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Results of the applicability of performance management
in domestic small and medium sized enterprises

Doctoral (PhD) thesis

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1. Aims set, hypotheses

The starting point of the research summarized in this dissertation is based by the observation that in many cases the small and medium sized enterprises (SMEs) do not pay sufficient attention to planning as well as measuring and evaluating performances and expenditures. The presupposition seems grounded that the performance management activity dealing with this field of problem may lead to an increase in efficiency even in itself, in several segments of the mentioned company group showing multiplicity.

The very complex concept of performance determination is used in various ways in all sorts of science. This research investigates the organization level performance and does not deal with the issues of personal level performance.

Writing of this dissertation had an aim of three: (1) to summarize the relevant scientific literature in connection with performance measurement and evaluation giving an outline of Hungarian researches in addition to international authors. (2) On an adequate empiric base, to survey the actual situation of performance measurement and management as well as the possibilities to improve it in Hungarian SMEs. The performance and the contingency factors determining performance stood in the focus of this empiric research, and within this the dissertation studies with priority the cause-effect (casual) relationships in relation to strategic management and cost management. At the same time, it builds up and tests a “performance model” to be proposed. (3) Based on the outcomes, to formulate recommendations for SME managers in order to operate their enterprises more effectively and to achieve the performance objectives more easily.

The getting acquainted with the strategy – cost management – performance relationship and their interactions with one another constituted the central questions of the research:

1. What kind of general features does the strategic thinking of small and medium sized enterprises have? Upon what kind of critical success factors do they build on? How do the managers assess the competence of their own enterprises, and how do they build them into the strategic goals?
2. How are the SMEs’ systems working with expenditures founded? How do the elements of cost management change with respect to the expected outcomes (performances) and the actually realized ones? How observable is the efficiency of internal operation through cost registering systems?

3. How do the performances and the results gained affect the decisions of managers? How does the process of performance evaluation and planning affect the internal business processes? What kind of effect has the achieved performance on the company's strategy?

An essential assumption of the author is that if the determined strategic goals, the cost management objectives and the expected performances are well definable, then they can be made adequately measurable and evaluable. However, it is very important that the relation itself between performance and strategy is mutual; none of them is a cause or effect factor clearly.

If we accept the plausible fact that every enterprise must conform adequately to the environment implying its strategic contexts and to the system of its stakeholders; furthermore that its strategy conformed to the environment mediates between the external requirements and the internal conditions as well as the development demands; and that the use of resources ("value drivers") operated by its operative system (i.e., causing expenditures = cost driving) is reasonable only in terms of the expectable performances, then a close connection – which is controlled and at the same time susceptible to influence – needs to be upheld amongst strategy, value generating (at the same time cost driving) processes and goal achievement (performances). Thus, the management of performances is not other than assuring the efficient achievement of strategic goals, keeping also the setting of objectives under control.

From among the second-generation performance management systems the "performance prism" conception and the approach of "Kaplan's model" 3-4-level cost management systems bearing management information about the operation of corporate processes give a basis for the research framework model. This model connects the corporate vision with the use of the company's resources, with the framing of processes, together with which the expected performance of the enterprise consolidates.

