

Annamária Inzelt

THE ORGANIZATIONAL STRUCTURE OF INDUSTRY

It is vital for the Hungarian economy to improve its performance. A great many factors decide whether it succeeds, and to what extent, in approaching the technically possible maximum efficiency allowed by its capacity.

The management system of national economy, incentives, the ability and possibility of social groups to assert their interests, the organizational setup all influence and determine it.

In my lecture¹ I am going to discuss in some detail only one of these, namely the organizational system of the economy. I wish to present the basic situation which I think requires further changes in the organizational system of industry in order to successfully reform the management system of the economy.

In the past forty years both the enterprises and the organizational system of Hungarian industry have undergone similarly to those in other socialist countries a number of changes inspired /or at least approved/ by the highest leadership. The purpose of these changes was to bring about organizations and an organizational structure in conformity with, and adjusting to, the management system of the whole national economy.

The changes always took place in the framework of campaigns, limited to short periods, equally affecting the organizations mature for change and those that would have deserved stabilization. As a rule, they always involved considerable frictional losses /deterioration in efficiency for shorter or longer periods/ causing social tensions first of all because of their concentration in time.

In spite of the rather frequent changes over the past 40 years the internal organization and the organizational system of industry, but particularly of the purchasing and sales processes, still reflect the basic features of a structure

which was built according to the directive system of control. This was believed to be the only correct one at the time when the state order of people's democracy had been brought about.

One of the most important lessons of the period since 1968 has been the fact that the institutional system which was intact at the introduction of the new system of economic control has become a source of several grave tensions, it hindered and still hinders the evolution of tendencies deriving from the operation of the new system of planning and regulation, and puts a brake on the ability of the economy to react to changes.

By virtue of a policy showing inclination to absorb the results of research into the practical problems emerging every day, in recent years some steps have already been taken to modernize the organization of Hungarian industry, and further ones are envisaged in a recent Party document. /Resolution of the CC of the MSZMP from April 17, 1984/.

In what follows I do not intend to trace the process of organizational change in industry and its environment with a thoroughness of economic history. I only stress those focal points which have formed industry and its environment into an particular organizational structure, rendering difficult the operation of regulated market mechanism, and putting a brake on efficient management already for a long time.

The enterprise structure of Hungarian industry inherited by the socialist economy was characterized by a narrow circle of highly concentrated manufacturing industry, comprising also a few internationally known firms, and by a very slowly developing small-scale industry, of a very large scope and mostly of handicraft nature, while the modern medium-sized firms were missing. Its international relations showed the signs characteristic of belatedly industrializing countries, with intensive ties to the Austrian and, later, to the German industries.

In surveying the changes in the organizational structure and its elements I will concentrate on the following:

- 1/ Structure by size of the enterprises
- 2/ Narrowing scope of functions of the economic units and the consequences.

1. Structure by Size of the Enterprises

The first great changes after World War II were the nationalizations carried out in three waves. These organizational transformations coupled with change in the form of ownership were partly the same as those characteristic of changes in Europe after the War /at decentralizing, decartelizing and democratizing efforts the establishment of organizations suited for meeting war damage compensation commitments and restoration-rebuilding tasks/, and partly they served as instruments for preparing the socialist takeover of power.

The first wave was the nationalization of banks. With this industrial capital was separated from bank capital², considerably reducing the concentration of capital. As a result the industrial organization of the country was modified and the many thousand threads linking financial capital to the various organizations, through which the latter had been integrated into, and their activities had been regrouped by it were broken.

In Hungary the organizational separation was followed by the transformation of the banking system, and by changes in the function of money and banking. Although the role of commodity and monetary relations has greatly changed in our days in comparison to the late 1940s and early 1950s, the banking system itself has hardly changed at all. It strengthens, from the organizational aspect, the preservation of hierarchical relations between the monetary and the industrial world, the conservation of centralized control positions through direct methods in the framework of a regulated market mechanism.

