

## **PROCESS MANAGEMENT – NEW WAY OF SELF-GOVERNMENT FUNCTIONING**

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### **Abstract**

The article deals with processes, their identification and the key elements of process management, which enable the process approach in self-government. It also compares process and functional approaches from the viewpoint of management.

We present a particular example of a municipal office, demonstrating individual types of processes, and continuing with their analysis and a proposal of process management implementation under particular conditions.

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**Keywords:** Process management, process, functional approach, process approach

### **Introduction**

Self-government represents an inseparable part of any societal system. It concerns each citizen by means of social, political, legislative and economic tools. Self-government in Slovakia is currently facing several key challenges, defined in most of concept documents dealing with the public administration reform. Constant pressure on the increase in effectiveness and professionalism also requires the application of new tools in the sphere of management. Process management is gradually finding its place in the public sector, even though it is originally an approach applied in entrepreneurial environment. The submitted article is dealing with this issue in broader contexts.

### **Present Conditions of the Functioning of Self-Governmental Units of Municipalities in Slovakia**

Financial and economic crisis, lasting already several years, has significantly affected the enforcement of fiscal decentralisation principles. It has confirmed the importance of respecting certain principles, aiming at maintaining the greatest possible economic stability of municipalities. Based on the competencies of municipalities, they can be summarised as follows:

Table 1 Competencies and duties of municipalities

Competence of municipalities	Number 30 <sup>th</sup> April 2005	Number 1 <sup>st</sup> January 2011	Increase 2011/2005 in %	Number 1 <sup>st</sup> January 2012
Civil protection	98	93	-5.1	93
Transportation	84	171	103.6	171
Finance, asset administration	727	1,265	74.0	1,265
Culture	82	105	28.0	105
Defence	20	22	10.0	22
Fire protection	50	60	20.0	60
Business, tourism, consumer protection	104	103	-1.0	103
Agriculture	102	142	39.2	142
Regional development	6	24	300.0	24
Social affairs	151	233	54.3	233
Complaints and monitoring	65	96	47.7	96
Education	116	224	93.1	224
Public procurement	136	315	131.6	315
General internal administration	931	1,142	22.7	1,142
Health service	50	65	30.0	65
Environment	345	454	31.6	454
<b>TOTAL</b>	<b>3,067</b>	<b>4,514</b>	<b>47.2</b>	<b>4,514</b>

Source: own processing

The table shows an increase in the competencies which represent content and performance in the functioning of self-governmental units of municipalities. They include transferred as well as original competencies, i.e. the overall increase is approximately 47 % - 50 %, suggesting a half more performance.

Meanwhile, several significant changes have occurred in the competence of municipalities, which has also reflected in financing of the related competencies, as most of those delegated to municipalities were not financially covered, which affects the functioning of self-governments and their successful fulfilment of tasks and duties. The changes include:

- share of municipalities in the revenues of individual income taxes from business, which were received by municipalities, has decreased from 70.3 % to approximately 65.4 %. This income represented a decisive self-financing source of municipalities;
- income tax increased, which resulted in a decrease in business activities;
- municipal revenue base decreased after imposing the tax from the alienation of property in the amount of 19 %;
- the extent of regulatory measures in the form of exemptions from local taxes has increased;
- decision-making rights of municipalities regarding the usage of their own resources have been restricted;
- the amount of compulsory expenses of municipalities imposed by state (e.g. in the sphere of education, social affairs, etc.) has increased.

These changes in financing conditions cause financial problems to municipalities in the form of decreasing self-financing ability, which further results in the increased inability to draw from the EU funds, as municipalities have no means to pay a certain amount upon their provision. There are further increases in obligations of municipalities resulting from loans, while their paying off and the principals paying off have increased by 47 %. Inconsistent collection of claims has also reduced actual means necessary for the given municipality. Individual approach of municipalities in terms of their ability to eliminate risks of crisis development is adopted in such cases.