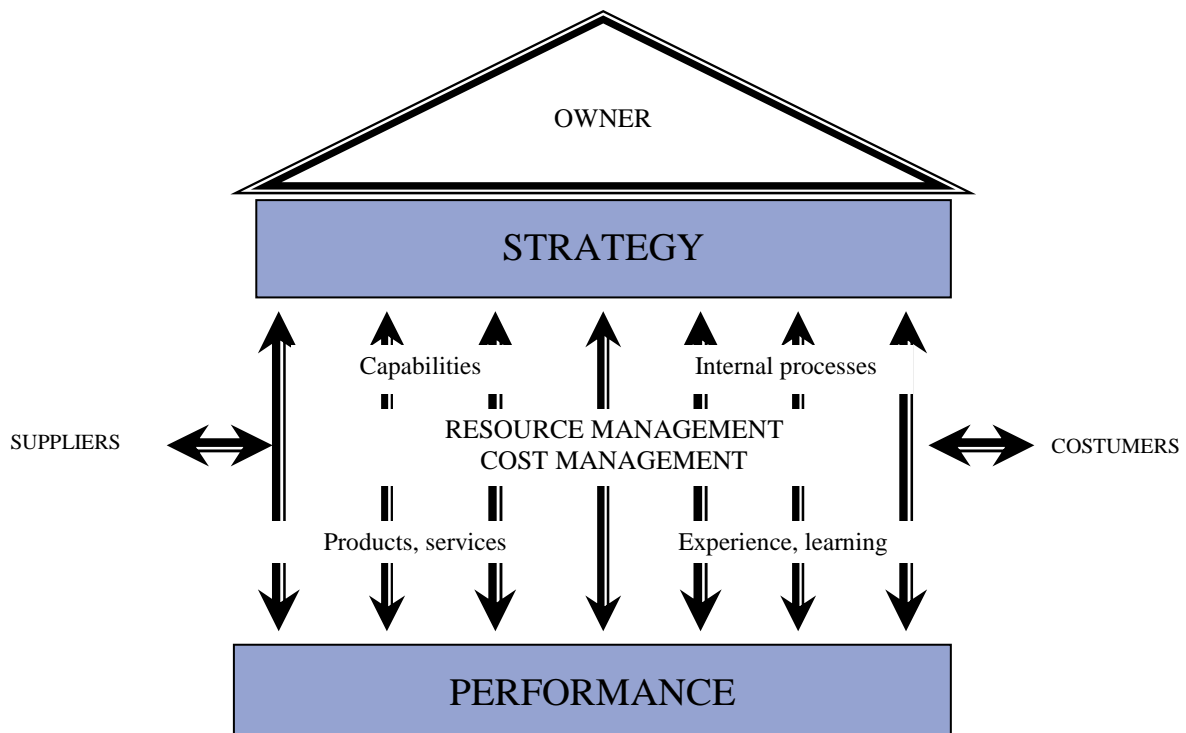
The interpretation of the model is possible through the following three points:

1. Vision and goal –under a strong control by the owners – determine collectively the developmental direction of enterprises and the fundamental goal of their operation.

The strategy not always appears in its classical sense; however, the system of strategic goals can be derived from the vision developed.

2. In order to attain the defined objectives an operating organization draws up, the content element of which determines the structure of internal processes, the use of resources and the external market relations.
3. The company activities bring about a corporate performance collectively. In a favorable case, the realization of objectives, together with revising the weak points of processes and taking into consideration the experiences from the relations with the stakeholders of market, affects also as a special learning process, during which iteration begins. It relates back to the strategic decision makers, (especially) the owners, who by this means reconsider the most important goals and objectives (performance drivers); consequently, through newer processes they will be capable of doing renewed performances with further knowledge and capabilities.

Model of measuring and evaluating performances



Source: Own construction

Relations of stakeholders

In case of SMEs, three main sets of stakeholders determine the long-term operation and the results achieved: owner(s), suppliers and customers. The connection established with the

particular groups is two-sided, since the satisfaction of both parties is important within the given connection. Consequently, during the investigation, I grounded on a performance model, which takes into consideration the company's efforts made to the stakeholders' contentment as well as their contribution to the fruitful operation of the organization.

- Often the owners also themselves contribute to the day-to-day operation of the SMEs, and they expect the growth of their invested assets, the profitable operation and the high yield of entrepreneur in relation to this.
- Towards the suppliers, typically expectations are formulated in the fields of cost efficiency, punctual delivery, quality product and high-level service. The enterprise itself can contribute to a better mutual cooperation if they specify their orders well and in time, as well as, they settle their invoices in due time regularly.
- At the customers' side maintaining satisfaction appears first (quality product and service, customer follow-up, support, after sale services); however, it has the same importance that also the customers should contribute to a good performance of the enterprise most of all with paying in due time and transmitting the market demands.

Internal operation

In the context of the “performance prism” concept elements meaning the base model the strategy is worked out, and then the adequate processes are organized on the basis of the relationship with the stakeholder, to the operation of which the enterprise gains and develops various competences and capabilities.

During the research I did not take this model over strictly, since in terms of a low number of management and a smaller size, the perhaps more simply processes the order is not important, or it is not sure that the operation will be the most effective by building up with this logic. For instance at the beginning of the developmental phase it is not possible that a small business could draw additional resources into in quantities, thus in initial phase of the lifecycle they can build only upon their already existing resources.

Summing up the particular elements of the model:

(1) Strategy: From the point of view of the model, the existence of a *strategy* is not important. According to the strategy management conception of the entrepreneurial school presented in the summary of the scientific literature, even the vision, an idea can be enough. Thus, this

research also did not take the mistaken assumption that the performance objectives must be deduced from strategy. These objectives must be elaborated separately.