The modification of this system is an important precondition of the operation of the monetary sphere. Without the evolution of monetary functions the modified system only remains an empty framework.

a/ Categories by Size

There is a particular kind of large firms rarely discussed in traditional comparisons of organizational systems: the multinationals.³

If not too many, yet, similarly to the majority of small European countries, there were multinationals in Hungary too.⁴

In post-war Europe a part of the multinational companies did not operate in this form, partly as a consequence of war events, partly because of democratizing efforts and those at stabilizing the national markets etc. /Only the companies in the mother country and the subsidiaries in colonies continued to operate/. Such firms established earlier, in the countries now taking the road to people's democracy ceased to exist in such form and dwindled to national dimensions. Since the world fell into two parts, they lost their plants in Western Europe. /In the period of détente there were mutual compensations, but this could no more change the enterprise structure fallen into pieces/. The plants that had been in the newly formed socialist countries became the property, according to the agreements signed, of the country in whose area they had been.

This erstwhile small group of enterprises, also to be found in the socialist countries surrounding Hungary, deserves attention not because it represented the peak of the pyramid by its size, but because it differed from the rest as far as its division of labour and market relations were concerned.

What deserves attention is the impact of the changes in the ownership and those in the national property, both transforming the organization of the former Hungarian multinationals, upon their division of labour. The production and sales relations between the parent companies and subsidiaries remaining within the CMEA were broken at a time when the mutual dependence of these countries was very strong. The causes are well known: the autarchic efforts of countries, and later the same on CMEA level, the hierarchically organized economic integration do not create favourable opportunities for bringing about joint international enterprises and joint stock companies, within the integration. Although there exist a few jointly operated enterprises, established to carry out definite "natural" tasks, they are the results of individual regulation and of a division of labour guided from above even in details. The CMEA is not characterized by strong micro-economic relations. The detrimental consequences of their absence are

already well known, several resolutions have stressed the necessity of creating direct contacts between enterprises. Indeed ever since the emergence of modern large-scale industry there hasn't been any other economic grouping in economic history that would be so little characterized by direct economic contacts. But a change in this respect is not mainly an organizational problem. The first step in bringing about regular, lasting and effective microstructural relations cannot be the foundation of joint organizations, since such process would result in firms that can only be operated as exceptions.

Since the substance of this problem is not one of industrial organization, in the following I am not going into the details of it. I merely wanted to indicate that in the industrial organization of the countries now belonging to the CMEA, and having had earlier indeed very loose economic ties, there had been a core that could have been used for strengthening relations in the interest of more efficient co-operation.

Progressing from the peak towards smaller size groups it may be observed that the enterprise structure of the Hungarian industry shows signs of overconcentration⁵ in comparison to both the other socialist and the West-European countries.

Beside high centralization the Hungarian industry is also characterized by a very dispersed plant structure. This dispersion may be observed both territorially and as regards the technical concentration of production.

The onesidedness of structure by size was somewhat modified by the changes pointing towards decentralization, beginning with 1981. A part of the holding companies /called "trusts" in Hungary/, were liquidated and quite a few, territorially independent, factories of large companies - mainly of those getting into unfavourable economic situation - were separated and become autonomous. This process is characterised by the fact that it takes place on the initiative of the higher guiding authorities amidst resistance on part of the oversized firms. The majority of the latter still believe that it is no solution to their problems to sell and make independent a part of their productive units, although, as a matter of fact, centralization and decentralization movements ought

to be realized as results of the self-movement of the enterprises.

As a results of the changes, the number of industrial holding companies fell from 14 in 1981 to 9 in 1984.

The organizational changes affected the peak of the pyramid in the following manner:

Changes in the number of enterprises in the higher size groups

	Number of enterprises			
	1980	1981	1982	1983
Value of gross output above Ft 10 bn	9	10	11	14
between Ft 5-10 bn	25	26	26	24
total	34	36	37	38
Gross value of fixed assets above Ft 10 bn	11	12	12	12
between Ft 5-10 bn	19	18	18	19
total	30	30	30	31
Labour force above 10 thousand	17	18	15	16
between 5-10 thousand	43	36	38	30
total	60	54	53	46

Source: A. Százak Klubja /The Club of Hundreds/
Figyelő: No. 46, 1981; No. 38, 1982;
No. 38, 1983; No. 37, 1984.

Thus, the organizational changes did not affect the enterprises with the greatest wealth in fixed assets, but the number of enterprises with the highest concentration of labour diminished. Under this effect the scope of enterprises near the peak, belonging to the higher part of the middle zone, somewhat expanded.