All these circumstances encourage us to consider and look for reserves and new solutions. One of the possibilities is process management, aimed at the development and

optimisation of an organisation's operation in order for it to respond to customer – citizen's requirements effectively, efficiently and at the same time economically, and to carry out tasks imposed by state successfully.

The broader context of process management is dealt with in the following part of the article.

### **Process Management – Definition and Relations**

The process approach represents a new orientation, focusing on the process, which is comprehended as a chain of activities, operations and sub-processes. Upon studying related literature, one finds out that a significant factor upon process management development was the process approach towards quality creation, assurance and development. "The process approach is currently particularly present in quality management systems, where it is understood as its inseparable part. Systematic identification and management of processes applied in an organisation, and particularly interaction among such processes, have been called process approach" (Závadský, 2004).

In order for an organisation to function effectively, it needs to identify and manage a number of related activities. Already the process management development itself suggests what its basis is. However, different authors comprehend it with small differences. The key elements of process management are process orientation, horizontal management and knowledge person philosophy. The basis of a process-managed organisation is a change in understanding of performance of work from the performers of activities to the owners of processes. Therefore, besides a simple process resetting, culture change should also occur upon the formation of a process-managed organisation.

Similarly, according to Teplická (2004), the basis of process management is process approach based on the principle of management and mutual impact of all organisational processes so that they fulfil defined goals. It is important that there is no process in an organisation for which no one is responsible. Each process needs to have:

- **inputs** and a supplier of inputs;
- **owner** – an operator of transformation;
- **outputs** and a consumer of outputs;
- **measurable output parameters** (indicators) to evaluate the efficiency of a process;
- **target values** of output parameters.

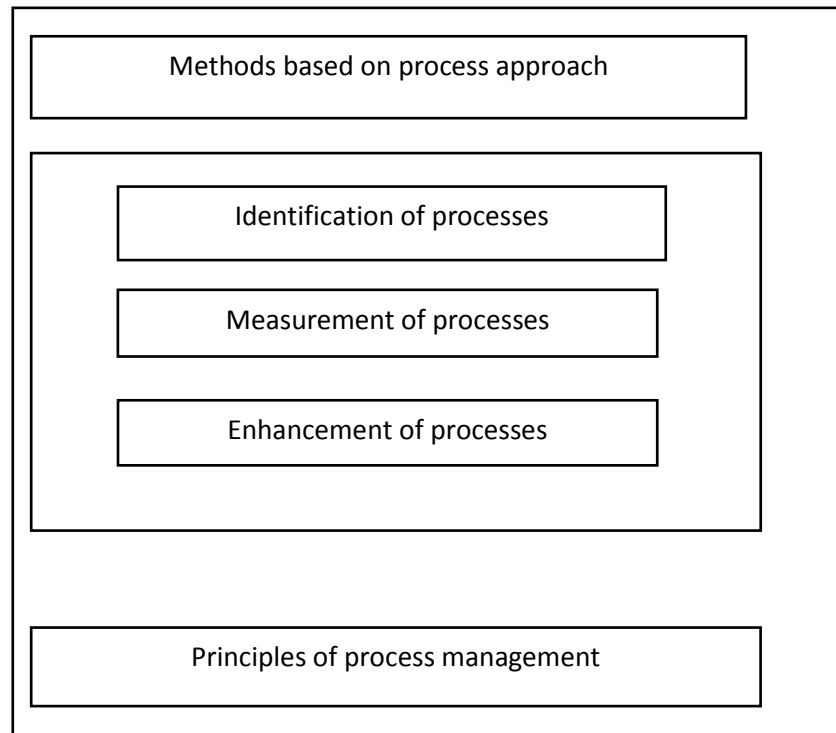
In order to understand better all problems of process management, it is necessary to be familiar with its basic components and principles, since their interconnection is very close.

Different instructions in the form of key principles and management principles have been created in the sphere of process management. Even though their application is individual for each company or organisation, the basis always remains the same.