(2) Capabilities: An SME can draw from a defined inventory of capabilities. In their possession, it gains competences, which bring it to a more advantageous position compared to the competitors. The capabilities, existing expertise, procedure, organization depend often on one or two persons, and it has influences on the operating of the entire enterprise. This is the ground of the model, which is its possibility, and in case of growing businesses, it may be a hindrance of advancement not infrequently, but anyhow it is the essential component of the model.

(3) Internal processes: An enterprise provides its expected functions to the stakeholders by means of operating its processes: produces, provides information and transfers moneys. The arrangement of these processes implies the key of efficiency. At framing basic processes, we cannot avoid to proceed in accordance with the final performance objectives. When they are not well organized, the enterprise loses not only from its efficiency, but it has to suffer a series of failures, and practically it will operate in a way associated with a loss. The process approach came up in many instances in summing up scientific literature; however, as compared to its importance we cannot experience its realization. While from the point of view of SMEs it is primary to operate with their resources thriftily, economically, which are in scarcity as well.

(4) Products and services: They mean the market image of an enterprise. The quality of product and the functionality implied in it have great importance in terms of customers' satisfaction. This factor is of importance not in itself, but we can qualify it much rather based on the route leading to it. Notwithstanding the fact that we must know its all characteristics well, the performance is decided at the pre-product phases. The importance of planning phase is unquestionable from either the point of view of market knowledge (recognizing customer's demands) or preparing manufacturing process (obtaining technology, infrastructure, required capital and itself the product design). In accordance with Pareto's 80/20 rule, we establish the break-even level of a product in this phase already in 80 % and together with it also the efficiency of production and resource use.

(5) Experience and learning: It is the pledge of maintaining a good performance. During their growth, there are many milestones in the life of enterprises, when they have to move on a higher level (to renew, to enlarge). At such a time, they cannot operate every field in the same way yet as previously. Can we speak about a learning organization? In case of SMEs, we can surely, however it is not a deliberate thing. The process of learning (including training and

teaching) happens for the most part experientially, owing to this occurrence “only” a tacit knowledge comes into being in the organization. The SMEs reject direct learning; they deem it an unnecessary waste of time, and its investment character, the intention aiming at gaining future benefits does not appear.

(6) Resource and cost management: Most of all I regarded the cost management as suitable for mapping internal operation, as an internal company subsystem being the most suitable for measuring the elements presented. There was to be said for it that in the literature relating to strategy the authors creating performance models also mentioned several times the old-fashionedness of cost accounting methods or just their information distorting effect in connection with efficiency. The aim of the model was to examine and test such methods, cost accounting and registering procedures, which show direction towards strategic cost management. Thus, the question arose whether the statement of partial costs is present in addition to conventional total cost accounting. Do the companies examine project costs in addition to grouping by cost categories? The model contains a possibility to adapt methods, which supports the flexible organization, the spread of process approach, the efficient planning, production and measurement of performances.

Performance

The planning, follow-up and measurement of the entire company performance mean the final outcome. For the owners and managers of an enterprise it is of importance to see the advantages and the failure possibilities of the company more clearly, to have more accurate information about the efficiency of their business (financial, real, information) processes. It is also important that such indicators should come into being, with the control of which the strategic decisions can be checked immediately and the objectives set can be modified.

The author formulated the hypotheses of his research by reviewing the scientific literature and using also his practical experiences as a consultant. The research undertook the verification of three main hypotheses on determining vision, managing internal processes and controlling performance consciously, which are tested by the paper through further sub-hypotheses.

H1: The future prospects of growth-oriented small and medium sized enterprises are characterized by a market-centered attitude ruled by the owners' ideas strongly.

H1a: Amongst the strategic goals of small and medium sized enterprises, the market building and the company growth dominate over the internal efficiency.

H1b: The financial goals fall into the background, they turn to the financial goals after realizing the market strategic goals.

H1c: In the view of SME managers the results come into prominence vigorously than the costs, expenditures.

H2: The enterprises in growing do plan their costs systematically whereby they realize a much more conscious resource management; however, this planning is not connected with performance objectives closely, owing to this it is not easy to measure out their value creating effect.

H2a: At cost planning and evaluating expenditures the aim is not only to operate a registering system yet, but the enterprises would like to have further significant information to ground their strategy and about the efficiency of their processes; however it does not manifest in their every day practice.

H2b: In case of growth-oriented enterprises, one can adapt cost management systems thinking in processes combining market and internal conditions and in corporate performance: free cash flow, process cost management and target costing.

