

Zoltán Perjés

**DEMAND ORIENTED ORGANISATION DEVELOPMENT
RESULTING STABILITY**

ABSTRACT OF A PhD THESIS

Supervisor: Dr. Bencsik Andrea



Pannon Egyetem / University of Pannon
DOCTORIAL SCHOOL OF MANAGEMENT AND ORGANISATIONAL
SCIENCES
Veszprém

2007

Contents

1. Antecedents of the Thesis	3
2. The Aim of the Thesis	3
3. The Structure of the Thesis	3
3.1. Specialisation Survey	3
3.2 Research Hypothesis	4
3.3. Research Environment	4
4. Short Overview of Examination Models	6
4.1. Model No. 1.....	6
4.2. Model No. 1/a	8
4.3. Model No. 2.....	8
5. Summary of the Main Conclusions and Results of the Research	10
6. Present and Future	13
7. List of Publications and Conference Presentations	14

1. Antecedents of the Thesis

Due to abundance and oversupply typical in developed consumer societies nowadays the greatest problem of producing firms is to gain and keep their market share.

Production processes and the development of related technologies have accelerated. These well-defined production technologies are available for anyone just like considerable infrastructure. As a result the supply side even on a sophisticated level is at the disposal of several participants on the demand side.

Whereas the sale of products is a more complex issue, especially in the case of significant oversupply and dumping in a given market segment.

We have to cope with the task of making our products the most marketable on a permanently changing market and making this process predictable as well. This is the biggest challenge to be met for a managing director. My thesis aims to give methodological assistance to it.

2. The Aim of the Thesis

The aim of my thesis, which is also the aim of my activities, can be summarised as follows: The most important segment in the field of activities of an economic organisation is to make the connection between supply and demand sides more effective and efficient in the long run, thus reaching the optimal level of product output. It can contribute to the steady and predictable operation of an organisation.

My aim is to work out, test and implement theoretical strategies in order to reach efficiency and success at the earliest possible stage.

As a managing director I feel its importance and the necessity of its implementation in my everyday practice.

3. The Structure of the Thesis

3.1 Specialisation Survey

I selected the special literature according to two aspects, namely the examination of macroeconomic processes and gathering information concerning supply and demand side participants.

The first part consists of a chronological overview of classical theories, which serve as a basis for knowledge based, human centered theories. These modern and generally valid theories helped me to phrase my hypothesis, which give a framework for my thoughts and conceptions.

3.2 Research Hypothesis

- H1.** I create models by the help of which I am able to improve the efficiency of supply and demand side connection and upkeep it permanently.
- H2.** If we are able to create on-line information channels between the two sides, it results in the increase of numbers of realised businesses.
- H3.** A company operating on an oligopolistic market is able to create virtual organisations in which case single organisations (members) with their size under the threshold value of oligopolistic market operators can enjoy the benefit of fair competition while integrating it into the company that created them and they are closely connected to.
- H4.** Market stability can be reached only by being an integral part of market environment, although by being independent to a certain level.
- H5.** An organisation can operate permanently on an overstocked supply market if it restructures its relation to the customers and is able to communicate with them efficiently and convert the interest of customers – the latent needs – into actual orders.

3.3 Research Environment

I conducted a preliminary survey by making deep interviews concerning the operation environment of the supply market participants where models are likely to be introduced: that of construction and building materials industry. Subsequent to mapping external environment it is necessary to become acquainted with the internal environment of the organisation to be examined. I plan my models suitable to supply participants struggling with sales, price competition and insecurity.

It can be followed by actual creative work that is working out models and conceptions. The outlined models and related conceptions are necessary to be tested on an existing economic organisation in order to verify them in practice. I examine the internal status and operation of the organisation with the help of SWOT matrix. With the help of this information the model is implemented and described in a case study. I verify my hypothesis by examining the models in practice and their actual operation.

Contrary to the theoretical overview I place the critical part of changes outside the organisation and link the restructured organisations to the parent company thus realising results according to the common vision and aims. In this way restructuring at the parent company causes manageable conflicts if any.