"Process management is an integrated concept of business processes management, and it is in contrast with functional management system. Process management is a systematic identification, visualisation, measurement, evaluation and constant enhancement of business processes" (Závadský, 2004).

The proposed definition of process management reflects its three key components (see the picture). It means that the management of processes is carried out in the phases incorporating its content, i.e. that the content of process management comprises identification, measurement and enhancement of all processes. The identification and visualisation of processes is meant to ensure the creation of basic structural framework, i.e. a process system. The identification particularly aims at finding out logical relations and mutual interaction of processes. The objective of measurement and evaluation of processes is to monitor their level by means of selected or all characteristics – process attributes, and

performance indicators related to them. Enhancement aims at achieving a change which will increase or decrease a process level, obviously in a positive direction. (Závadský, 2004).



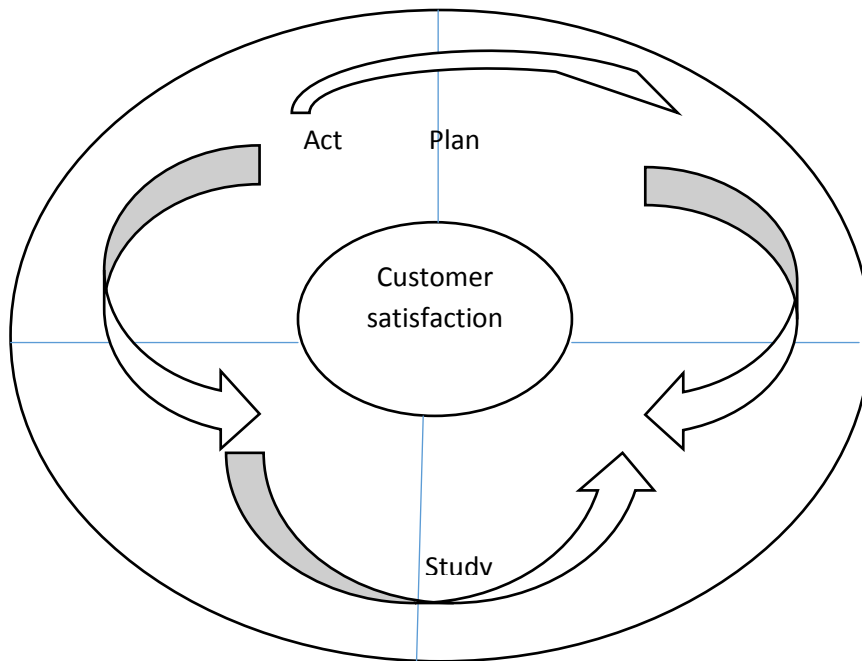
Picture 1 Basic components of process management (Závadský (2004))

Fiala and Ministr (2003) introduce four key principles of process management, which help carry out the development of own business, i.e. a unique approach towards process management. They are:

1. the specification of strategic intention and objectives, which will be thoroughly notified downwards whole company within its organisational structure by means of the specification of particular objectives of individual processes and decisions at the levels of teams and partial organisational units;
2. the definition of processes and their mapping, focusing on the key processes crucial for company's success and survival;
3. the application of the ownership of top management process, aiming at the enhancement of processes by means of personal responsibility, constant engagement, continuous notification of business strategic process objectives and decision-making, corresponding to process thinking;
4. the change of organisational structure of a company based on reductions of the amount of communication links and bureaucracy by means of support of managerial effort, and processes mapping.

It is an open dynamic system with activities as the key component. Similar definition of process management was introduced by Šmída (2007, p. 30), who comprehends it as systems, procedures, methods and tools of continuous ensuring of maximum performance, and particularly of constant enhancement of processes. They result from clearly defined organisational strategy, and they aim at achieving specified strategic objectives.