H3: A flexible performance measuring and evaluating system built on the elements of “performance prism” conception can be adapted to the business practice of growth-oriented SMEs by developing the kaleidoscope thinking of companies and improving their market and internal efficiency together.

H3a: Typically the SMEs elaborate their strategic and performance objectives not according to the strategy and their relations with the stakeholders, but much rather they build on their own internal competences, by which they circumscribe the strategy, instead of the strategy would “pull” forward the competence development.

H3b: In case of SMEs in growing, the undertakable performance management system shall operate primarily based on their efforts and expectations appearing in their relationship with owners, customers and suppliers.

H3c: Noticeably there is need for the process management missing from the practice of SMEs, which shall be strengthened by better and more accurate planning and evaluation of performances.

2. Content, method and justification of the research

By reason of the author's orientation towards business economics and his practical work as a consultant it was essential that the research done should contain some practicable elements in addition to models and exploring theoretical correlations. Consequently, although it can be ascertained that from science philosophical point of view the dissertation can be placed among the researches of objectivistic attitude, it was obvious already at the beginning of the research that the dissertation finished cannot be of descriptive character merely, but it should contain and analyze also the solutions wanted.

The beginning of the research implied a literature research of several years, in which the aim was to overview the literature of management science, accountancy and specifically performance management. Grounded on also the experiences of consultancy in addition to the exploring work of scientific literature a theoretical framework model came into being, based on which the formulation of hypotheses closed this phase of research. Thereafter a phase of empiric data survey and analysis followed. The author of the dissertation tries to find answers to the starting fundamental questions by approaching the systems to be investigated as an outside observer, *describing and explaining* what, how and why occurs in practice. Three methods led to achieve these aims: First, a questionnaire survey was done, and then the database made from the questionnaires returned was analyzed with uni- and multivariable mathematical statistical methods (mean value analysis, correlation analysis and T-test). The hypotheses were assessed based on the results. In the second stage, for the sake of complementing the questionnaire method, personal deep interviews were carried out with SME managers in order to explore unquantifiable correlations. By using this method on opportunity presented itself to revise a part of the hypotheses in details. While in the third phase the obtained results were reconsidered based on the author's knowledge of the

profession gained from his consultant experience in order to formulate utilizable recommendations and further research directions.

The dissertation consists of three main parts following a logical chain, by means of which the aim and the framework model of the present empiric research as well as the explanation of the achieved result can be deduced starting from getting acquainted with the thoughts of other authors.

With respects to the importance and popularity of the subject, first a map was taken about the general economic situation of SMEs. Beyond the macroeconomic characteristics, it is essential that the SMEs in growing shall get highlighted attention. The hypotheses of the research were formulated based on their summing up. The first chapter presents the strategic management theories, which were considered important from the point of view of the research, with the uncealed aim of making mention of such approaches that can be adapted for small and medium sized companies. Thereafter the paper sums up the relevant international and domestic literature of performance measurement and evaluation. It presents the works with priority, which were considered the most important by the author from point of view of performance measurement and evaluation. These are divided into two main groups: the cost analyzing and planning concepts that can be considered traditional and the up-to-date comprehensive performance evaluation and management models. In the order of discussion, the international authors are as follows: *Robert N. Anthony, Robert S. Kaplan, Robert Simons, David T. Otley* and *Andy Neely*. Following that, there is a brief summary of the Hungarian management and organizational literature taking effect of any importance on the research. Owing to the limits of size, the author gave a more detailed description about the preceding and the contemporary domestic performance management researches in Appendix IV.

In the second part of the dissertation first the methodological background of the research, the enterprises having taken part in the research, the interviewee and the research model were presented. Furthermore, this part contains the course of the empiric research in details. The presentation of quantitative research results gives the guiding principle of the chapter. In this part, one can found the testing of performance management model determined in the knowledge of hypotheses. Just here, in the last chapter of the section about the empiric inspection there is a summary on experiences from the interviews and the qualitative research results.

The last third part gives account of the most important outcomes of the research. A great emphasis was put on conclusions describing the relations of performance and performance measuring and evaluating system with strategy and cost management as well as on recommendations formulated for SME managers.