Another particular feature of the Hungarian size pyramid is the lack of enterprises that could be classified into the smallest size category, in spite of the fact that in the inhe-

rited industrial organization small-scale industry which was outdated and could hardly be called enterprise had predominated. The artisans, having disappeared in the late forties as a consequence of the distortions deriving from the cult of personality, can today be found again.

The group missing from the Hungarian industrial structure could have been represented by the industrial cooperatives coming about after 1945 as a new form of enterprise /they were bigger than the former individual small firms, belonging to the small - or medium size group/.⁶ As far as the size characteristics are concerned, these could provide a considerable part of the lower size zone of the pyramid.⁷

But the co-operatives could not fill the gap in respect of small and medium-sized firms, because, parallel to the centralization wave of state-owned enterprises, a similar centralization took place also among co-operatives.

The picture of the distribution of industrial enterprise organizations by size is somewhat modified if those organizations and sections carrying on industrial activities are also taken into account which operate outside industry. These /e.g. the auxiliary branches of cooperative farms/, although they cannot be considered industrial enterprises, yet they played and still play an important role in correcting the overcentralized industrial structure and making up for the missing small enterprises.

The regulations issued to stimulate the establishment of new forms of enterprise have already produced palpable, if not yet significant, changes in the lower domains of the size structure.⁸

Their number was the following at the end of 1983:

Organization	Number of units	Ratio by employment
Small firms	148	0,85
Small cooperatives	138	0,43
Specialized groups	704	1,09
Economic workteams formed by private individuals	1684	0,53
Economic workteams formed in enterprises	5399	4,17
Private small-scale industry	44177	3,52
State and cooperative industry	1345	100,0

Source: Hungarian Statistical Pocketbook 1983. p. 110.

2. Narrowing Scope of Functions of the Economic Units and the Consequences

The transformation of the organization of Hungarian industry, started in 1945, affected not only the size of individual enterprises in a fundamental manner, but also their functions.

As is known, the introduction of the 1968 economic reform in Hungary was not coupled with a reform of the organizational, institutional and the management systems. As regards their main features, the latter still conform rather to the philosophy of planning and control under the directive system of planning. This organizational and institutional framework, however, was not suited for strengthening the interest of enterprises in profitable and efficient management to the required extent, because it left wide room for development and income producing opportunities void of market judgement and only loosely dependent on economic achievements. Thus it secured a considerable role, also in the scope of routine deci-

sions, to "expectations", "consultations", functioning, in the final analysis, as directives or instructions.

As regards its functions and the possibility of autonomous action, the Hungarian industrial firm of today, though essentially differing from the one typical in the early 1950s, is still nearer to the ideal type of the corrected directive control system freed from the cult of personality, than to the types that would probably operate efficiently under the conditions of a planned economy greatly relying on the instruments regulating the market. Thus, the problems of the organizational system of industry can by far not be reduced to the deficiencies of the size-pyramid, the problems of the individual components, of the related organizational systems, are at least as important.

It is a particular feature of the Hungarian industrial enterprises and cooperatives that they comprise very similar functions, even their formal organization hardly shows differences. They are as if all had been made after the same pattern, although world industry has produced a rich variety of organizational forms. It often happens, for example, that from two enterprises of similar size and belonging to the same industry the one maintains an own sales network, development section, legal office, book-keeping department, transport group etc., while the other makes use of all these or part of them as a service.⁹ Examining the diversified picture one may, of course, observe characteristic types by industries, but they are never exclusive and show several distinct features by countries - depending on the size of the country, its historical traditions, the system of international relations characteristic of the region in question etc. The picture is also diversified in time; in the course of their lives individual companies change their internal functions and external relations even several times. One thing is, however, an important feature of all those external relations which they could also perform themselves as development, service or sales activities or those preparing for production: the decision whether to use internal or external sources is made on the basis of economic considerations. The relations are lateral. In the case of ser-

VICES this needs no further explanation. In the case of development, procurement, sales etc. this lateral relationship may entail strong /economic/ dependence, yet I call it lateral, because it does not show signs of hierarchical dependence.

Without surveying in turn the process of organizational changes following nationalization, those affecting the internal organization, functions and external relations of the enterprises deserve attention.

On the one hand, the functions which make a factory into an enterprise got outside the firm or ceased to exist. /In the majority of cases also the organizations suited to fulfil these functions were separated from the enterprise, but even if they remained there, they became empty forms as they lost their right of decision preparation and decision making/.

