

OUTSOURCING OF FACILITY MANAGEMENT

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Introduction

The world financial crisis has influenced the whole entrepreneur society in a negative way. As a result of the crisis many enterprises are forced to undertake many costly actions, which sometimes are not even linked to their company's main focus of activity. Outsourcing represents a new way towards rationalization of enterprise activities, which means to submit internal side activities not generally linked to the main company's focus of activity, to external subjects. Outsourcing of facility management is one of the possibilities which mean the solution of this situation by the organisational changes. **The main aim of this paper is to present a basic project for proposal of facility management outsourcing which depends on many factors (industry, region, experience with implementation of outsourcing and form of outsourcing). The paper also presents partial results of the research concerning on outsourcing utilization in companies of wood processing industry in Slovakia with the focus on the area of outsourcing of facility management using the methodology of correlation analyses.**

1. Facility Management

To explain the areas of the facility management we can use the definition of IFMA (International Facility Management Association bringing together more than 18 000 members from 50 countries). IFMA defines Facility Management as "a method whose task is to match the employees of the organization, work activities and work environment that brings together the principles of business administration, architecture, humanities and sciences." Facility management is, according to the definition, characterized by linking three areas, namely [20]:

- Areas related to employees, i.e. human resources and sociological aspects;

- Areas of work, i.e. the performance and funding;
- Working environment, i.e. architecture and engineering.

The final effect of all reciprocal ties is to strengthen all processes with the help of which employees in their workplaces – in a pleasant and performance supporting environment – give an optimal performance. Ultimately, facility management contributes positively to the economic growth in the body and thus boosts its competitiveness.

As stated by Serina [18] it is clear that the first two areas are identical in all managements. It is always about a set of activities, supplying or assignments for a group of persons. For facility management, the third area marked as working environment, is specific. Essentially, we can say that the facility management aims to ensure the support of the company or building so that the employees have everything they need to operate and that the costs of providing all services were as low as possible (Fig. 1).

German National Association of Facility Managers GEFMA emphasizes the cost (i.e. economic) aspect of the processes that support the core business of the organization. Definition according to GEFMA is: "Facility management is defined as an analysis and optimization of all cost-relevant processes relating to building, construction of another facility or organization performance not belonging to the principal activity of the organization" [20].

The Technical Committee CEN TC 348 Facility Management established the European standard of facility management in 2007 which is valid also in Slovakia as BS EN 15221 Facility Management. The tentative standard defines facility management as follows: ***"Facility Management represents the integration of activities within the organization for the purpose to ensure and to develop agreed services which support and increase the effectiveness of 'core activities'".***

Fig. 1: Business Areas of Facility Management

Overview of FM services



Source: [9]

According to Gao and Cao FM has many various definitions. In fact, there are considerable differences in responsibilities among different facility managers, so that many facility managers are confused with their responsibilities in organizations. However, in other traditional disciplines in construction and real estate industry, such as architecture, project management and town planning,

the confusion was rarely [6]. The fundamental purpose of FM is support organization strategy and core business to enhance organization's economic benefits and core competence. Therefore, FM should be guided according to organization strategy and FM strategy is part of organization overall strategy. Figure 2 shows the position of FM strategy in organization strategy frame.

Fig. 2: The Position of FM in Organization Strategy



Source [6]

Innovation in facilities management (FM) is a complex process as FM is a diverse discipline [12]. The use of facility management services from a number of their providers can be found in many organizations in the banking sector, multinational retail chains, international corporations, as well as public and the government. The focus in the facility service business has traditionally been on operative level outcomes such as customer satisfaction and technical quality [7].

2. Outsourcing

It is possible to explain the term outsourcing as the acronym consisting of three English words “**OUTside reSOURCE using**”. This expression is a term of the American business English and it means „**utilization of external resources**“. In theory, outsourcing is a quite popular topic with help of which a lot of experts point out the trend and efficiency of external resources utilization in external company management. In general, it is theoretically presented as a modern trend of management which serves to transfer support company activities to an external provider.