With a relatively low financial support the research relied on 72 appraisable questionnaires returned from the altogether 536 questionnaires sent out, which is 13.43 % response rate. This ratio is regrettably low; however, on the basis of the well-defined population criteria of the identifiable occurrences can be said characteristic of the SME circle chosen. On the other hand, it is affirmed also by the fact that owing to the sampling method the base population has shrunk fairly low. In Hungary estimated on the data of 2008 from the approximately 1.5 million SMEs 200 to 300 thousand growth-oriented enterprises can be considered as the base population of the research. In addition to them 10 deep interviews were made, and the questions relating to measuring and assessing risks as well as elaborating vision were appraised based on the surplus knowledge acquired from them.

3. Results of research – new scientific achievements

The first prime hypothesis of the research referred to the fact that in case of smaller enterprises – especially in their intensive developmental period – an expressly “unidirectional” market approach prevails under the strong influence of the owners’ decisions. Beside it, however, the process approach determining the internal operation and aiming at the efficiency of the organization falls into the background.

T1: The future prospects of growth-oriented small and medium sized enterprises are characterized by a market-centered attitude ruled by the owners’ ideas strongly.

The contradictions lying behind this thesis are shown and verified by the theses derived from the sub-hypotheses outlined previously.

T1a: Amongst the strategic goals of small and medium sized enterprises, the market building and the company growth dominate over the internal efficiency.

From the answers of the questionnaire completed by the managers of enterprises, we can see that assertions relating to the achievement, magnitude and measurement of profit, sales

revenue got always before the assertions concerning to expenditures and organization of processes. In case of ranking questions there were such cases when these aspects appeared only at the third or fourth place first (questions A5, D3). At framing strategic thinking and vision, neither the interviews nor the open questions disproved the hypothesis. If not the profit appeared as the number one priority in formulating missions, then the customer satisfaction, the service level or any other specific market characteristics did, which emphasized the “distinctive” strategic approach of companies. The methodologies regarding to the efficiency of market operation, such as gross margin planning and analysis or improvement of service efficiency appeared in case of bigger enterprises significantly.

Consequently, based on the research results **we can accept hypothesis H1a.**

T1b: The financial goals fall into the background, they turn to the financial goals after realizing the market strategic goals.

The companies commence their operation and start out along a strategy, which was established somehow, for instance based on a vision. The desired investments and the established organization determine an organizational structure being necessary for carrying out business activity and also preserve it for a time, until the occurrence of the next major innovation. The enterprise can attain a competitive advantage by means of the characteristics of its products and services, its market position as well as increasing the efficiency of the organization. Consequently, in addition to the realization of market results, sales turnover, one should also take into account by what kind of expenditures it gets to these results. Based on the surveys we can state that the planning of costs does not show up with this fullness of details. The annual cost plans following mostly the logic of accountancy are not destined for measuring efficiency. While at performance measurement the indicators measuring the use and availability of internal resources, controlling the existence of liquidity show a relatively big standard deviation with a very small mean. It does not appear that the enterprises would consider the efficiency important in addition to profitability uniformly. The liquidity and the availability of finances get forward at companies having several business branches and bigger revenue significantly.

Consequently, the results **verified hypothesis H1b.**

T1c: In the view of the managers of small an medium sized enterprises the results come into prominence vigorously than costs, expenditures at feeding back the performance to goals and objectives.

During the interviews, all company managers presented the past and growth of the enterprise with a special enthusiasm and all these typically by making use of a graph illustrating the change in turnover, and then they added the name of their customers getting bigger and more renowned. In connection with plans, the potential market niches and possible customers were in the center of conversation. However, the answers to the questionnaire justify the importance of cost planning, the existence of economic efficiency aspects and the implementation of investments for obtaining customers. Consequently, high income, high volume of orders and customers satisfaction means performance. Similarly to the questionnaire survey, the cost side and the development of other expenditures did not get emphasis either during the interviews with the company executives. Aspects such as prime cost or COGS are not pronouncedly standpoints in strategic decisions; these are not considered as determinant factors of competitive advantage. The problem arises from a high level of relatively (in the short run sure) fixed costs, but the SME managers think that they cannot influence their development significantly.

The research did not prove the hypothesis, since in the companies there is a cost-sided thinking at planning, which has although less weight, but exists; however, it disappears on the side of assessment and analyzes. Namely, if there is any kind of cost registering in operation, there is no feedback based on the data obtained from them towards the management decisions. Thus, the factors causing expenditures do not become visible, therefore the management of companies can respond to these not readily.

The **H1c** hypothesis **requires revision anyhow from the point of view of planning** costs and performances; conversely, I find it **absolute acceptable from the respect of its evaluation** based on role of cost information played at decision-making.