A common feature of several definitions is constant enhancement of processes. The course of the processes is necessary to understand as a permanently repeated cycle, which can always be improved. This issue was dealt with by Deming, who created a cycle of the enhancement of processes, shown in the following picture.

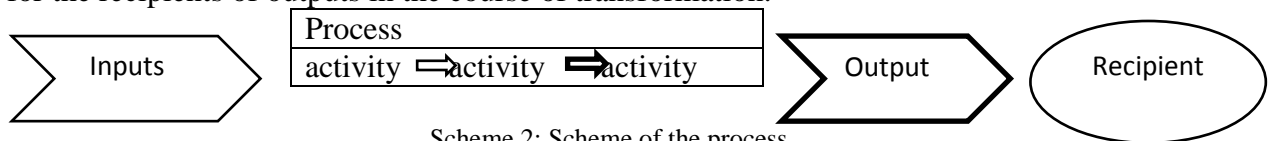


Scheme 1: Deming's cycle (Evans, Lindsay (2005, p. 636)

Deming's cycle comprises four phases. The first step is Plan, in which a plan of what should be enhanced is set up. It is followed by Do phase, in which the plan is applied in practice (Grasse, 2008, p. 79). The third phase is Study. Some authors still denote it as Check phase, which was also incorporated into the name of Deming's cycle (PDCA - plan-do-check-act). This phase includes the verification of pilot study results, determination of whether the given process efficiency has improved, and it also identifies further possibilities which could be applied (Evans, Lindsay, 2005, p. 636 - 639). In the last phase Act, measures meant to ensure whether enhancement or repeated achievement of results are adopted and carried out (Grasse, 2005, p. 80). If the applied measures have not succeeded or have not led to the specified objective, the whole cycle repeats until there is satisfaction with achieved results.

It is necessary in this relation to characterise the process.

The term process is the key word in process management, and literature defines it differently. The simplest way of its definition is related activities, changing inputs to outputs for the recipients of outputs in the course of transformation.



Scheme 2: Scheme of the process

According to Grasse (2008, p. 7), process represents “a set of mutually related or mutually operating activities, which add value to inputs, using sources, and change them to outputs, which have their customers.”

The complex definition of process was introduced by Šmída (2007, p. 29), who defined process as “an organisational set of mutually related activities and/or sub-processes, dealt with by one or several organisational units, or one organisation (company process) or several cooperating organisations (intercompany process), consuming material, human, financial and information inputs. Their outputs are products having a value for external or internal customer – citizen”.

Process is thus a set of mutually related activities, dealt with by one or several organisational units. These activities add value to inputs and change them to outputs of different forms. Input is a defined and financially specified value, while output has a form of goods, product or service (Grasse, 2008, p. 7).

