

## PROCESS ORIENTED QUALITY MANAGEMENT LIKE A SUPPORT OF OUTSOURCING

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### SUMMARY

*Application of the process oriented quality management represents a modern way of companies management, which is established on effective of classification company processes and quantification the costs on these processes. For outsourcing is very important to know the level of the cost for supporting of company processes, because through the methodic of the ABC costing is possible to determine the criteria costs for its successful utilization. Outsourcing is a chance for company how to save a expenses which is not possible to allocate to core business.*

**Keywords:** outsourcing, quality, process, activity, map of processes,

### 1. OUTSOURCING

The new trend of the managing companies is the minimalization of the cost in the activities, which is not possible to class like a core business. The increasing competition in the business world is constantly forcing companies to undertake rapid changes for outsourcing utilisation. Outsourcing can be define as strategic use of the external partner in order to perform activities which are typically the responsibility of the internal staff and resources [1]. Outsourcing can be simply characterised as a compound expression "*outside*" + "*source*", which can be understood as using the sources from outside of a company. In this case it can be understood as replacing some activity (process), which has been carried out on own overheads but the responsibility, has been assigned to an external specialised organisation. General characteristic of outsourcing activities conducted by the companies investigated were related to the place of outsourcing in company strategy, reasons for engaging in such activities, and the nature of relationships with foreign partners [9]. Using outsourcing in companies can be either for the whole - complex service (so called complex outsourcing) or in a form of administration, maintenance or partial service (so called selective outsourcing). The latter is used especially in the area of information systems (IS) and information technology (IT). As trends of advanced economies show, using outsourcing is actually possible in every business area. These areas can be e.g. company processes: transport and distribution, property protection, law counselling, advertising, catering, personnel area including administration, education ... and such like. But all this depends on particular situation. Some activity can be for some company the main activity (core business), but for another company it can be on the other hand only a supporting activity.

Outsourcing is one of the tools that can free a company's potential from areas that do not belong to its core activities. On the other hand choosing the right method of using outsourcing and choosing the right partner can strengthen the company's key abilities and its competitive advantages. It is just outsourcing that enables companies to transform their current way of doing business quickly and to achieve changes (reactions to changes) also in the cases when the standard method would require several years of consistent work [8].

In theory as well as practice the terms of complex and selective outsourcing are used more and more often. We talk about complex outsourcing (full service) in a case when one complex area is outsourced (e.g. IT, maintenance, transport, human resources) and an external provider is given a complex responsibility for such an area. Selective outsourcing tries to select only a part of a certain area (e.g. payroll agenda administration, partial transport providing, IT maintenance care...), thus only some activities needed in a given area of a selected process.

## 2. PROBLEMS OF OUTSOURCING APPLICATION IN COMPANIES

At the practise there are some economic and other specialist reasons for using outsourcing and cost saving itself is not the only reason for that. The main reasons for outsourcing application are displayed at the figure 1.

