

Chapter 12

Process Management as a Means to Analyze the Effectiveness of a Company in Global Markets: An Application to the Outsourcing Process in a Shipyard

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ABSTRACT

Companies need to ensure the effectiveness of all their processes. The case of the shipbuilding sector is exactly the same. From a management perspective, two important points should be highlighted. In order to face the continuous demand fluctuations, many shipyards, especially the smaller ones, have reduced their staff. This fact allows shipyards to be more flexible and to reduce their fixed costs in order to survive in low activity periods. On the other side, when there are peaks of workload, they outsource many activities. In fact, outsourcing has become one of the main and most important processes in shipyards. The level of outsourced activities is so high that shipyards are considered to be synthesis industries. Therefore, it is very important to ensure that the outsourcing process is correctly managed. Thus, the aim of this study is to show how process management can be used as a means to guarantee the effectiveness of a process. Specifically, the case of a small shipyard applying process management in its outsourcing process will be described.

DOI: 10.4018/978-1-5225-5784-5.ch012

INTRODUCTION

Nowadays companies need to ensure the effectiveness of all their processes; otherwise, they do not survive in the extremely competitive environment. The case of the shipbuilding sector is not different. Shipyards need to be efficient if they want to compete in the global environment. The shipbuilding sector is completely globalized. It is defined as a synthesis industry that produces a singular product, rarely into serial production, with a high unitary value and a long period of construction, very sensitive to the economic cycle, with almost permanent global excess capacity, and subject to a fierce international competition (Comisiones Obreras, 2013; Community of European Shipyards' Association, 2011; Zuhail, 2008).

Some of the main characteristics of the shipbuilding sector in the European Atlantic Area are (Perez-Labajos et al., 2014):

- Specific financial constraints. They are higher than in other sectors.
- Sensitive world trade changes. Now the sector is frankly in decline with respect to the demand of new ships.
- Competition. It mainly comes from the States which adopt an interventionist approach concerning the shipbuilding industry and which consider the shipbuilding sector to be important strategically speaking.
- Strategic importance in the national economies. Due to its high technological content, its role as a provider of essential means of transport for the international trade; of research, exploration and extraction of energetic products, and specially its role as a provider of advanced military vessels.

From a management perspective, two important points should be highlighted. In order to face the continuous demand fluctuations, many shipyards, specially the smaller ones, have reduced their staff. This fact allows shipyards to be more flexible and to reduce their fix costs. If they do not reduce their fix costs, they would not be able to survive in low activity periods. On the other side, when there are peaks of workload, they outsource many of their activities. In fact, outsourcing has become one of the main and most important processes in shipyards: a strategic process indeed.

The level of outsourced activities is so high that, in general, shipyards are considered synthesis industries. This means that, more and more, shipyards are responsible for managing and coordinating the job developed by all the outsourced companies. Therefore, their success is based on its ability to correctly manage the relationship with the outsourced companies.

Overall, it is very important to ensure that the outsourcing process is correctly managed. Thus, the aim of this study is to apply process management philosophy to the outsourcing process of a shipyard. This means analyzing the process by using process management tools (such as the flowchart), identifying areas of improvement and try to improve the process. The fact of applying process management in the outsourcing process is due to the fact that it is known to be a strategic process for a shipyard. In fact, if the outsourcing process is not well managed the shipyard's survival could be in danger.

Although it is true that this study will be based on a specific case study, authors consider that this study could be of interest for SMEs, especially for project based companies as shipyards. Through this case study the usefulness of process management is shown. Additionally, the different stages that should be followed to analyze and improve a process are described. Therefore, this study could be used as a guide to implement process management.

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