The other change was the transformation of the production organization and its system of relations. In somewhat simplified terms the role given to the individual economic units, their function may be determined by saying that the organizations earlier oriented towards producing income were gradually transformed into organizations serving the implementation of tasks.

The main characteristics of the thus established organization were:

- a/ A part of the enterprise functions went to the hierarchically superordinated level, the industrial control body,
- b/ commercial and research-development activities become the tasks of other institutions and enterprises, independent of the industrial firm,
- c/ also the organization of production changed.

Ad. a/ The functions going to the higher hierarchical level became instruments of maintaining dependence /planning, programming, development, decision etc./.

Also the organization of guidance itself changed several times, and the division of functions among guiding bodies also underwent modifications, but the fact remained that a considerable part of decisions on the fate of the enterprise was taken outside and above the enterprise.

The implementation of the new system of economic management left the guiding organizations intact, but considerably changed their functions, the division of labour among them and they tried to rearrange their role in the control of enterprises.

A formal change in organization, accompanying the changes in content of the tasks, occurred in the government organization: in 1973 the Economic Commission was abolished and instead, with different declared tasks, the State Planning Commission was created. After a few years of pause, the Economic Commission was again called into being in 1979, as an organization of operative government work, parallel to the State Planning Commission. The structural problems of the organization directing industry, the ambivalent nature of relationship between the enterprise and the guiding organization, the troubles of operative functions are indicated by the fact that various operative commissions complement this organizational system /operative interdepartmental commission for organizing Western exports, product turnover and price commission for the materials management, central development program bureaus etc./.¹⁰

The almost continuous rearrangement of dividing control functions among the organizations superordinated to the enterprises reflects not only disturbances in the division of labour between levels of the hierarchy, but also the problems of drawing the line of division between state administration and the enterprise.

In the following I will not engage in examining the impact of the structure of the managing structure and the changes therein on the organization controlled. Accordingly, I will also neglect the social and political institutional system so important for enterprises.

Ad. b/ The activities beyond production which did not go to the control bodies became the tasks of other specialized institutions and enterprises. /Procurement, sales at home and abroad, research and development/.

For the creation of the type of enterprise predominating at the time of socialist industrialization all activities were

separated from the industrial enterprises which were not of productive nature but were parts of enterprising. These became independent not only from the individual enterprises but from industry itself as well, and industrial control had no say in their activities.

Thus, they got outside the enterprise, but not in a system of linear dependence. Also the sales section, and the organizations serving the procurement of raw materials, tools, machines were separated. The latter first functioned as allocating organizations, later as partly allocating, partly commercial organizations specializing in the trade in means of production.

A. Although the role of the domestic commercial firms performing tasks closely related to the production process were modified by the changes in management conditions and in the guidance system since their creation, their organization was not deeply affected. The standards of domestic market supply and its quality are disadvantageously influenced by the existing organizational system of trade and by the delimitation of tasks between the industrial and commercial firms. Thus e.g. the production relations between industrial firms are mediated - squeezed between them, and economically independent of them - by organizations in monopoly position but not having enough capital for trading their goods. The purchasers of the commodities getting into home trade - the wholesale firms - are relatively numerous, but they are characterized by activities restricted to a definite area of the country. Thus, it is the division by regions that accords them monopoly position.

The disadvantages deriving from the overcentralization of industry are thus further aggravated by the organizational system of home trade. The division of activities according to the rearranged functions between industrial and commercial firms entails economic disadvantages. Also the organizational system of home trade contributes to the situation that the scope of the market is smaller than that allowed by the guidance system.

A more decentralized commercial system exempt from the automatic relations between buyers and sellers would be necessary in order that the industrial enterprises be able to weigh up which method saves more costs: independent procurement or that performed through others.

Wholesale enterprises in home trade

	Number of enterprises						
	1960	1964	1968	1970	1975	1980	1982
Trade in means of production and stockpiling	44	47	46	48	46	47	44
Trade in consumer goods	109	89	78	79	54	47	50

The figures in the table clearly show that the industrial enterprises are clients of a rather concentrated wholesale organization.