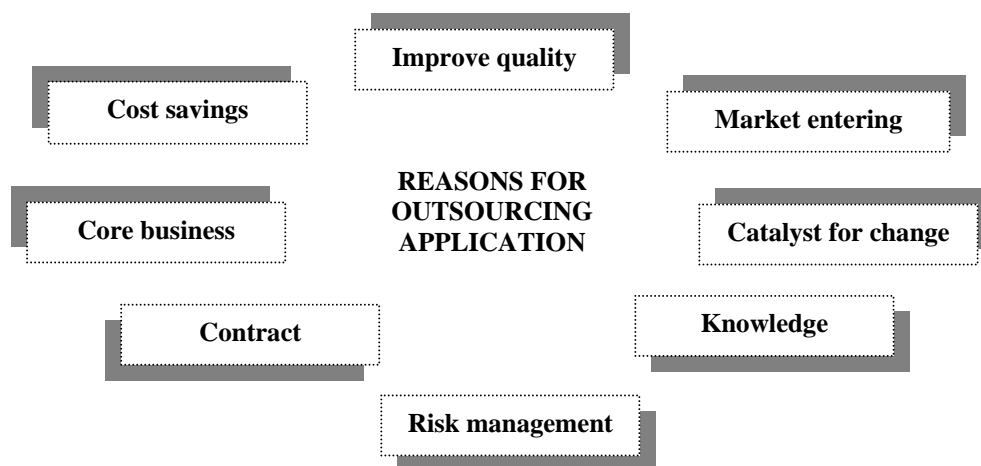


Figure 1. Reasons for outsourcing application

- **Cost savings** The lowering of the cost is the main reasons for outsourcing application. This will involve reducing the scope, defining quality levels, re-pricing and cost restructuring.
- **Core business.** Improving the company's focus on its core business (technological part of production and managerial activities) from the reasons of transfer assistant activities for external organisation.
- **Improve quality.** Achieve a step change in quality through contracting out the service with a new service level agreement with external organisation.
- **Knowledge.** Access to intellectual property and wider experience, knowledge and know-how from the external organisation with financial **Contract**.
- **Market entering.** By the service of external organisation is possible to accelerate of the development or production of a product through the additional capability.
- **Catalyst for change.** An organization can use an outsourcing agreement as a catalyst for major step change that cannot be achieved alone.

- **Risk management.** By the outsourcer partner is an approach to risk management for some types of risks is simpler. External organisation able to provide diversification of the risk.

For potential implementation of outsourcing in the companies is a need to solve the problems of analysis's of company processes and used calculation procedures.

After the analysis of the used calculation procedures of the for company processes and activities and the cost structure and their share in the Slovak wood-processing industry, is possible to state, that:

- Slovak wood-processing companies used the calculation procedures based on the full costing method. This method of the calculation allocates the all costs (direct and overhead costs) by the summary or differential overhead charge.
- The determinig factors for decision making is the level of the product profit. This level of profit depends on capacity utilisation and the average of the total product costs.
- The information about result of calculation is limited, because this information used the total structure of the calculation formula. By this formula is not possible to calculate the level of cost for company processes and activities. This is the most important thing for outsourcing application.

After the analysis of the control and evidence company processes and activities is possible to state, that:

- Slovak wood-processing companies to register only the main processes (technological part of production),
- The level of costs for company processes and activities is irrelevant for decision making task about problematic of outsourcing,
- In the Slovak wood-processing companies is needs to prepare the project of process map with the classification of managerial, main and supporting processes. This is the base of process oriented quality management.

### 3. PROCESS ORIENTED QUALITY MANAGEMENT

Any activity, or set of activities, that uses resources to transform inputs to outputs can be considered as a process. For organizations to function effectively, they have to identify and manage numerous interrelated and interacting processes. Any activity, or set of activities, that uses resources to transform inputs to outputs can be considered as a process (figure 2 and 3). Often, the outputs from one process will directly form the input into the next process and the systematic identification and management of the processes employed within an organization and particularly the interactions between such processes is referred to as the process approach. [2]

The sources are in process run not consumed but they are necessary to process perform (people, technology and others). The regulators are all factors which limited processes for example law, norms, rules, natural condition.

Process management in organization allow effective proposed of companies processes, optimized relation between processes and create the effective structure of organization. Process management desire:

- Approach 3C (Customer, Competition, Change),
- In conditions 3I (Integration, Information, Internationalisation).