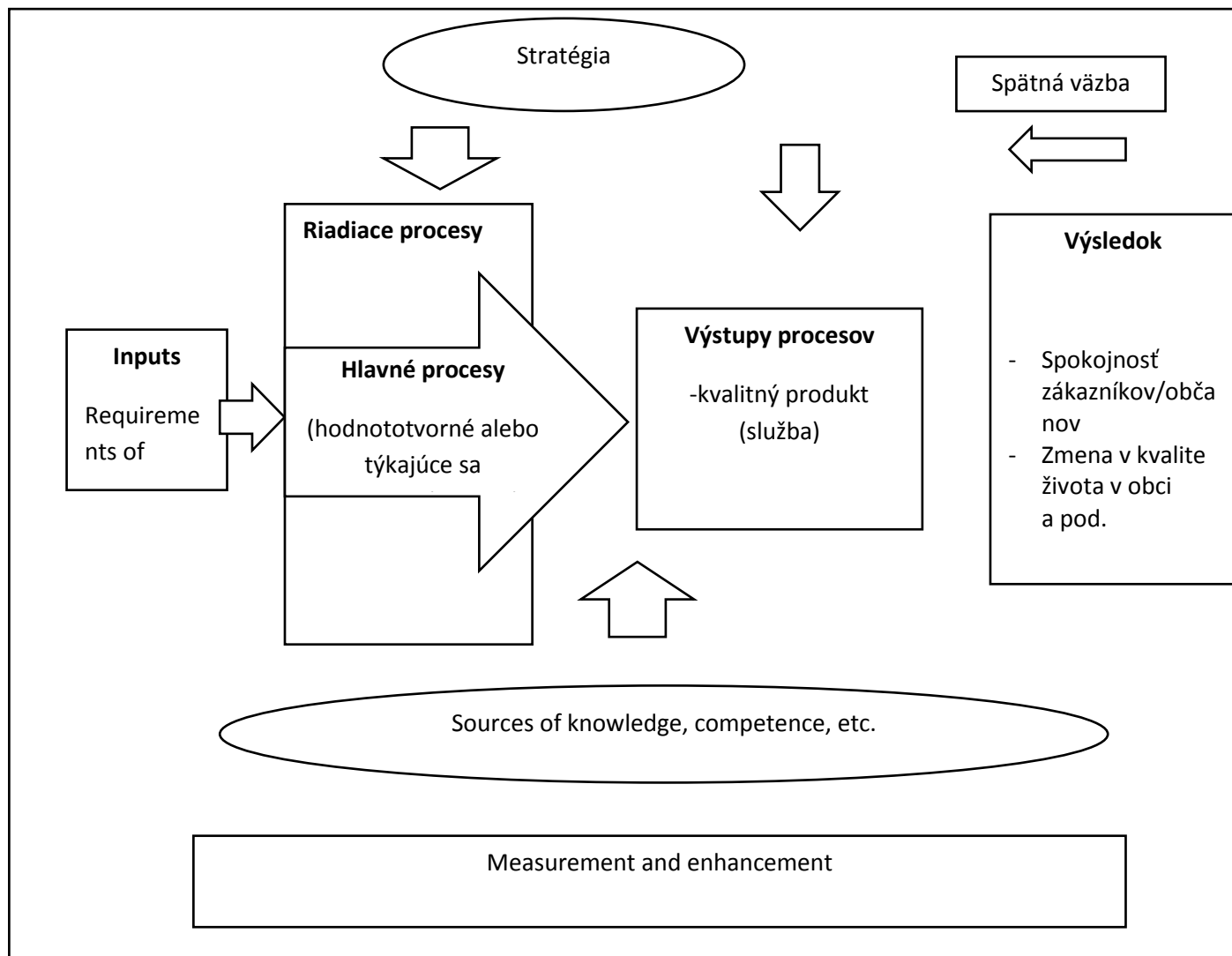
From the material viewpoint, output can be:

- material (lighting, operation of a house of culture, ...);
- administrative (collection of fees for litter collection, calculation of property tax, verification of deeds, population census, ...).

A great extent of these processes led to their division as well as merging from the viewpoint of their importance as well as purpose as follows:

- substantial (key) processes, fulfilling the reason of the existence of the given organisation (office). They result in the given product of different form, i.e. a measurable performance;
- management processes – created by managerial processes, they ensure the management and development of performance in an organisation as well as the functioning of other auxiliary processes;
- auxiliary (operating) processes, which help ensure the substantial processes.

The combination of these processes is shown in Picture 2.



Stratégia – Strategy

Spätná väzba – Feedback

Riadiace procesy – Managing processes

Hlavné procesy (hodnototvorné alebo týkajúce sa zákazníka / občana) – Substantial processes (value-creating or related to customer / citizen)

Výstupy procesov (kvalitný produkt / služba) – Outputs of processes (quality product / service)

Výsledok: spokojnosť zákazníkov / občanov / zmena v kvalite života obce a pod. – Result: satisfaction of customers / citizens / a change of the quality of life in a municipality etc.