B. Also the organization, and transaction of foreign trade relations, sales, procurement, market research etc. became the tasks of specialized foreign trade companies, enjoying state monopoly of foreign trade. On this account, the relationship between industrial and foreign trade enterprises is in reality a hierarchical dependence interspersed with economic elements. Although the foreign trade policy and the management system have undergone several changes since the creation of the network of foreign trade companies, and the organization has also been corrected several times, the double superordination relationship towards the majority of industrial firms has persisted to this very day. It relies on both hierarchical and economic power /allocation of import permits and export quotas, trade policy fund, bonuses for industrial managers etc./.

It has, of course, to be acknowledged that from among the changes affecting the organization of foreign trade and the

mode of exercising the right of foreign trade the operational opportunities of a part of the large industrial firms were improved in quality by the fact that for some of them the dismembered chain of research-production-selling was reformed.

Some firms got back a part of foreign trade activities and the related organization already in 1957. /This step was an organizational change in conformity with the then planned radical reform, and it was implemented in April, 1957 when the decision was prepared. The circle of these enterprises did not expand until the preparatory stage of the introduction of the new system of economic management, but the rights of those belonging to the circle were extended. /Their export rights were gradually extended to their whole activity, they obtained partial import rights, the Tungsram Co. got back its foreign subsidiaries owned by the Hungarian state/. Their experiences could be well used when the regulatory system of the 1968 reform was worked out.

In spite of this - as has been pointed out by several studies /Salgó, Pete, Obláth, Berényi etc./. - the organizational system of foreign trade is not suited to serve an offensive foreign trade strategy. I should like to call attention to its impact on the industrial organization, on the organizational system of industry. The organizational system of foreign trade and, paradoxically, even the changes aimed at decentralization /the granting of independent export right/ favour the centralizing changes in industry. Thus, if in industry a decentralization process takes place without a change in the guiding and organizational system of foreign trade, this will not have much impact on the market adjustment ability of enterprises.

Changes in the number of enterprises with own foreign trade

	Number of enterprises			
	1968	1980	1983	1984
Foreign trade companies	32	44	44	45
Productive firms with foreign trade rights	7	84	152	173

Source: Ministry of Foreign Trade /the figures relate not only to industry, but to the whole of the economy/.

A sole remark is required on the figures of the table: although the process of granting foreign trade rights accelerated in the early 1980s, even in 1983 more the 40 per cent of the export and import turnover was transacted by the specialized foreign trade enterprises.

C. There had not been too many modern industrial firms in the country which had had independent research and development section, but where this occurred /e.g. Tungsram, Chinoi/ these were separated from the parent company and operated as independent institution. This organizational separation was one of the causes why only few research results applicable in industry were born and why the results were introduced with long delay. /The main cause was not that, but, the weak force of stimulation for development/.

The relationship between the productive and the research-development sectors never became one of hierarchical dependence, if only because of the particular nature of research and development activities, but its fragmentation also contributed to the weak innovative capacity of the economy. By our days the organizational correction of these changes has already occurred, the research and development institutes and sections have again become parts or institutions /e.g. subsidiaries/ of the industrial firms. The problem of their successful ope-

ration is no longer one of institution but that of incentive mechanism.

ad. C. It was the productive organization of the enterprise sphere that underwent the most frequent changes. The enterprises reduced to perform productive activities in the narrowest sense were dismembered in the 1950s in a manner which made it difficult to carry on even production. The correction of this extreme organization, conceived of as if the whole industry of the country were a single factory, was carried out in several steps and more viable nation-wide companies were brought about according to the principle of "one group of products - one enterprise", but in reality they were not autonomous enough to exercise enterprising functions.

According to its own logic, the directive planning system organized also the lateral connections between productive organizations, deriving from the division of labour, from above, with the aid of instructions to the "addresses". Also the operation of the ever greater organizations, fewer in number, was expected to produce improvement in efficiency through economies of scale. Of course, in the case of this centralization process without concentration this proved to be an illusion.

The disadvantages of the monopoly situations coming about, those of the role of "production-line-master" coupled with responsibility for supply, and of the onesided size-structure are well known.

It is, however, worth noting separately that this conception aimed at shaping a rational production organization resulted, with its onesidedness, in a situation where the division of labour among firms did not expand and micro-autarchic efforts became more characteristic. Frequently even the division of labour among sectors became internalized /establishment of own "background" industries, transport facilities, building organizations/, and the intersectoral division of labour within sectors virtually exists among organizations only in respect of end products.