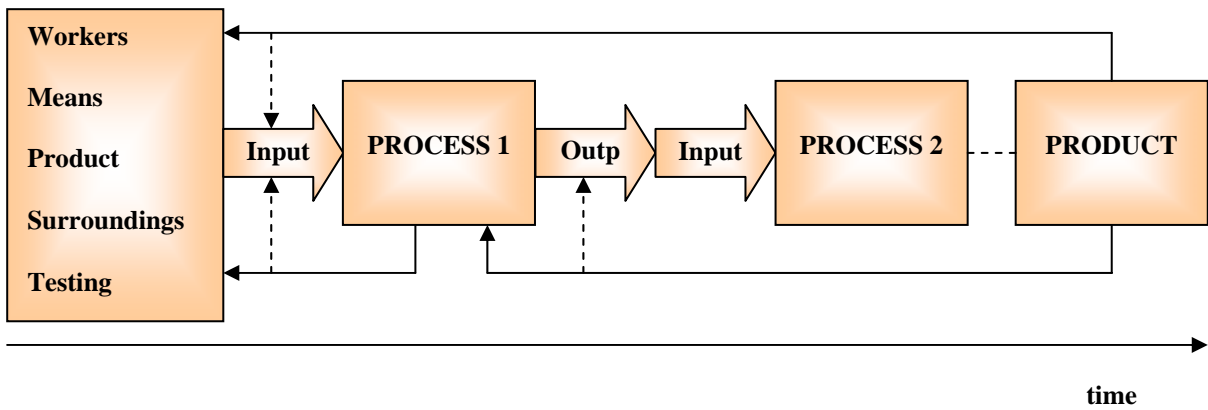


Figure 2. Model of process oriented management [5]

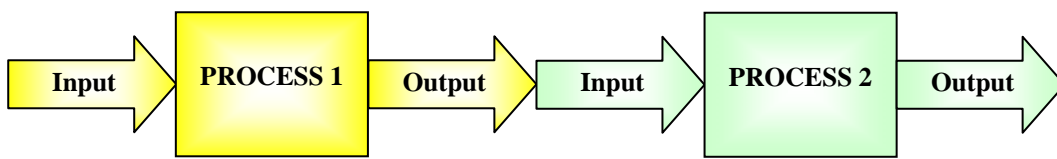


Figure 3. Model of processes series [5]

For successfulness of all this activities desire 3 E (Economy, Efficiency, Effectiveness) so don't sufficed make processes correctly way but processes must give reasons for. Processes which don't bring value must by cancelled. Also the triangle of organizations successfulness soldered 3 very important characteristics:

- High level of quality,
- Appropriate costs,
- Time of change reaction.

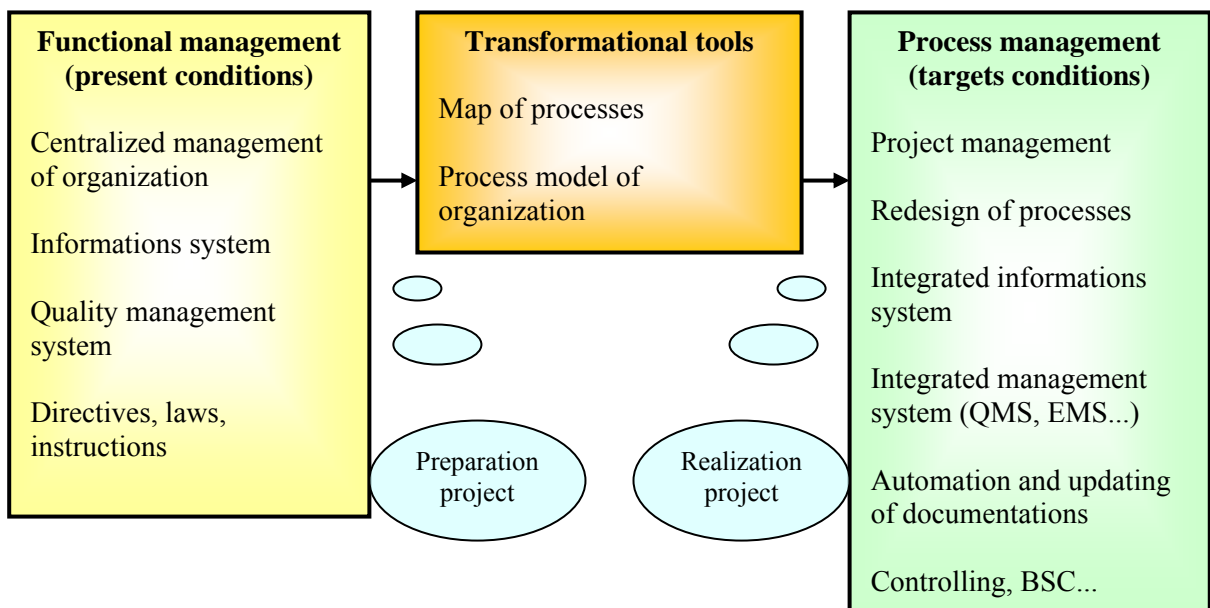


Figure 4. The methodology of change from functional to process oriented management [5]

