

METHODOLOGICAL SCHEME FOR EVALUATION OF ECONOMICAL EFFICIENCY OF OUTSOURCING USE IN WOOD PROCESSING INDUSTRY

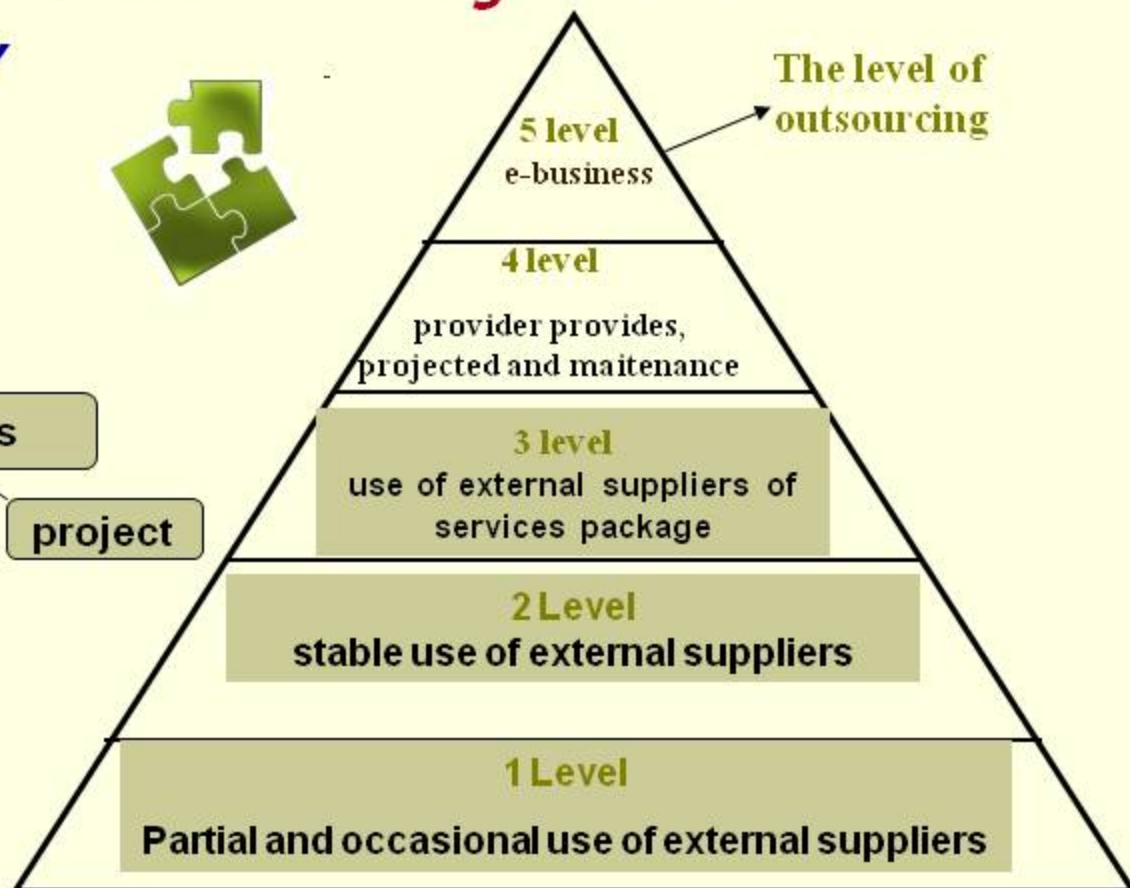
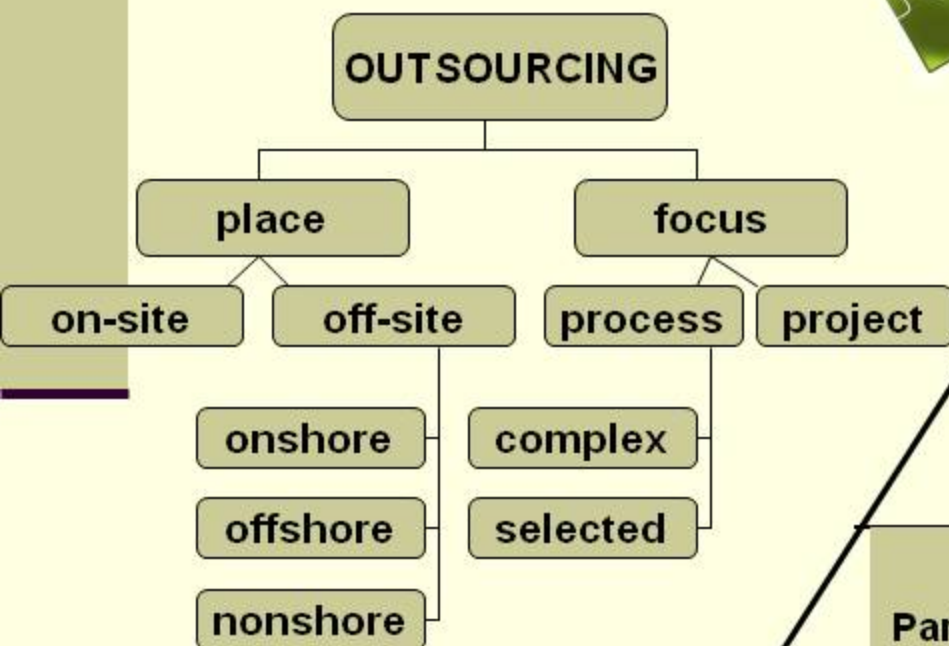
*DEVELOPMENT TRENDS IN ECONOMICS AND MANAGEMENT IN WOOD
PROCESSING AND FURNITURE MANUFACTURING
(Hotel & Casino Resort Admiral, Kozina, Slovenia
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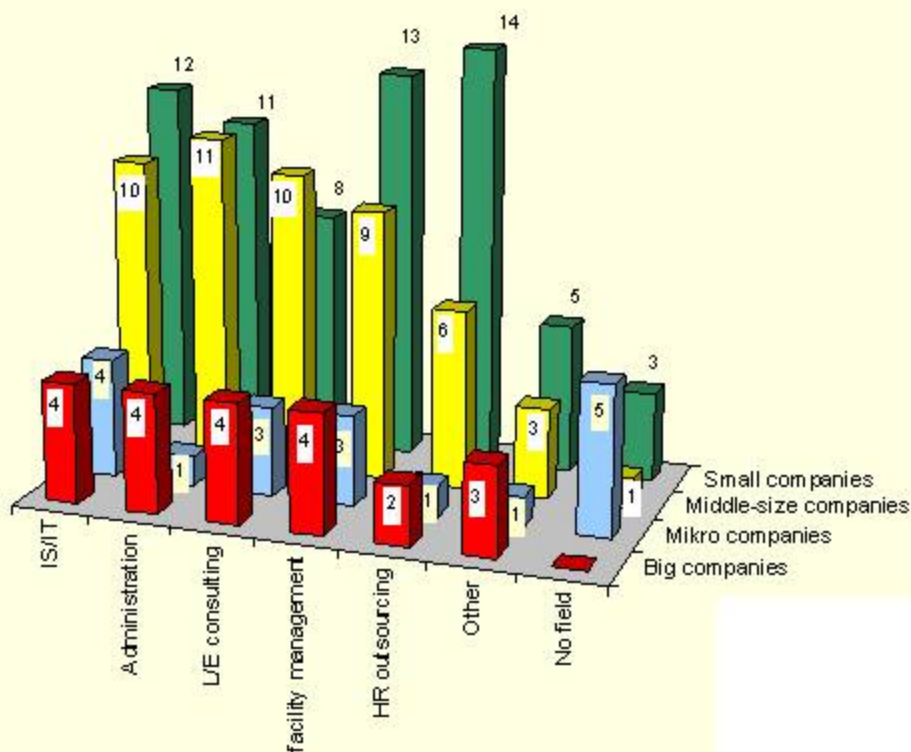
Outsourcing = „*outside + source*“ - *using the sources from outside of company*