To illustrate my theories I constructed a demand-supply flow-chart with the following participants:

- examined company and other supply side participants
- demand side participants, potential consumers
- elements of information channels between the two sides

By examining my chart it is evident that the efficiency of the process depends on the quality, the standard and the velocity of the channel.

The examined organisation on the supply side according to its company philosophy wishes to forward the I. information set to as many participants on the demand side as possible.

Upon examining and analysing the information channels only those can be considered where target-value transformation communication is realised.

Analogue signs are attached to digital values (e.g. cheap = x, expensive = y quality scale, etc).

Where can these processes take place?

- Anywhere with two-way communication
- The smallest gestures of demand oriented market can flow through the channels in an adequate way.
- No communication problems, they use a common language, professional and everyday transformations.
- The supply side forwards its aims, decodes them and presents them in an intelligible language.

As a result I focussed on the following information channels after examining sales, consumer behaviour, traditions and customs:

- personal connections
- partner organisations
- planning connections
- supplier system administrator, partner visits.

Not disregarding other channels the above mentioned four ones formed the basis of my further investigations and these four became integrated into the so called relations model. Any organisation on the supply side must forward the information considered important to as many participants on the demand side as possible, in this case purpose rationality dominates.

Naturally, the needs of the demand side (named Information II) must be forwarded by the channels. In this case value rationality dominates. The common part of Information I set and Information II set contains the solution that is a realised business, contract, signing of conditions, which are followed by actual processes.

To overcome the threshold of mistrust is a very important factor concerning the operation of the channels. In this case local identity plays an important role (e.g. common school background, common views etc.)

When the threshold of mistrust is overcome communication is based on new grounds and accelerates. A living link is formed, on which we can implement information quantums.

HR, psychological, sociological and knowledge management plays an important role to achieve the target.

1st stage: To form communication link with the help of receptors prior to information set and overcome the threshold of mistrust.

2nd stage: To form two-way channels, actual flow of information, to harmonize communication – negotiating – conditions - terms, while the permanent maintenance of trust is a must.

The partner organisation as a two-way information channel is responsible for the flow of information and the functions depicted in the supply-demand flow-chart, that is the transformation of purpose- value rationality.

I created models concerning two different plans (called No1 and No2) to accomplish my conceptions.

4. Short Overview of Examination Models

4.1 Model No 1.

1. *Aim:* to generate actual market needs by transforming latent market needs.
2. By generating market needs *actual product sales* and production takes place for equivalent value.
3. *Participants:*
 - a, Entrepreneur: producer and marketing organisation
 - b, Agent/Partner firm: have a key role in finding latent consumers, connections and sales
 - c, Financing organisation: providing not only its unallocated capital but ensures consumer oriented conception as well.
 - d, Consumer organisation: representing consumers as a group, taking legal actions on their behalf
 - e, Discret consumer: buyers of a product, partners of a deal.

4. *Concerned parties*

- a, Entrepreneur: permanent production and sale
- b, Agent, Partner firm: to find and realise as many businesses as possible
- c, Financing organisation: allocating money
- d, Consumer organisations: to do business favourable for consumers
- e, Consumer: to get hold of the product by the help of a loan, but without the drawbacks of taking loans.

Phase No 1: Creating partner organisations

The examined organisation, the parent company finds entrepreneurs willing to cooperate to reach the defined aim on condition that the partner organisation realises its development in it and the two organisations share the same values.

Distribution of jointly gained results in a planned and predictable way.

Phase No 2: Reaching the Strategic Aim

The aim is to generate actual consumers and demand by finding latent needs and project development.

