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OUTSOURCING AND A VALUE BASED MANAGEMENT

Поставлена задача выделения и оценки стратегических мероприятий, связанных с передачей части заказов сторонним организациям (аутсорсинг) в рамках управления стоимостью компании. Обращено особое внимание на связь концепций управления стоимостью с аутсорсингом с целью улучшения эффективности деятельности компании.

This study identifies and evaluates the strategic activities associated with outsourcing in the context of company's value management. The author focuses on the linking of the VBM management concepts with outsourcing, with an aim to improve the company's performance and effectiveness.

1. Introduction

Outsourcing as concept of strategic management developed rapidly in the consequence of globalisation and the increased competition on the markets as the companies were prompted to assign certain tasks, functions and processes to specialised businesses with an aim to reduce costs, improve the quality and to be able to concentrate the means, available resources and management processes on the company's chief goals. Other benefits of outsourcing are far from minor, including the access to specialist knowledge, new technologies and world-wide data bases. Assignation of particular jobs and tasks to outside companies allows for reducing the capital expenditure and company's fixed assets, at the same time a cost analysis is facilitated and detailed financial plans are easier to formulate.

Presently, most business strategies postulate that all company's activities be targeted at reaching the key goal: maximisation of the company's value for the owners. The management model based on the Value Management System is aimed to increase the company's market value. This concept is closely associated with the verification of company's performance using the indices and measures based on the added value.

The management models based on the concepts of outsourcing and the Value Based Management mark the newest approaches in management.

Are these two concepts contradictory or complementary?

This study attempts to identify and evaluate the strategic actions associated with assigning specific company's functions and the main areas of company's functioning in terms of value management.

2. Value Based Management

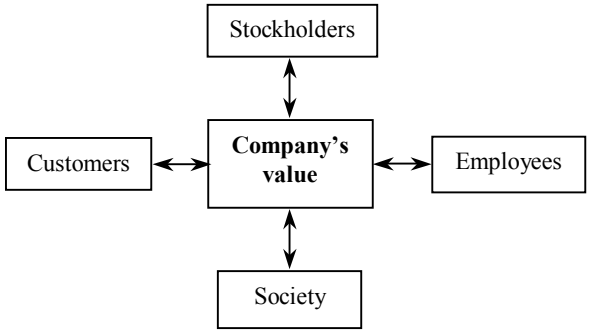
The main goal of today's well-organised companies is the maximisation of their value whilst an aggressive market rivalry prompts the companies to operate as effectively as possible, utilising all their available resources. The company's value is built up through the maximisation of profits earned, positive cashflows and through creation of the added value, which involves the development of the infrastructure allowing income generation and increase [2]. This infrastructure comprises:

- network of company's divisions;
- contracts and agreements entered into the by company;
- business contacts;
- distribution channels;
- available databases (for example customer databases);
- standards and technologies (know-how);
- qualified personnel;
- research centres, laboratories or institutes;
- obtained licenses, permits, rating positions, quality certificates and the like;
- well-known brand associated with the company or its products and the market share.

Those interested in increasing the company's value are stockholders, company's employees, customers and the whole society. Accordingly, four groups of so-called stakeholders are distinguished, referred to as a quartet. Each group aims to achieve its goals through the maximisation of the company's value.

Important factors affecting the company's value include: organisation and management, cost analysis. The first group of factors brings about an increase of the company's value while the other is responsible for its decrease. The concept of outsourcing might contribute to the enhancement of the company's value through improved effectiveness and flexibility of its operation. Besides, costs that bring about the degradation of the company's value are reduced accordingly.

The concept of the stakeholders' quartet [3]



The Value Based Management (VBM) involves:

- treating an increase of the company's value as the ultimate goal;
- making the strategic and operational decisions basing on the criterion of value creation;
- constant monitoring how the decisions made affect the company's value;
- recognition of the owners' and managers' interests through the introduction of an appropriate motivation system based on value-related indices.

The chief benefits of the comprehensive VBM systems include: improved company's performance, recognition of the ultimate goals, coincidence of the owners' and managers' goals. The VBM system provides exact and coherent criteria for decision-making in the following areas:

- development and selection of the competition strategy;
- selection of the portfolio of products, markets and customers;
- outsourcing of certain tasks;
- investments and disinvestment;
- fusion and take-overs;
- methods and models of employees' and managers' motivation;
- investment outlays for such purposes as promotion, marketing, research and development, human resources.

Supported by appropriate indices, the value based management systems allows the measurement and evaluation of actions and processes aimed to enhance the company's value. Introduction of VBM solutions supported by a value measurement system (EVA, financial profit, WVA, CEROI) allows the effective management of the trusted capital. To identify the methods of value increase requires that the value drivers be first recognised.

3. Outsourcing – creation of the added value

Outsourcing is regarded as a solution which might strongly support the value driving strategy. It appears to be an effective tool ensuring the company's development as it provides for value increase, improves the efficiency and flexibility of company's operations and supports the business transactions. Constantly changing environments in which companies have to operate makes it extremely difficult to outdo their market competitors. Assigning ineffective tasks and certain jobs associated with manufacturing, promotion, marketing, IT, human resource management to outside companies affects the company's value and influences the way it responds to the market changes. The company response is more flexible and its profits can be enhanced accordingly. Outsourcing as a part of the restructuring scheme is one of the many value management tools [1].

Realisation of business transformation processes, implementation of integrated systems and strategic dimensions of outsourcing in the context of value creation prompts the companies to adopt the management systems based on quality control, such as: Value Based

Management, Controlling or Activity Based Costing.

The management of capital trusted by the owners is the fundamental task of company's management. The Value Based Management approach supports the management of company's operations and performance targeted at value increase, and hence generating the adequate returns for the owners.

As regards the decisions to outsource, the key point here is specification what factors add to the value that the company offers the customer and which link in the value-driving chain requires further improvements. The success in outsourcing depends on the thorough analysis supporting the decision-making, the appropriate formulation of the contract provisions, and first of all, the quality of management. Identification and the detailed analysis of areas bringing about the maximisation of the company's value in the VBM system allows an effective monitoring of the company's performance, profit generation and the effects of outsourcing.

Verification and evaluation of the company's performance is a necessary element of the system targeted at the increase of the company'' market value. Furthermore, outsourcing requires that financial effects and company's profits be monitored, too. Long experience shows that a multi-aspect evaluation of company's operations is fully merited. Value – related indices and measures have to be applied and the costs borne by the company ought to be taken into account as well.

4. Conclusions

Implementation of the concept of Value Based Management in the company allows for developing the management structure where the major focus is on increasing the company's value. The value management concept involves both the strategic decisions (entering new markets, take-overs) and current ones (purchase of new equipment, productivity increase). Like VBM, outsourcing as a tool in the restructuring scheme is directed at achieving the strategic goal: improved company's performance. In the case of outsourcing, the strategic plan of concentrating the mother company on its key activities which determine its market positions and further potentials of development allows the achievement of other goals in the area of organisation, market activity, motivation and cost-effectiveness. The investigated management concepts appear to be complementary, leading to improved management efficiency. The effective evaluation of various aspects of company's performance enabled by VBM facilitates the making of strategic decisions, including those relating to outsourcing and monitoring procedures.

Focusing on the company's value on each stage and level of management, even in the aspect of decision making about outsourcing, allows for effective enhancement of the company's value and hence increasing the value of owners' shares/ stocks. The concept of VBM supports our knowledge how the current company's operations affect its value, which is of primary importance in the context of implementation and control of management processes based on outsourcing.

LITERATURE

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