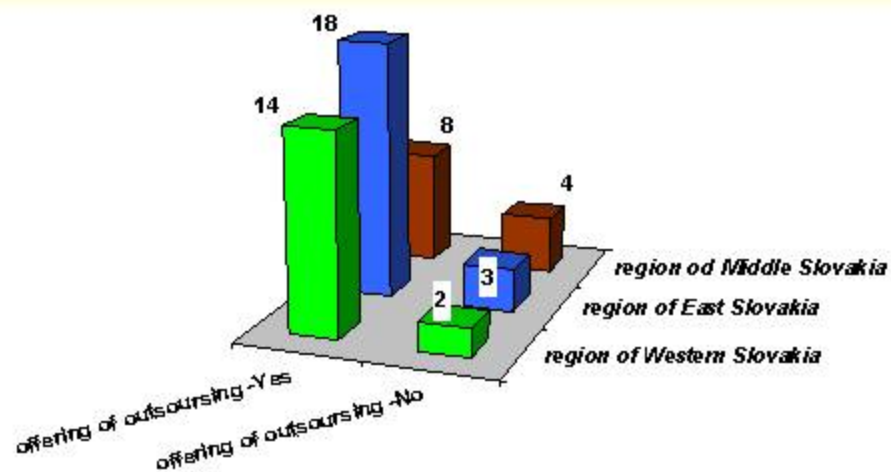
Application of outsourcing can be used in a wide range of services and administration spheres (accounting, economic consulting and internal audit), facility management (energy services, maintenance operation, cleaning services, catering, waste management) logistics processes (transport, storage), outsourcing of IS/IT infrastructure applications support, hardware, software, web site hosting and also HR outsourcing (educational activities, coaching, trainings).