The changes to process oriented organization bring the organization increasing of productivity and profit. At the same time can organization create competitive advantage and achieved companies targets. The methodology of change from functional management to process oriented management-illustrated figure 4.

Process oriented management in company realized processes which are important for company (the managerial processes, the main processes and the supporting processes) without loss of sources.

- the managerial processes – all activities in company which managed and coordinated the main processes and the supporting processes (investment, quality management, human factor ),
- the main processes - all activities which have impact to organizations products and they served to value creation (construction, production, selling),
- the supporting processes – all activities which are necessary to main processes working, they don't create value on customer view (shopping, maintenance, transport).

**Principles of process management:**

- Customers orientation,
- Feedback – measuring of outputs and comparison with customers needs,
- Each process have own supplier, owner and customer,
- Process owner is responsible to correct process working,

**Survey of processes**

Process is set activities which are mutually influenced and transform inputs to outputs and for each process must be someone responsible. In each process must be:

- inputs and inputs supplier,
- owner and transformations operator,
- outputs and purchaser of outputs,
- measuring parameters for evaluation of process efficiency,
- targets values of outputs parameters.

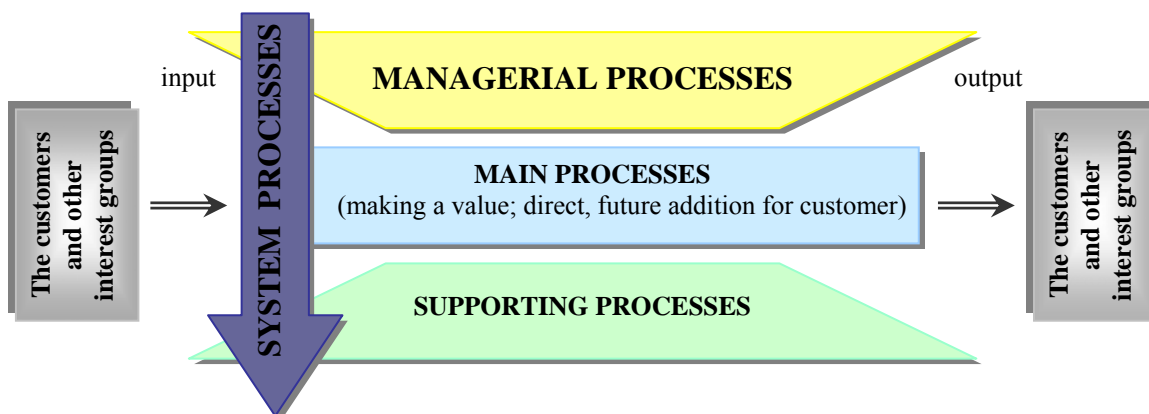


Figure 5. The map of processes [10]

The map of processes is a specific type of document where the organisation must to describe the level of its own company processes. At the figure 6 is presented our project of typical process map in the all types of companies.