The breakthrough in the development of outsourcing from the perspective of economic theory can be ascribed to works of R. H. Coase (published in 1937) and O. E. Williamson (published in 1961). According to R. Coase, there can be only reached to the efficient allocation of resources in economics, if property rights are well determined and then effectively enforceable, with very low cost to bargaining. Generally, these costs have been named as transaction costs. Between the basic principles of transaction cost and incomplete control theories exists dependence [2]. By the particular application of transaction costs can in an otherwise standard competitive model dramatically improves its ability to rationalize observed real exchange rate dynamics [11].

During its development outsourcing became a complex object of doing business and that is why it can be characterized from different points of view. One can find a lot of definitions of different authors. According to the authors I. Hunter, J. Saunders, A. Boroughs, S. Constance „**outsourcing is a transfer of internal business activities or a group of similar activities and assets to an external producer or provider of services who is able to offer required service on agreed date and price**“ [8]. It is

a special form of co-operation concerning internally executed processes where the object of performance is agreed in a contract. This way outsourcing differs from another “partnerships”. Nowadays outsourcing is utilized worldwide as one of tools of the strategic company management, namely as a tool of optimizing company resources consumption aimed at basic strategic company goals.

Practical utilization and application of outsourcing is wide and favourite in many industries in all developed countries since it brings many positive effects. In our geographical conditions, in spite of initial distrust to it, its practical application is better now and outsourcing finds its application in many industries as well. The reason is foreign companies’ and their management know-how penetration to our market.

In practice it is not possible to outsource all activities. It is ideal to determine a plan based on company business philosophy, it means to focus on a core of company interest and not to outsource this base [22]. This procedure is logical – it is a must to have some area which the company fully deals with and not to let it to the other company. Doing that company’s own existence would be threatened. An organization may outsource not only company activities which are classified to the category of „noncore business“, which means processes ensuring support activities in the company – it means it is right to select a process where we do not anticipate aversion to changes or aversion is as weak as possible and requirement for changes is strong. So it should be a process which does not work optimally or there are some costs or qualitative reserves.

Outsourcing utilization is often connected with the area of information systems/information technologies (IS/IT), where the extent of contracts is the biggest. In this case we speak about outsourcing of IT infrastructure, applications of technical support, hardware, software, data administration, professional staff, web site hosting, development of applications for business processes, help desk services (customers support), networking (net connection), communication services, data centres operations, IT infrastructure. Areas, where to utilize outsourcing apart from IS/IT is possible, have been recently found in many companies’ activities: *Accounting and administration evidence, Facility*

management (cleaning services, supporting services, catering services, property services, security services), Human resources, Ecology and environment, Logistics, Science and research activities.

Today, outsourcing is used primarily as a tool of strategic business management. Priority task of outsourcing is been becoming the providing and increasing of the quality level of performing activities and cost savings to pay the attention to core business [15]. Companies frequently point to the cost savings for labor and training, but also cite the benefits of releasing corporate resources for alternative uses and allowing corporate resources for alternative uses and allowing the business to focus on its core competencies [16].

Praxis has confirmed that ideas about costs saving are often higher than it is actually. The problem seems to be that the level of own costs for realizing of the outsourced processes is quite difficult to identify and to know in the phase of decision-making. Companies can hardly monitor the costs of own processes and then to determine the level of potential costs saving. The methodology of Activity Based Costing calculation is necessary to know to it. This calculation considers as a basic philosophy of costs causes the business processes [1]. One important issue that determines the eventual form and structure of the ABC system is senior managers' demand for data utilizable for decision making. All these requirements need to be defined in relation to the structure of the system. An effectively implemented Activity-Based Costing system then provides accurate product costing and proves a useful aid for managing business operations [13].

3. Partial Results of Research Concerning on Outsourcing Utilization in Wood Processing Companies in Slovakia

Within the solution of the research project VEGA 1/0360/08. *“Functional and Design Parameters for the Evaluation of Economic Effectiveness of Outsourcing in Wood Processing Companies”* by means of a partial solution we have found out possibilities of outsourcing application in companies processing wood in Slovakia. Through the research which was done as a combination of a questionnaire and personal interviews we wanted to get responses to questions which

characterize basic areas of outsourcing in selected wood processing companies in Slovakia. Our aim was to map the current situation in areas utilizing outsourcing and to find out potential opportunities, interest and barriers of practical utilization of outsourcing in a company practice of wood processing companies in Slovakia.