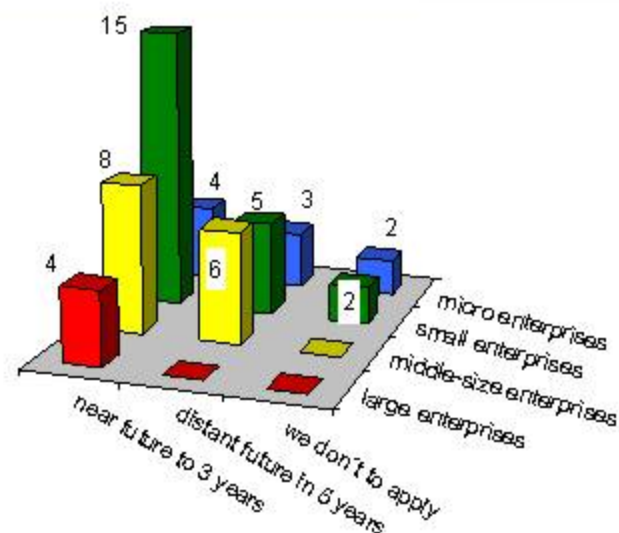
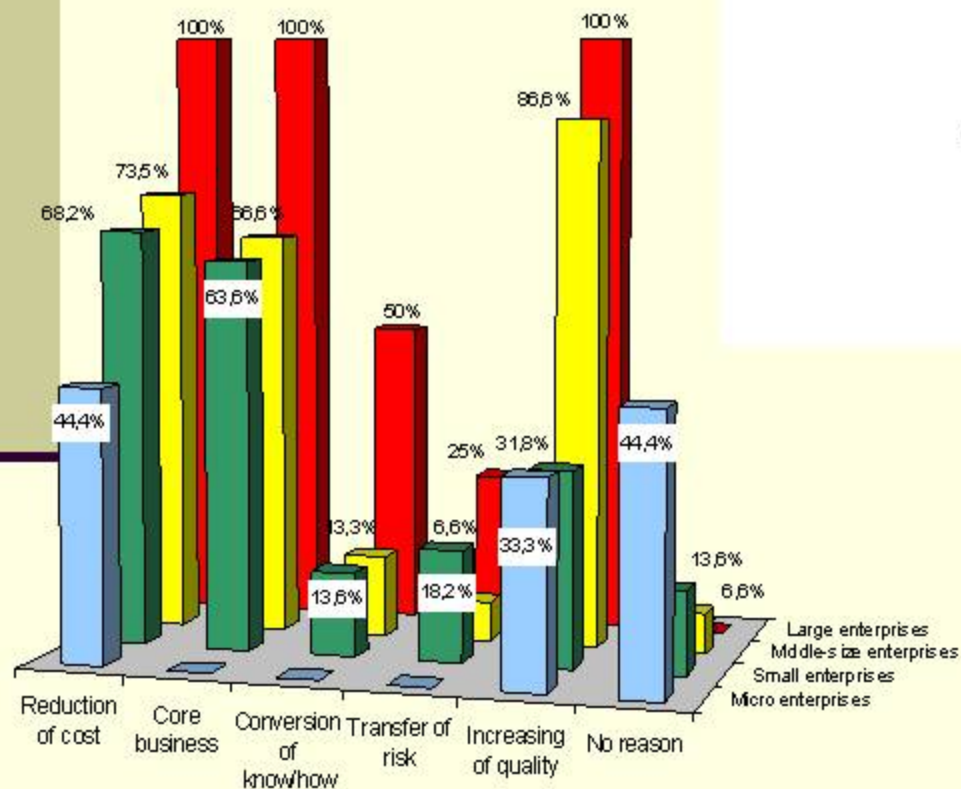


Woodworking industry in Slovakia is influenced by the economic crisis, causing stagnation at the construction industry and decreasing the customer demand for construction and woodwork and furniture products. Many companies are looking any ways of cost savings, and recently more and more companies increasingly use the possibilities of outsourcing.