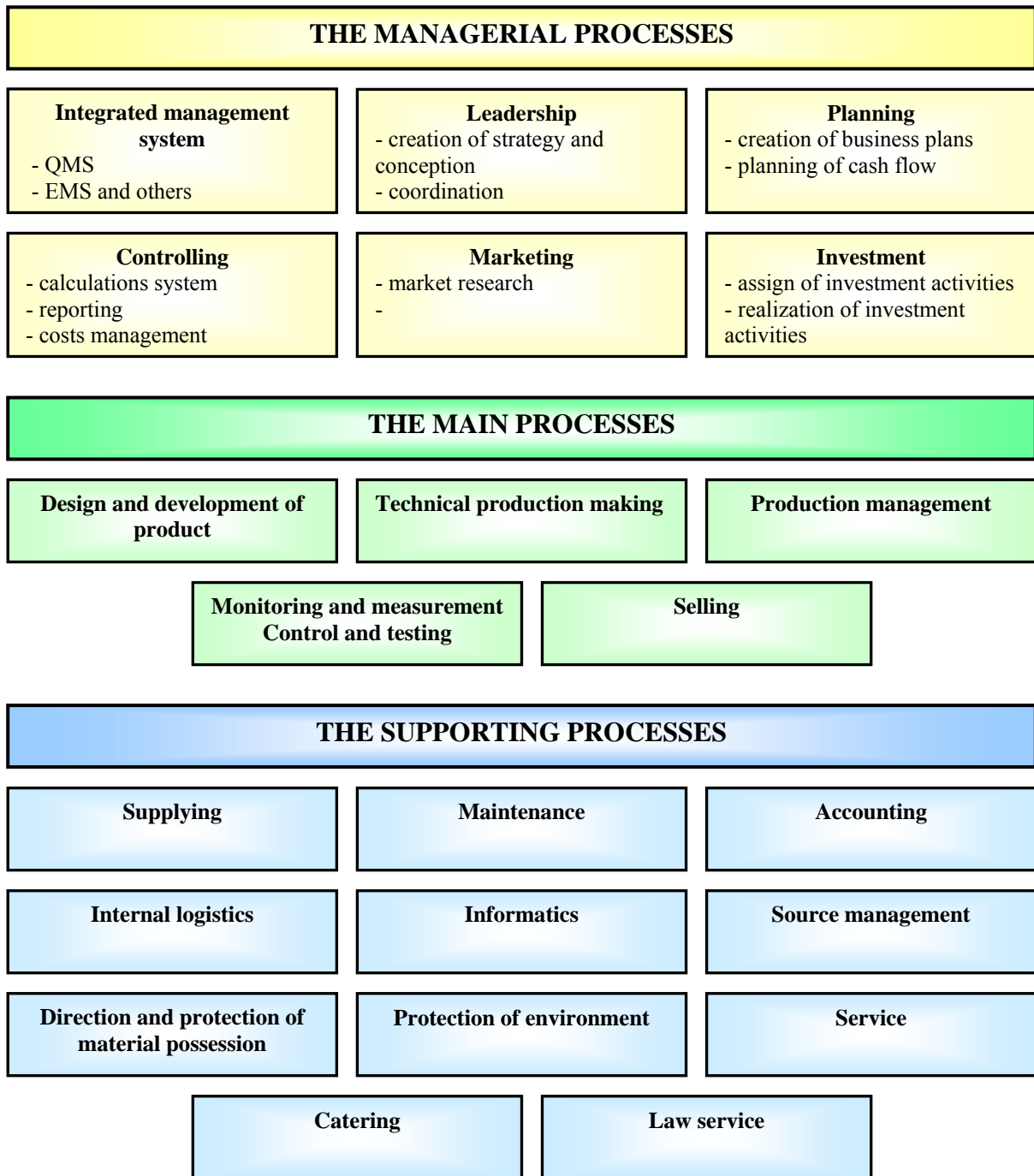


Figure 6. The project of process map

#### 4. CONCLUSION

For the successful application of outsourcing is a companies is need to solve the problems of analysis's of company processes and used calculation procedures. If the managers resolve the project of process map with the classification of managerial, main and supporting processes, this is the base of process oriented quality management and also for successful application of activity based costing.

By this calculation procedure is possible to identify all company activities, assign resource costs to activities, identify outputs and assign activity costs to outputs. Activity based costing

can supply to many important information for measurement and managing of company. By this, it can be taken responsibility for total part of activities in a company by external organization.

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