The preferred research goal was to carry out quantitative research by using the selected sample of companies of wood processing industry aimed at outsourcing utilization. During solving the research project within the defined research goal by means of the questionnaire executed through e-mail correspondence, telephone or personal conversation. We addressed totally 146 companies/enterprises belonging to the wood processing industry and located in Slovakia. At first we contacted all the companies associated in Association of Slovak Republic Wood Processors and later we have addressed individual contacts in given industry.

Since we made an effort we succeeded to summarise 49 completed questionnaires which present about 34% return. Representation of individual companies which were willing to provide information for the research in a structure of classification due to company regional location and due to the size of companies - based on classification of the European Commission number 2003/361/EC (Tab. 1).

As the primary goal of the task the response to the question *“To which rate and in what areas is outsourcing utilized in companies of wood processing industry in Slovakia and what are preferred reasons of its utilization?”* may be determined. This way defined goal is quite wide and that is why it was necessary to divide the research into several partial questions. Within the frame of content specification of our contribution we will present only **partial results of the research** in the following part together with the presentation of statistical reliance (by the correlation analyses) of selected questions.

For the valuation of statistical reliance of individual questions correlation analysis was used. Correlation means the linear dependence between random variables. Statistical dependence is called the correlation coefficient in the case of linear dependence between the variables degree of tightness. Correlation coefficient of two dependent random variables x and y is the proportion of covariance and the product of

Tab. 1: Structure of Database of Presented Research Enterprises

| Size/Region | Micro enterprises | Small enterprises | Medium-size enterprises | Large enterprises | Total |
|-------------|-------------------|-------------------|-------------------------|-------------------|-------|
| West | 2 | 7 | 6 | 1 | 16 |
| Middle | 4 | 10 | 5 | 2 | 21 |
| East | 3 | 5 | 3 | 1 | 12 |
| Total | 9 | 22 | 14 | 4 | 49 |

Source: [15, p. 36]

standard deviations. Correlation coefficient takes its values from the interval $\langle -1, 1 \rangle$. The reader is referred to as the covariance which expresses the same time as changing the values of two variables. Pearson's correlation coefficient is calculated by dividing the covariance standard deviations. Pearson correlation coefficient (Pearson's product moment – r) is possible to determine by this formula:

$$r = \frac{\overline{xy} - \bar{x}\bar{y}}{s_x s_y} \quad (1)$$

where:

- r – Pearson's product moment(coefficient),
- x, y – variables $x (y)$,
- s_x, s_y – standard deviations of variables $x (y)$,

Interpretation of the size of the correlation coefficient is a very common problem. According to Cohen and the correlation is trivial under 0.1,

from 0.1 to 0.3 correlation is small, from 0.3 to 0.5 correlation is medium and over 0.5 correlation is large. Correlation from 0.7 to 0.9 is very large and from 0.9 to 1 is almost perfect.

Questions in questionnaire were aimed for identification: the region covered by the company (table 2, marked as a question A), sizes of the company (B), the use of any form of facility management outsourcing (C), reasons of use/non-use of outsourcing (D/E), assessment potential of economic efficiency of outsourcing use (F) and interest in the use of outsourcing services in the future (G). All of questions in questionnaire were compared each other through correlation analysis of pairs and then the correlation dependence was expressed. Tab. 2 presents the correlation matrix of the individual questions with expression of its levels depending.

Tab. 2: Correlation Matrix of the Individual Questions of Questionnaire

| | A | B | C | D | E | F | G |
|---|---------|--------|-------------------|--------------|--------------|---------|-------------|
| A | - | 0.09 | 0.33 | 0.21 | 0.37 | 0.12 | 0.16 |
| B | trivial | - | 0.28 | 0.39 | 0.13 | 0.16 | 0.14 |
| C | medium | small | - | 0.77 | -0.58 | 0.04 | 0.42 |
| D | small | medium | very large | - | -0.60 | 0.19 | 0.56 |
| E | medium | small | large | large | - | 0.07 | 0.53 |
| F | small | small | trivial | small | trivial | - | 0.08 |
| G | small | small | medium | large | large | trivial | - |