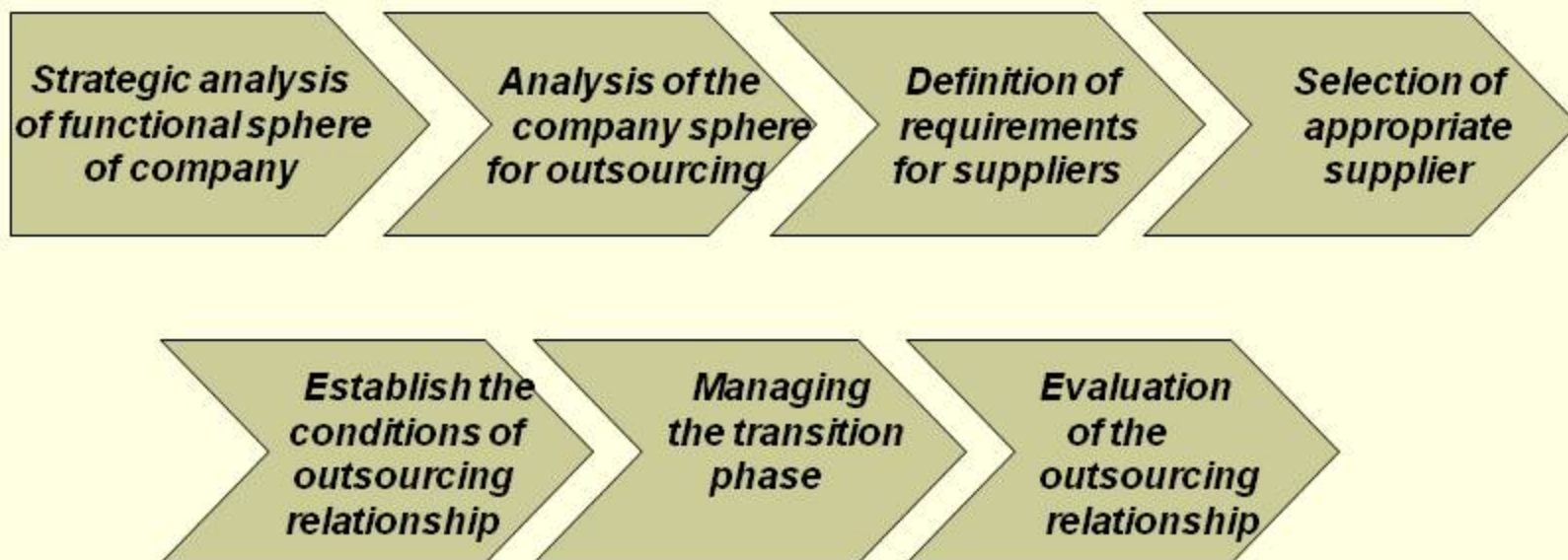
The offer and use of outsourcing in wood working companies in Slovakia





The main reasons and possibility of outsourcing use in wood working companies in Slovakia

The practical model of outsourcing application



General model of outsourcing application consists from any individual action.

The problem is to identify and know the level of its costs to perform the outsourced processes and also the problematic the estimation the level of additional costs to manage outsourcing relationship.

THE PROJECT OF EVALUATION FOR ECONOMIC EFFICIENCY OF OUTSOURCING USE

- Identification of processes, activities and procedures in an enterprise,
- Cost analysis of an enterprise,
- Determination of parametric outsourcing costs:
 - *Identification of cost allocation base for identified groups of overhead cost*
 - *Determination of rates for identified groups of overheads cost*
 - *Establishment of overhead costs in single processes*
- Quantification of potential cost savings from outsourcing use
- Expressing an influence on a financial performance of an enterprise

| | A | B | C | D | E | F | G | H | I |
|---|----------------------|---|---------|----------|---------|---------|---------|---------|--------------------|
| 1 | | | January | February | March | April | May | Jun | correlation |
| 2 | Overhead cost | | 3 833 € | 1 814 € | 3 560 € | 4 090 € | 4 957 € | 6 377 € | x |
| 3 | Allocation base I | | 10 | 8 | 18 | 13 | 30 | 22 | 0,7110 134 |
| 4 | Allocation base II | | 9 | 3 | 9 | 10 | 15 | 16 | 0.9707152 |
| 5 | Allocation base III | | 5 | 5 | 7 | 8 | 3 | 4 | -0,36191 |