Steps of reaching the strategic aim

- 1, Establishing connections with given communities \Rightarrow PC
- 2, Forwarding information to communities: PC \Rightarrow starting Communication: PC \Rightarrow permanent dialogue: PC
- 3, Obtaining trust \Rightarrow PC and AC
- 4, Careful mapping of community consumer needs \Rightarrow forming a conception: PC and AC \Rightarrow accepting conception: PC and AC \Rightarrow overall acceptance of the conception: PC
- 5, Trilateral contract: community + parent company + financing organisation

Partner organisation accomplishes the operative work and gets its share of the profit according to the contract between the parent company and the partner company.

AC: Parent Company

PC: Partner Company

Phase No.3 Evaluation of the results, drawing conclusions

By monitoring the project we have to draw the conclusions in order to avoid possible mistakes and implement improvements. Conclusions must be incorporated and considered in the accomplishment of the following project. The number of operating parallel models is limited by mental and physical bounds.

4.2 Model No. 1/a

This model is the result of a modulation under operation. The reason for this is that the consumer representative is either committed to another party or not in the possession of enough information to make a logical decision.

This model is used when the partner organisation contacts the consumer representative in vain, while at the same time the consumers of the representative contact the organisation and make a decision in their own interests. Subsequently they force the representative to act according to their decision. As a result the operation flows according to the steps of No 1. This alteration is frequent on the border areas of consumer representatives.

4.3 Model No. 2

Aim: to gather the necessary information in time needed to realise large scale potential orders, to set up a network of personal relations in order to win an assignment.

Process:

- 1, Through any information channel (other connections, system administrator) the parent company gets a possibility to get into contact.
- 2, Decision is made on the acquisition of a product in large volume when the decision maker is represented by a dominant customer or a discreet customer.
- 3, The organisation is at the customer's disposal with special counselling or other types of free service providing the customer with real special support.
- 4, Assistant executive announces a tender and the organisation applies for it.
- 5, The organisation has a significant information advantage over other applicants, which results in fairly good chances to win the tender.

1st stage: Establishing contacts

To be invited to the tender of a large scale project can be achieved by

- recommendations by the system administrator
- recommendations by other connections
- direct requests without recommendation

2nd stage: Emphasizing expertise

To emphasize the high level expertise and economic-price sensibility while tendering.

During the tendering process new and more favourable solutions must be proposed.

During the tendering process the system administrator (as a supplier of a multinational company) enters into professional contact with the consigner while raising the reputation of the parent company.

3rd stage: Winning the project

To win the project even at the cost of gaining no profit at all.

4th stage: Education, confidence building

Succeeding the successful tender the organisation must do propaganda and educational work concerning the consigner.

- education from the lowest to the highest level
- emphasizing preventive actions during operational process
- to strengthen professional connections on every level: project leaders, works managers, entrepreneurs, senior leaders

Suitable programmes must be organised on every level with a focus on:

- confidence building
- employing them as experts in the planning process of a new project

To organise common educational programmes to get acquainted with system specifications, operating competence, technological solutions, application areas.

5th stage: Constructive work as team members

To take part as a professional team member in preparing new projects. The aim is to integrate the most favourable solutions of the consigner, parent company (as expert) and system administrator into the new project.

Parallel to it the consigner must be supported on every level and the organisation must do its best in accomplishing projects.

The most important task on this stage is to include system specific elements to mutual benefit as a result of positive feedback and emphasizing expertise.

6th stage: To finish actual processes and analysis

The aim is to maintain the positive image and to plant the results of the analysis in the following project.

Variations of the 2nd model in further projects

In further projects the first stage is omitted, the second stage is transformed and becomes target oriented.

The efficiency of the third stage significantly improves with every 80 or 90 %.

The fourth stage is slightly transformed, becomes timely but goes on operating.

The fifth stage operates permanently by regular feed-backs, consultations and last but not least between the conceptions of the consigner and the planner.

The sixth stage operates in every case and permanently becomes timely.

It is to be mentioned that the tasks of the parent company are taken over by partner companies or they work jointly to reach the aim.

Dominant customer is the one who returns in a short period of time and acts as a customer in a few parallel projects.

The system administrator is a supplier of the parent company who contributes to the success with its size, expertise and economic power.

