL	EXTERNAL
POSITIVE	<p>„STRENGTHENS“</p> <ul style="list-style-type: none"> •WORKSHOP AUTONOMY •BENEFITS FOR EMPLOYEES <ul style="list-style-type: none"> •EDUCATION •MOTIVATION •ADVERTISEMENT •HIGH AGILITY 	<p>„OPPORTUNITIES“</p> <ul style="list-style-type: none"> •USE OF THE SYSTEM AS AN EDUCATIONALMETHOD •INFRASTRUCTURE •RELATIONS WITH FOREIGN <ul style="list-style-type: none"> • COUNTRIES
NEGATIVE	<p>„WEAKNESSES“</p> <ul style="list-style-type: none"> •PROHIBITION OF TRADE UNIONS •AUTOCRATIC STYLE OF MANAGING <ul style="list-style-type: none"> • COMPANY 	<p>„THREATS“</p> <ul style="list-style-type: none"> •NEGATIVE INFLUENCE ON ENVIRONMENT •COMPETITION OF OTHER SYSTEMS <ul style="list-style-type: none"> •OF MANAGEMENT

Figure 6: SWOT analysis of Bata's corporate governance (Own elaboration)

6 UTILIZATION OF BATA'S CORPORATE GOVERNANCE

6.1 Education

Tomas Bata tried to educate his employees. His aim was to raise young men and women to become responsible workmen. Today's managers and businessmen should think about this principle. They could cooperate with schools and with universities.

Except of this, they should devote their time to accepted graduates, to help them understand the whole system of the company. Graduates should make familiar with the whole operating program of the company and not only with program of their particular work.

I would also recommend to managers to educate their stable employees. They know the system of work and they are familiar with company policy, so managers should deepen their knowledge, which employees could use in their work.

6.2 Education of managers

From my point of view, the way of life of Tomas Bata and also his way of managing the company is really impressive. All of his slogans are absolutely useful in current society. I would recommend to all managers not only from huge enterprises to learn something from Tomas Bata philosophy and read some books about his life, because Tomas Bata is one of the most influential person. I think it would help them to organize the company and also they could learn from him how to manage and how to be successful.

6.3 Profit sharing

Tomas Bata knew how to motivate his employees. He used great system of profit sharing, which motivated his workmen to do their job well. I think that nowadays it is still great way how to motivate employees and this principle is fully utilizable in current companies.

In many companies are used the system of rewarding employees, but the scheme of loss sharing is not common. I would recommend to managers to use also this part of profit sharing scheme. The idea of loss sharing was to force workmen to work efficient, to be responsible for their work. Without this part of profit sharing scheme, employees do not try to work efficient, because they are not punished for bad work. This is the reason, why I think it should be implemented in current companies, because it is also the way of motivation.

6.4 Employee's amenities

Bata maintained obedience in his factories. He wanted his employees to behave discipline, but he knew that for increasing of productivity of his employees, there had to be friendly atmosphere. Tomas was a person, who cared about their employees so he organized events for them. Also Walt Disney wanted to create a place, where his employees could go with their children and then he created Disneyland.

This principle is also kind of motivation and I think that it should be used in every company. I would recommend to all companies to organize special events for their employees and their children. Organization of events could help to strengthen relationships in the workplace. It could be some special weekends connected with sport activities or I would recommend cultural events.

6.5 Evaluation of employees

In Bata's industry every workman had its own personal file with all information and notes taken by head-office employees. This notes helped managers and masters to evaluate employees.

I find this idea very interesting and useful too. I think that it is important to evaluate employees, to check their work. After evaluation, these employees could improve their weaknesses. It would increase efficiency of individuals and also it would help to increase production rate of the whole company.

I would recommend doing this evaluation regularly at least twice a year for employees, who work for a long time in company. For new employees I would recommend evaluation every month for a period of six months. Companies should use the point system and according to results they should deduce either remuneration or punishment for employees.

6.6 Communication with employees

Philosophy of Tomas Bata was that every single workman could be once a manager in top control of company. He used to control his employees and understand them.

I think that employers should know what their employees think about the company also what they think about the direction and employers should listen to their ideas. I would recommend to management of companies to implement some special "boxes of ideas and recommendation" for their employees, where workmen could say what they like and

dislike. I am sure that then employers would know more about their people and they could minimize dissatisfaction of employees.

Another reason, why I consider it as a good idea is that employees would have a feeling that he is important for the company and he could influence the way of direction.

6.7 Communication with customers

The most famous slogan of Tomas Bata said: “Our customer - Our master”. The whole company was managed in this spirit. Tomas respected his customers and he tried to do everything for them. Salesmen in shops had to behave to customers like to royalty.

I consider this idea of Tomas Bata as the most important. Without customers there would be no business. I think that some companies do not understand to this philosophy. I would recommend to all managers to take care about their clients. They should find out their opinions. I think that companies could have some special columns on their web pages or special boxes of ideas and recommendations in their shops, where customers could tell their experience and their recommendation.

As well as in the communication with employees, this is the factor, which could help the company to realize their limitations and they could try to eliminate them. Also for customers is the way how to tell, what they think and how they feel about the company.

CONCLUSION

The topic of Tomas Bata I chose from a deep respect for this man, to his teaching and to his management system. He inspired many world-known entrepreneurs, who use his system in their management. Similar features of management can be found in the control system of Bill Gates or Steve Jobs.

Tomas Bata was a pioneer in entrepreneur's access to their employees, who he called colleagues, also to their knowledge and skills, which are evidenced by today's well known corporate educational systems. Tomas Bata applied a global strategy and cooperation networks for decades before people ever began to use terms. Conceptual innovation in accordance with the then most advanced trends he introduced continuously into his production and economic management system. (Petrikova 2002)

I tried to find in his system of management advice, guidance and inspiration, which I could use in my future life. Studying his life and work has brought me the information I have summarized in SWOT analysis. Find weaknesses in Bata's system of corporate governance was very difficult. It is said that find perfect imperfection is virtually impossible.

All the weaknesses and threats that I found can be taken as well as strengthens. It depends on the point of view. Method of management of Tomas Bata is considered autocratic. I called this feature in my SWOT analysis as a weakness, but Tomas would never have achieved success if he was not strict to his employees as well as to himself. This is the reason, why it is difficult to find weaknesses in his system of management, because most of them could be also considered as strengthens.

The goal of the work was to analyze the basic principles of Bata's system of corporate governance and evaluate their use for today's entrepreneurs and head office employees. Based on the study of the management system, I chose the principle of Bata's system of corporate governance, which I find useful even today. I tried to focus on those principles, which I think that today's managers do not use or use them at least. I would recommend to all managers to manage their company on the base of learning of Tomas Bata.

Hypothesis I: "The model of management system, which was established by Tomas Bata, is in modified form fully useable at present." This hypothesis was confirmed.

The history of Bata's company has started from 1894, when three siblings founded the business. Thanks to the hard work of Tomas Bata the small company became the world-

known company. This is the most important message, which left Tomas Bata and all his successors tried to continue his legacy that hard work and perseverance leads to success.

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