For the determination of ideal type of allocation base of the each level of overhead cost is possible to use the function of correlation analyze by the program Microsoft Office Excel

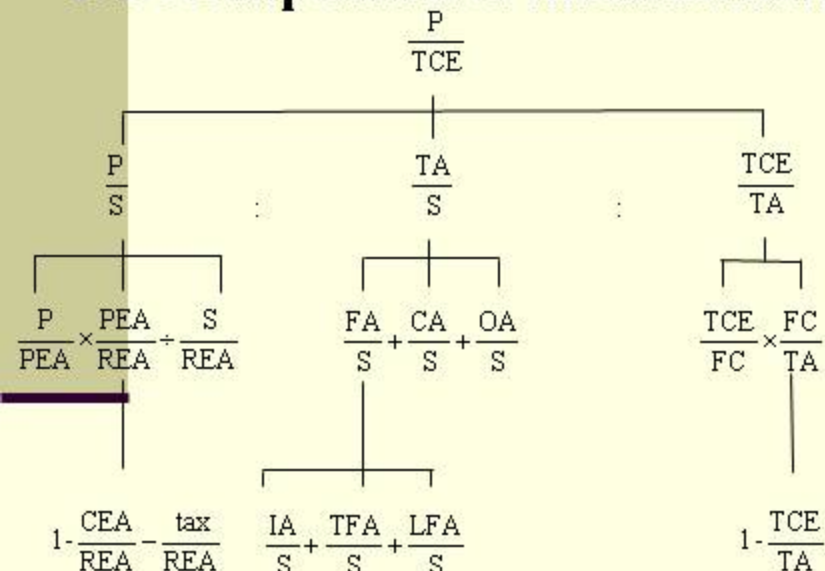
1. The economy efficiency indicators for succesful outsourcing application

**Saving
of the cost**

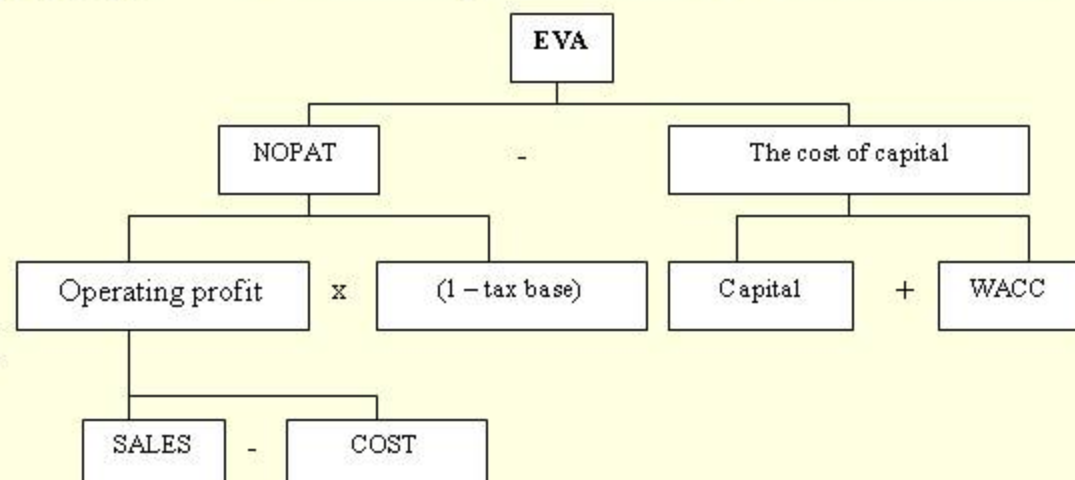
**Economic
efficiency**

Saving of the cost = PC_{SO} – price of external services

2. Decomposition of financial indicators



3. Decomposition of EVA indicators



NOPAT – Net operating profit after taxes and interest

WACC – Weighted Average Cost of Capital

C – capital, RONA – return on net assets

$EVA = NOPAT - (WACC \times C)$

$EVA = (RONA - WACC) \times C$

*P – net profit (profit for the accounting period after tax),
TCE – total capital employed, S – sales, TA – total assets,
PEA – profit from economic activity (after tax),
REA – return from economic activity,
FA – fixed assets, CA – current assets, OA – other assets,
FC – foreign capital, CEA – cost of economic activity,
IA – intangible assets, TFA – tangible fixed assets, LFA – longterm financial assets.*



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Thanks for your attention