5. Summary of the Main Conclusions and Results of the Research

T1. The practical testing of my theoretical models and their initiation into economic organisations (in a status according to given terms and conditions) have proven that consumer relations became more efficient, got restructured and showed significant improvement both in quantity and quality.

To evaluate the changes and the results I compared the aim of my programme (the logical sequence of hypothesis) and its realisation and verification.

It can be stated that model creation, its testing and its implementation in an economic organisation has taken place in a way that five years passed between its introduction and evaluation. According to the planning period partial results were to be evaluated 1 year following introduction, while detailed examination was to be carried out 5 years later.

T2. I have proven that with the use of on-line channels to connect the supply and demand sides, the number of realised businesses increased.

At the economic organisation where the models were introduced in practice, the following changes could be perceived in a short time:

- significant increase of numbers of projects,
- the increase of sales returns (even compared to projected figures)
- improvement of the quality and quantity of information (providing ground to making considerate decisions)

The preferred members (partner companies, personal relations, planners, partner visitors) of the information channel of demand-supply generated two-way communication with several discreet consumers in a short period of time.

Several unique factors were discovered in this period. The price was of utmost importance whereas other properties diminished. Conclusions were to be drawn. Information doses had to be restructured in a way that easily intelligible and practical elements had to be favourably presented.

It can be stated that the restructuring of the information set was to be carried out at an early stage, and the price-value relation of the product had to be presented according to a totally different logical argumentation.

As a result, on-line channels restructured the company philosophy according to consumer needs, subsequently understanding the needs of the demand side and adjusting to them, the number of realised contacts and businesses increased significantly.

The human centered operation of the channels, overcoming of the mistrust threshold result in free and sincere communication, and in a climate like this we are able to reach the stimulus threshold of the consumer by one of the mentioned alternatives, which results in businesses.

As a summary: deductions are to be made based on two-way information through on-line channel which cause immediate transformation in company philosophy and behaviour. In this case adjustement is one sided, as forcing our conceptions to the market results in little gains, thus we have to find the territory wherethe needs of the demand side is a manageable alternative for the organisation.

If we have the necessary means to communicate with, and are able to understand the information and expectation we receive and find the relevant set of solutions, success is inevitable.

T3. It has been proven that any company operating on an oligopolistic market is able to create dependent virtual organisations, in which case single organisations (members) with their size under the threshold value of oligopolistic market operators can enjoy the benefit of fair competition while integrating it into the company that created them and they are closely connected to.

Results and deductions deriving from the evaluation of on-line information suggest that we are able to reach the dinamic scope of action of several discreet customers of low value limit, where significant numbers of small volume supply side operators can be found trying to meet the huge demand. Processes in this area can be considered close to the structure of fair competition. The majority of organisations generated by us, their contacts, the scope of action of our preferred channels and the operation of virtual members can be found in this area. Assimilated members operating in this field are affected by all the advantages of the parent company due to its core competence. The above mentioned large amount of discreet consumers with high income and expectations can also be found here, where decisions are made according to higher principles.

Companies, parties, contacts operating in a quasi free competition area can realise significant number of orders and forward them to the parent company due to the theoretical operational methods of the market. In this way the parent company can make a profit from its production.

Significant number of parallelly operating purpose oriented activities with relevant professional and psychological background, and consumer centered philosophy are able to establish actual consumer connections which give us high hopes even if we consider only the statistically average of accomplished deals.

T4. I have proven that market stability can be reached only by being an integral part of market environment defined by the parent company although by being independent to a certain level.

Partner companies operate far from the parent company according to the strategic conception but not left alone.

With the help of the models we placed the company aims in those areas where actual processes take place and deals are made.

Our partners with their expertise in local affairs are able to reach success by applying the most suitable tactics playing on home grounds.

Partner companies assimilated in a local environment can reach equilibrium with the help of the parent company, stabilising it at the same time.

T5. I demonstrated that an organisation can operate permanently on an overstocked supply market if it restructures its relation to the customers and is able to communicate with them efficiently and convert the interests of customers – their latent needs – into actual orders.