Picture 2 Division of processes in the context of transformation process in self-government

### **Comparison of Process and Functional Managements**

Process and functional managements represent two concepts, providing their own views of the possibilities of functioning in an organisation. They should not be comprehended as two opposing concepts, as the process approach follows functional management and regulates it according to its principles.

The key element of functional approach is labour division among the functional units of an organisation. This is reflected in organisational structure, where the given organisation is divided into individual departments on the grounds of expertise. Thus created units carry out partial process activities, while the whole process is complexly followed. If we want to enhance the functioning of an organisation as a whole, we need to enhance the efficiency of each department (Grasse, 2008, p. 40 - 41).

In functional management, one department can perceive a different department of the same organisation as a competitor, which is reflected in negatives regarding the functioning of the whole organisation. A problem is also the loss of time caused by following bureaucratic rules in mutual communication. We should neither forget about information misunderstandings occurred upon the transfer of activities among departments. However, even a greater problem would be if departments did not exchange information at all (Mateides, Závadský, 2005, p. 31).

As emphasis put on knowledge collected into functional units is characteristic of the functional approach, it is necessary to coordinate and check them. Places with many employees not creating any added value thus occur. Organisation is thus arranged in the form of multilevel pyramid controlled from one centre with restricted responsibility and competences. Moreover, employee loyalty inclines to a functional unit, not an organisation as a whole. It results in restricted implementation of changes, as employees protect their functional positions, and prefer their own interests to interests of the whole (Grasse, 2008, p. 40 - 41).

Závadský (2004, p. 21) states that functional management is predominantly oriented on outputs. It is focused on consequences, and does not investigate reasons of the achieved results. Tools of the evaluation of the results of organisation's activities can include financial economic analysis, revealing the places with low productivity or high costs. However, adopted measures focus on individual functional levels of management, aiming at the elimination of revealed insufficiencies.

On the contrary, process management is not only focused on the result of work but also on the way and course of its achievement. Work is not carried out separately within individual organisational units, but it is dealt with and it cooperates with the other units of an organisation.

Table 2 Basic differences between functional and process approaches to management

<b>Functional approach</b>	<b>Process approach</b>
Local orientation of employees	Global orientation by means of processes
Problem of the transformation of strategic objectives to indicators	Interconnection of strategic objectives and process indicators. Process approach is thoroughly characterised by the following: Think globally, act locally
Orientation on external customer. Employees do not know the meaning and interconnection of internal customers and suppliers – minimum interoperation with other activities	Existence of internal and external customers. Employees know what inputs they use to carry out activities and from whom they take them over, and what outputs they provide to whom in order to carry out the related activities – interoperation with other activities
Problematic definition of responsibility for the results of processes and the creation of value for customers	Responsibility and creation of value for customers is specified on the grounds of processes
Communication by means of the “layers” of organisational structure	Communication within the course of the process
Problematic attribution of costs to activities	Direct attribution of costs to activities
Decisions are influenced by the needs of activities (functions)	Decisions are influenced by the needs of processes and customers
Measurement of activities is isolated from the context of other activities	Measurement of activities reflects their required impact and performance within a process as a whole
Information is not regularly shared between activities	Information is a subject of common interest and is standardly shared
Employees are remunerated on the grounds of their contribution to the given activity	Employees are remunerated on the grounds of their contribution to the efficiency of a process, respectively an organisation as a whole
Participation of employees in problem solution is zero, or it is only restricted to activities they carry out	Substantial problems are regularly solved by teams established within process activities from all levels of an organisation

Source: Grasse (2008, p. 47)

Besides the preceding key differences, there are further differences between these two ways of management.