The service activities operated in the organization of industrial firms with poor efficiency indicate a low degree of the division of labour, a system of relationships among organizations oriented towards tasks instead of profitability. This diversification process, as opposed to the efforts of capitalist firms at earning income and at stabilization, might be called as "obstacle-averting" diversification.

The difference is that tasks have become more diversified and also include producing income and effort at attaining profitable operation.

I think that those expounded prove that the situation in Hungary is mature for the continuation of the reform, and this is inconceivable without a comprehensive modernization of the organizational and industrial system in a definite direction. Such conditions have to be created under which the organizations are capable of changing their size, their internal mechanism and external relations in adjustment to business conditions and their own possibilities.

I am aware that the transformation of the existing organizational and institutional system is not easy at all. As the actions of the last few years have proven, an administrative separation of the existing large organizations involves several drawbacks.

Further search is needed to find the solution. It is a similarly open question how the firms of the socialist industry can be converted into real enterprises. What are its organizational-institutional conditions and those in the field of the guiding system? What driving power would derive from the monetization of the economy? What kind of changes would be needed to eliminate the micro-autarchic efforts and to develop a division of labour in conformity with the general level of industrial development? Can enterprises be helped from the organizational and institutional side to become capable of rapid and flexible adjustment to changes in their environment, and to participate in the international division of labour not only intersectorally but also intrasectorally, and that they should not be squeezed out from the international trade of the dynamic sectors?

It is these questions to which I wish to find answers in the next stage of research.

References

1. In preparing this paper I relied on experience from the investigation of 29 industrial enterprises and co-operatives carried out in the Institute of Economics of the Hungarian Academy of Sciences, commissioned by the programme bureau of the project: "The organizational system of the Hungarian economy" /headed by Márton Tardos/.
2. When trying to cope with the problems of investment efficiency and the difficulties of allocation we frequently refer to the image of socialism, which became dominating in the 1930s and which intended to squeeze out the monetary sphere, as a mistaken basis of economic philosophy which struck out from our hands /or made us drop/ one of the /imperfect/ instruments capable of promoting a more efficient operation of the microsphere. But the concept, considering banking activity as parasitic, as an instrument of making unjustified gains is much older, deriving from the large stock-exchange crashes of the last century. This was put e.g. in the following manner by Ignác Helfy after the stock exchange crash in Vienna in 1873: "...if we want to eliminate stock-exchange hanting, let us raise the esteem of the workshop, the merit of honest work, because it is work alone that constitutes the real power of the state..." /Quoted by László Varga in: A hazai nagyburzsoázia történetéből /From the History of Hungarian Great Bourgeoisie/, Valóság, No. 8. 1983. p. 77/.
3. There is a reach literature on multinational, transnational, supranational companies. The researches are usually aimed at exploring how less developed, backward countries can protect themselves against the relations with such companies of the advanced countries which bring about on-sided dependence, and how they can exploit them for developing their national industries.
4. Of course, these were multinationals of a quite different order of magnitude than the mainly American firms considered as being such after World War II. It is only on the

ba basis of certain qualitative criteria that these firms can be put into the same group: they are active on several markets, in several sectors and in several countries; they have several establishments and factories, also outside the mother country.

5. In an earlier study I discussed the process of their emergence, and the consequences of organizational changes in the 1960s and 1970s in some detail: *Versenyképesség és az ipari struktúra változása /competitiveness and Changes in Industrial Structure*, Kozgazdasági és Jogi Könyvkiadó, Budapest, 1981/. Attention was called to the problems involved by overconcentration also by other authors:

Mrs. Papp /Jolán Ritter/ - Mrs. L. Tuu: *A kis és közepüzemek szerepéről /On the Role of Small and Medium - Sized Firms/ Gazdaság, No. 8, 1968.*

Jenő Wilcsek: *Korszerű kis és közepüzemek a magyar iparban /Modern Small and Medium-Sized Establishments in Hungarian Industry/, Kozgazdasági Szemle, No. 7-8, 1970.*

István Kollarik: *Az iparvállalati szervezet és a hatékonyság /Industrial Organization and Efficiency/, Pénzügyi Szemle, No. 8, 1975.*

Gábor Révész: *Iparunk vállalat és uzemnagyság szerinti szerkezete /Structure of Hungarian Industry by Size of Enterprises and Establishments/, Gazdaság, No. 3, 1978.*