The potentially reachable consumer force, which generates significant demand due to its size and new way of thinking.

6. Present and Future

The interest embedded in the system continuously inspires the hardwares and softwares of the organisation to work more economically and efficiently.

My present research encompassed the above mentioned areas, and the efficiency of prognosis of preventive market trends and the deveopment of companies set in a self developing track both in theoretical and structural levels.

7. List of Publications and Conference Lectures

Publications

[P1] **Perjés Zoltán:** Ipari padlóépítés komplex szemlélettel, Építőipar-Építészeti menedzsment 2000, Konferencia Kiadvány, Budapesti Műszaki és Gazdaságtudományi Egyetem, Építéskivitelezési tanszék

[P2] **Z. Perjés:** Satisfacerea cu ajutorul noilor tehnologii a cerintelor privind pardoselile, Technologii noi si management actual in constructii, Universitatea Tehnica Cluj-Napoca, 2000.

[P3] **Perjés Zoltán:** A munkaterület átadása (3. fejezet) és Az építettő szolgáltatásai (4. fejezet), Építési műszaki ellenőrök kézikönyve, Terc Kft., 2001.

[P4] Kosztyán Zsolt Tibor – **Perjés Zoltán** – Póta Szabolcs – Dr. Bencsik Andrea: Determinisztikus és sztochasztikus erőforrás-tervezés egy létesítményprojekt megvalósítása esetén, Műszaki Vezető, Verlag Dashöfer, 2005.

[P5] Zs. Kosztyán – **Z. Perjés** – A. Bencsik: Cost Reduction By Means Of Alternative Solution, Aston Timer Office, Aston University, Birmingham, 2005 July

[P6] Zs. Kosztyán – **Z. Perjés** – Sz. Póta - A. Bencsik: Deterministic and Stochastic Optimal Resource Allocation And Its Distributed Implementation, U.T.PRES, Universitatea Technică din-cluj-napoca, 2005.

[P7] Kosztyán – **Perjés** – Pota – Bencsik - Mátrai: Deterministic and stochastic optimal resource allocation and its distributed implementation, Acta Technica Napocensis (Civil Engineering – Architecture, ISSN 1220-5848) nr. 48. 2005.

[P8] Zs. Kosztyán – **Z. Perjés** – A. Bencsik: Cost Reduction By Means Of Alternative Solution, Komunikacie/Communications – Scientific Letters of the University of Zilina 2006/3 ISSN

[P9] Dr. Bencsik Andrea - **Perjés Zoltán:** Vállalati szövetségek a tudásmenedzsment szolgálatában, CEO Magazin, VIII. évfolyam, 2007/1., pp. 41-46.

[P10] Bencsik Andrea - **Perjés Zoltán:** Tudásmenedzsment a virtuális szervezetekben, Széchenyi István Egyetem Multidisciplináris Társadalomtudományi Doktori Iskola, „Tudásmenedzsment és a hálózatok regionalitása” c. évkönyve ISSN 1788-8980 pp. 19-28.

Conference Lectures

[K1] Ipari padlóépítés komplex szemlélettel, Építőipar-Építési menedzsment 2000, Nemzetközi Konferencia, Budapesti Műszaki és Gazdaságtudományi Egyetem, 2000. július 3-4.

[K2] Az ipari padlóval szemben támasztott követelményrendszer kielégítése új technológiával, Leonardo da Vinci program: Szakmai továbbképzés az építőipari vállalkozások versenyképességének növelésére, Széchenyi István Főiskola, Győr, 2000, november 13-14.

[K3] Tudásmenedzsment a virtuális szervezetekben, Széchenyi István Egyetem Multidisciplináris Társadalomtudományi Doktori Iskola, és MTA RKK Nyugat-Magyarországi Tudományos Intézet közös konferenciája „Tudásmenedzsment és a hálózatok regionalitása” címmel, 2006. november 10-11.