By accepting the sub-hypotheses, taking into consideration the results from the analysis of mean values and the statements delivered during the interviews we can accept **hypothesis H1** without substantial modification.

T2: The enterprises in growing do plan their costs systematically whereby they realize a much more conscious resource management; however, this planning is not connected with performance objectives closely rather it serves only as the control cash flows, owing to this it is not easy to measure out their value creating effect.

The importance of the second hypothesis lies in the fact that a company management being more efficient in its method and consciousness shall be realized at the SMEs. We can foster this consciousness and method with the adaptation of the elaborated systems. The following statements refer to these.

T2a: At cost planning and evaluating expenditures the aim is not only to operate a registering system yet, but the enterprises would like to have further significant information to ground their strategy and about the efficiency of their processes; however it does not manifest in their every day practice.

At evaluating the planning aspects and in case of formulating the purposes of use the managers of the enterprises stated in a high proportion that they link their costs with projects, as well as, that the cost information influences the prices, the selection of suppliers and just the magnitude of marketing budget. In the companies, there is no system established relating to that; planning, determination of objectives, collection and evaluation of data should exercise mutual influence in its process. Statements reflecting the effect of some performance factor to the daily operation received a typically high mean, for instance the followings:

- A decrease in the operating outcome results in cost reducing measures one by one.
- We charge typically our customers with the operating cost increment arising in our company.
- In our enterprise, we are re-examining and revising the method of cost calculation continuously.
- We keep on file and follow up the entire cost of our acquisition process, and we try to make forecasts for the future.

The continuous iteration fails to come about between the two sides (planning and assessment), and the revision of plans and even more the vision (strategy) is difficult. When considering the cost management methods, we still see the problem of inadequate information content. To sum it up demands developed in the heads and changes (being positive in any case) started in the attitude have not been followed by practical methods and means, yet. Thus, we consider **hypothesis H2 as justified.**

T2b: From among the cost management methods thinking in processes combining market and internal conditions and in corporate performance, the growth-oriented enterprises are open to receive into the cash flow based approaches.

Contrary to the preceding researches compared, the answerer of the questionnaire could read concrete definitions, and they had to state their opinions about the use or the possibility of adapting the methods in this manner. In view of the results for question group C, we could experience a use in the ratio less than expected, however the companies can be said open to introduce cash flow-based methods primarily. From among the methods listed, the approach of free cash flow obtained an outstandingly better assessment compared with the others. This confirms also the earlier assumptions whereas there is already a demand for more accurate and better follow up of financial performances. Consequently, **we can accept hypothesis H2b only in part** with the amendment that at present, we could see a bigger chance for adapting cash flow-based methods and the propagation of process-centered methods brings further duties for the SMEs and also their consultants.

Feeding back the prime hypothesis perceptibly there is a gap between theoretical and scientific results as well as managerial demands and existence of methods translated into the practice. Looking at it metaphorically, from the huge cliffs of theories, scientific hypotheses and notions, on the other side of the rift we can see a solid flat ground, although which lies rather low but already founded well, to where the methodical construction has to be started. This dichotomy makes us say that **we shall not reject hypothesis H2 fundamentally, but we shall revise it considering its content element.**

T3: A flexible performance measuring and evaluating system built on the elements of “performance prism” conception can be adapted to the business practice of growth-oriented SMEs by developing the kaleidoscope thinking of companies and improving their market and internal efficiency together.

The “performance prism” conception served as the central thought of our research, and from among the performance aspects adaptable for SMEs the questionnaire survey carried out an examination on the content elements of this system. Based on theses 1 and 2 it is clear that in an unchanged form the performance prism is not suitable for the performance measurement of SMEs. The sub-hypotheses have reference to the directions of content modification needed for applicability. First, we examine whether the logical structure of the base model differs

from the logic of the operation experienced in SMEs: i.e., the processes are organized based on the implementation of strategy, and it controls the obtainment of competences, the developing learning process.

The second sub-hypothesis made advances to the set of highlighted stakeholders and the framework of developing the relationship in connection with them.

T3a: Typically the SMEs elaborate their strategic and performance objectives not according to the strategy and their relations with the stakeholders, but much rather they build on their own internal competences, by which they circumscribe the strategy, instead of the strategy would “pull” forward the competence development.