Ivan Schweitzer: *Központi döntések - vállalati erőfeszítések - Gépipari fejlesztési programok a hatvanas évek elején /Central Decisions and Enterprise Efforts - Engineering Development Programs in the Early 1960s/, Gazdaság, No. 1, 1980.*

Ivan Schweitzer: *A vállalati szervezet és a gazdasági mechanizmus néhány összefüggése /Some Interrelations between Enterprise Organization and the Economic Mechanism/, Kozgazdasági Szemle, No. 7-8, 1981.*

Márton Tardos: *A gazdasági verseny problémái hazánkban /Problems of Economic Competition in Hungary/, Kozgazdasági Szemle, No. 7-8, 1972.*

György Varga: *Vállalati méretstruktúra a magyar iparban /Size Structure of Enterprises in the Hungarian Industry/, Gazdaság, No. 1, 1979.*

Mihály Laki: Megszűnés és összevonás /Liquidation and Amalgamation/, Szövetkezeti Kutatóintézet, 1983.

6. It is no easy task to delimit the scope of small firms. A few years ago a part of the Hungarian researchers and practical experts - fighting for green light to the creation /operation, liquidation/ of the "dwarf" firms, then a highly topical task of economic policy - narrowed down the term to the dwarf ventures. The topicality of the problem explained the everyday changes in the notion of small ventures. Otherwise, science is still owing us an exact definition of enterprise sizes. On the basis of quantitative indicators one cannot truly define until when a firm can be considered to be small. In Great Britain e.g. the Bolton Commission tried to define it exclusively on the basis of qualitative criteria - that control and ownership are in the hands of the entrepreneur - but this was finally complemented by a quantitative criterion, i.e. that less than 200 people are employed. In American literature we find that the small firm is one which pursues only one profitmaking main activity, controlled by a single manager who can survey the whole activity, feels responsibility for the fate of the whole venture and the profit is his.

Grouping takes place in the majority of countries only on the basis of employment. In the age of robots and manipulators this is increasingly little suited for characterizing the size of a firm.

In spite of this, it will be worthwhile to get acquainted with the employment figures used in some countries as the upper limit of small ventures:

- 50 people: Sweden, the Netherlands,
- 200 people: Great Britain, France,
- 250 people: United States.

In the case of countries at similar levels of development the differences in classification may be traced back to different enterprise traditions /small one-man firm or small joint stock company/, or to domestic modes of organization/ concentrated in location or organized on the basis of putting-out system/.

7. For their formation and development see:
Becsky-Inzelt: *Miért rugalmasak? /Why are they flexible/,*
Kossuth Könyvkiadó, Budapest, 1982.
Gyula Tellér: *A magyar kisipari szövetkezetek története /Hi-*
story of the Hungarian Industrial Cooperatives/, 1945-1962.
Szövetkezeti Kutatóintézet, 1973.
8. Their importance and the results to be expected from the process have been analysed in several studies by Teréz Laky.
9. Functions are met in different ways also in the scope of enterprises belonging to the same type or order of magnitude. The multinational Phillips firm, e.g. commissions an external firm with a considerable part of accounting work, thus the tax returns, the taxation problems of international capital flows etc.
10. Ad hoc commissions for consulting, coordinating, decision preparation etc. purposes are important instruments of economic control. But the commissions mentioned in the text were not brought about for such purposes. Their task was to solve operative problems, with the right of decision making, and carrying out economic organization work.

Annamária Inzelt

Organizacyjna struktura przemysłu

Rozważania, zawarte w opracowaniu, skoncentrowane są na analizie struktury organizacyjnej przemysłu węgierskiego. Przyjętym kryterium jest wielkość przedsiębiorstwa według liczby zatrudnionych. Autorka wykazuje że przemysł węgierski jest nadmiernie skoncentrowany przy jednoczesnym jego terytorialnym i technicznym rozproszeniu. W drugiej części wykazano, że zmiany w przemysłowych organizacjach polegały m.in. na przejmowaniu ich funkcji bądź to przez administracyjne jednostki zwierzchnie bądź przez inne organizacje gospodarcze. Prowadziło to do osłabienia ekonomicznej efektywności przedsiębiorstw przemysłowych. W końcu Autorka formułuje postulat unowocześnienia struktury organizacyjnej przemysłu węgierskiego.