Table 3: Differences between functional and process managements

	<b>Functional management</b>	<b>Process management</b>
Basic principle	Labour division	Grouping of activities
Organisation as a system	Coordination of separate elements	Synergic effect (the resulting effect is created from many parts)
Organisational structure	Steep pyramid	Flat, horizontal organisational structure
Powers and responsibilities	Only for a department, or operation of the given department	For the whole process, everybody equally participates in results
Relationship to subordinates	Orders, directive approach, frequent checks	Coaching, management of people on the basis of own awareness, indirect support
Indicators	Economic analysis	Analysis of processes, each process shows which indicators best evaluate it
Orientation	Consequences	Reasons
Qualification	Less demanding	Demanding (control of the whole process)
Communication	Vertical	Horizontal

Source: Štangová (2009, lecture on Management of Processes in Public Administration)



### **Process View of the System of Management in Self-Government**

Based on our own mapping of processes in several particular municipal offices of municipalities we selected and analysed in the form of face-to-face meetings, we identified 97 processes on average, divided as follows:

- 54 key processes,
- 13 management processes,
- 30 auxiliary processes.

According to individual departments, they are divided as follows:

- the department of economic and operational activities and social affairs:  
24 processes
- the department of taxes, fees, cash, culture and sport:  
30 processes
- the department of asset management, environment and crisis management:  
16 processes
- the department of records, construction activities, registry:  
27 processes

The summary characteristics implies that most processes are carried out at the department of taxes and fees – up to 31 % of the given amount of 97 processes, and the least number of processes is carried out at the department of asset management – 16 %. The analysis also showed the share of the aforementioned types of processes according to departments. This evaluation of processes was carried out from the viewpoint of logical sorting of performances according to organisational division of the office, not from the viewpoint of significance or workload. This view is crucial for the creation of standards and departmental job content.

While the functional model is based on strictly defined organisational structure, process model is based on quite flat organisational structure, enabling operational defining of process spheres as well as own processes in a structure.

### **Condition of Process Management in Slovak Self-Government**

Studied materials, available information as well as the own analysis of this issue within our research offer the following conclusions:

1. There is no systematic monitoring of process management implementation in the organisations of self-government, although several municipalities in Slovakia have implemented process management in their functioning.
2. Process management presupposes certain organisational arrangement, for which self-governments are often neither financially nor professionally prepared. The research showed generally little knowledge of employees of the respective organisations, institutions of self-government, on process management.
3. There is no clear identification and inclusion of activities creating organisations' performance.
4. There are no clear methods to evaluate individual processes. Several concepts interrelate or condition, a strictly single concept thus cannot be considered. Basically, all modern management concepts are summarised under the name: NEW PUBLIC MANAGEMENT.
5. Information comprehension of process management prevails over technological features.

### **Expectations and Future – Open Issues of Process Management**

The need to implement process management results from the financial situation of public finance, and it is a basis of the achievement of the necessary quality of self-government's performance, which presupposes the following steps:

- the facilitation of decision-making processes;
- the change of working procedures and their precise specification;
- precise identification of processes in their structures;
- precise financial remuneration of employees at respective offices;
- the change of work arrangement according to the organisational structure of offices;
- and others.

What is expected from the implementation of process management in self-government?

- performance professionalization in self-government;
- greater creativity upon ensuring the development of the needs of citizens;
- transparency and better information on the system of handling public financial means as well as inputs – material and others;
- the guarantee of standard outputs from the viewpoint of quality and costs;
- the summarisation of activities and the specification of responsibilities for results;
- the standardisation of services;
- the measurement of processes from the viewpoint of economy and effectiveness;
- adaptability to changes caused by the needs of current functioning of public administration and self-government;
- but particularly the reduction of costs of individual programmes in their structure.

### **Conclusion**

The process management is an efficient way of management, previously verified in the business sphere, where it resulted in significant savings of financial means.

The present situation of permanent lack of public finance results in still greater pressure on looking for reserves as well as streamlining of activities, which can be helped by the discussed process management.

We realise that there is currently no systematic monitoring of the implementation of this avant-garde method in self-government, and legislation does not create pressure on its implementation. Process management can therefore be a challenge for the solution of several problems, which common practice of self-government functioning encounters on a daily basis.

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