At making a map of competences, (on the five-point Likert-scale) the contact and cognitive competence got an average above 4, and in the rank the enterprises placed the competences of strategy and commitment interpreted in the relation of strategy relatively back. In the light of the results, we cannot reinforce that the strategy creation organized very consciously would precede the growth; however, we can state for sure that the enterprises are fully aware of their own opportunities and capabilities. In the threefold system of strategy – processes – capabilities, the SMEs (mainly the medium-sized companies) evaluated themselves in a way that they would take capabilities for their basis in any case, and they would build the strategy and the processes upon it. When the company managers were asked to assess the statements concerning the relations that are traceable within the performance management system, they put emphasis on statements joining the aspects of capabilities and strategy to the same extent (the same mode 4 with average 4.1 to 3.8). From this point of view we may be uncertain in accepting the hypothesis, however all that was said during the interviews confirmed me clearly that the competences arising from internal conditions tip the balance. It is supported also by cost planning based on own past data, which is still the most common procedure in the practice of business planning. The companies still often fall into the trap that instead of the long-range goals and their competitors they measure their own performances to their former themselves, which may result in misconclusions. By acknowledging this hypothesis, I wish to confirm that the adaptation of a model - such as the performance prism - in every detail cannot be applied at the SMEs, since its logical order (strategy-processes-capabilities) changes typically (capabilities-strategy-processes).

We can accept hypothesis H3a, although the performance-minded thinking based on a sure vision and strategy gains ground in many respects.

T3b: In SMEs in growing the undertakable performance management system shall operate primarily based on their efforts and expectations appearing in their relationship with owners, customers and suppliers.

In case of SMEs, it is very common that the owners are also the managers of the company at the same time. In my paper, I did not have the aim to analyze the disagreements and identities of interests between these two roles as different interest groups, however I could not disregard the fact of double-role itself. During the interviews, there were four owner-managing directors, who responded my questions thinking as a manager typically. The non-owner company managers reported on that with one exception that the owner was the partaker of business decisions in a lot more case than they would have expected it or would have thought it fit. From the answers to the questionnaire, it is also proved that also the owners were present at deciding on performance objectives and other performance elements and at quite many kinds of operative level decisions. The closeness of the relationship gives reason for not to leave them out from the system of aspects, in fact we are talking about one of its main elements. The market-centeredness makes the highlighted role of customers and suppliers clear, which is shown by a very high mean (4.4-4.8) and mode (5) of answers in question group D of the questionnaire with a relative standard deviation around 10-15 percent. The SME managers understood the essence of the content elements exactly, and they gave very well differentiable, appraisable and consequent answers.

Relying upon these findings the hypothesis H3b was justified.

T3c: Noticeably there is need for the process management missing from the practice of SMEs, which shall be strengthened by better and more accurate planning and evaluation of performances.

At beginning this research, mainly based on my experience as a consultant, I thought for sure the advantage of process management being available also for SMEs. That is why I tried to verify through exploring the initiatability of methods, the relationships connecting resource management and performance management that the enterprises, which mind the organization of their processes, operates more efficiently. However, the process approach did not get enough confirmation from the answers to the questionnaire, consequently the SME managers do not use it in practice, and they do not regard the factors connected with it as important. During the interviews, at discussing problems and risks the process relations carried out along the failure mode map logic revealed that at the level of demands the company managers feel the unorganized state of processes, but they cannot do against it. They explained themselves

sometimes with lack of human-resource, sometimes with time management problem and sometimes with organization development anomalies. In the interviews, the managers of four companies emphasized that they had set up an integrated corporate management system, and owing to this, they had begun to see the company processes better. The opening project pointed to the redundant processes and the system elements bearing insufficient information. Several of them realized that the "business units" joining very diverse functions were developed around certain staff members, thus they operated part processes in parallel, instead of matching the partakers into a process even if they would have to acquire new things to some extent.

On my part, I think that we find the most things to be done in this area, and we must not think from some positive answers of a few sentences that these enterprises deal with their own business processes in an appropriate manner.

The quantitative and qualitative research results justified hypothesis H3c clearly.

To sum it up **we can agree with hypothesis H3 with the reservation** that the application of the "performance prism" conception is feasible for these companies on the basis of not a general model, but after an appropriate preparation a tailor-made, individual performance measuring and evaluating system can be initiated in the companies. Undoubtedly, the governmental and community (EU) institution system supporting and facilitating SMEs as well as the consultants serving this circle of companies have a big responsibility.

3.1 New and novel scientific results

The carrying out of the research has enriched me with many experiences in itself, while the dissertation is a closing of the variegated work, by means of which the background of the operating problems of SMEs, the causers of unsuccessful or vague decisions as well as the reasons for non-occurrence of expected performances may become more transparent. The dissertation was based both on primer and on secondary research, consequently we can state that it takes over from the works of the predecessors, however it makes an effort to explore new knowledge. Based on this we can summarize the scientific results born as follows:

1. The dissertation provides an overview of the foreign and Hungarian scientific literature in a way synthetising several areas of science. The strategic management literature and the literature related to strategic cost management were presented not in

a way summing up only their past development, but using also the contemporary scientific results. An addition to the already proven links it shows the model investigating the relationships of strategy-costs-performance in case of SMEs in a new way of looking under a new set of criteria. We can consider this joining and the created framework model – suitable for empirical inquiries – as an innovative result.

2. The dissertation studies the possibility of adapting the methods for big companies suitable to planning cost management and corporate performance in an original way by giving specific definitions. The former overall Hungarian researches such as the final report of the "competition with the World" programme criticized and emphasized as a further opportunity its importance and absence until now. Based on brief substantial explanations in one sentence we can expect a more unreliable result than in case of concretized definitions. Thus, at the methods, it came to the light clearly that the growing SMEs studied are with a vocation not necessarily towards the suitable methods, but much rather they give preference to methods, which are better known, reflect liquidity and money circulation. They can identify themselves with their content elements better, thus these are more acceptable for them. Instead of process cost management and target costing they consider the application of cash flow methods involving the revenue-expenditure logic much more utilizable.
3. As a new result, it is proved in an empirical way that the strategic thinking of growth-oriented enterprises is determined by a strong market-centered attitude influenced and ruled by the owners to a great extent, which focuses on acquiring customers, maximizing revenue and achieving profit. Beside this, it does not deal with the internal processes and the efficiency of the company. The importance of economic efficiency does not appear with profitability. At evaluating performances, the magnitude of resources used to achieve the results does not get emphasis in addition to the priority objectives. The companies carry out the market building decided in advance “at any price”.
4. Beyond the experience related to measuring and assessing risks the qualitative research results also reinforced that in the case of enterprises we can speak about a result-centered thinking typically, making a map of failure possibilities is out of importance. The Hungarian pessimism and ominous thinking appearing often from the social researches obviously does not work if we are talking about enterprises.
5. The “performance prism” may prove to be a useful, flexible and applicable method for that based on its rules we recommend an acceptable model also to the small and

medium-sized enterprises. It can provide a customized framework system, by means of which one can retrieve shortcomings being present at planning and evaluating performances and resources. The research was successful also from the aspect that the questionnaires returning from the SME managers reflected adequate responses, a coherent and consistent point of view. The results of the survey point at the fact that from the point of view of the adaptability of model it will be essential to thrust forward the capabilities and competences as well as to highlight the stakeholders suitably. Of course the SMEs ready for the methods require an assistance from the consultants to implement applications and new system elements.

4. Conclusions and recommendations

Based on the results of the research we can formulate recommendations of two groups: on the one hand for the managers of the small and medium-sized enterprises and on the other hand for the scientific researchers of this area.

Recommendations for managers working in the SME sector:

- The resource management of enterprises is not only question of money. In addition to maximizing profit and revenue, it is important to review and reconstruct the internal processes from time to time in order to remove redundancies and wasteful activities from the system.
- For a continuous growth and operation, there is a need for creating a vision. It is important that the company managers should imagine what kind of way they intend to their company.
- In addition to assessing performances, one should think the risks over soundly, and the way leading to a failure should be deduced as a scenario, even in a written form.
- In addition to revenue and expenditures the quality elements of the connections existing with suppliers, customers and owners shall be measured systematically (e.g., keeping deadlines, numbers of order executions, number of successful projects, etc.).

For my colleagues dealing with research the dissertation serves with the following recommendations and guidance:

- Since after empirical investigations we can experience that the smaller enterprises are open towards more complex cost management methods, there is a possibility for that to test the implementation of further methods for big companies.
- This research has focused on a smaller special group of SMEs, however the assessment of performance can be investigated for other enterprises, or the same research may be carried out also much more widely.
- This dissertation work has made the first move to translate the “performance prism” framework model to the SMEs, however further research projects may be launched to schematize the conception and in a given case to develop the structure of initiation projects.
- While as a consultant, the following step is to test the practical applicability, to implement and document a concrete pilot project in order to help achieving further results and to be a useful study aid also in education.

5. Publications of the author

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