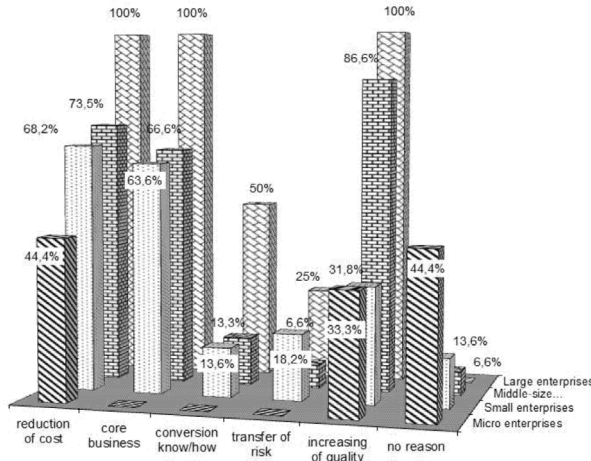
- A Region
- B Size of enterprises
- C Outsourcing use in Facility management
- D Reason for use of outsourcing
- E Reason for rest of outsourcing
- F Evaluation of economy efficiency of outsourcing use
- G Interest in using of outsourcing

Source: [15, p. 35]

The statistical analysis of correlation reported a high linear relationship between the possibility of outsourcing use in facility

management and main reasons for outsourcing use, but also with the main reasons for rest of outsourcing in companies.

Fig. 3: Main Reasons for Outsourcing Use in Wood Processing Industry in Slovakia



Source: [15, p. 39]

Wood processing industry in Slovakia is influenced by the economic crisis causing stagnation in the construction industry and decrease in the customer demand for construction, woodwork and furniture products. Many companies are looking for any ways of cost savings and recently more and more companies increasingly have used the possibilities of outsourcing.

The outsourcing is commonly used in large and medium-sized enterprises when the main reasons are reduction of overhead company costs, orientation into core business and increase of quality for outsourcing processes (Fig. 3). The use of outsourcing services absence mainly in micro and small enterprises. The main reason of inefficient using of outsourcing in the small companies is regarding to the lack of companies offering outsourcing and little time that companies spend on the research in this issue.

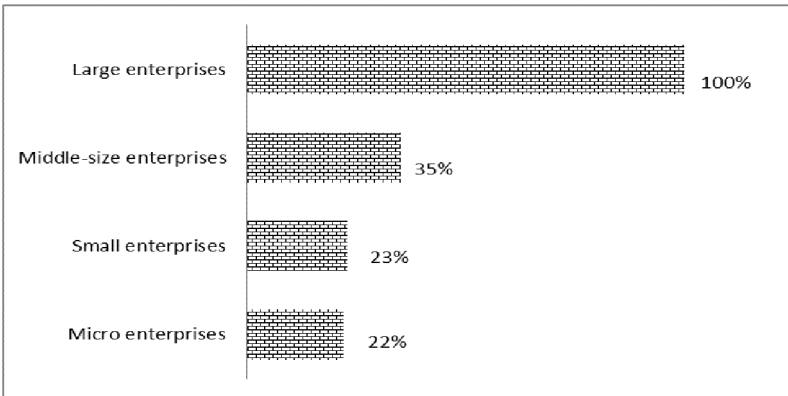
As it has been already mentioned, outsourcing of facility management includes not only technical management and administration of buildings, but also maintenance, special inspection, services, educational and catering activities, emergency and energy services. According to the survey result outsourcing of facility management (Fig. 4) in the complex

form is most used in large enterprises. In the other types of enterprises (middle-size, small) it is used mainly in areas of administration, educational and catering activities. In micro enterprises is outsourcing use only in administration activities (law and economic consulting, accounting and payroll administration).

Priority task of using facility management outsourcing in company practice is becoming increasing quality level of outsourcing activities performed with the aim of cost saving [4]. However, experience has confirmed ideas on cost savings are often higher than it actually is possible. The problem to determine the level and to know their own costs for the implementation of the outsourced processes is quite difficult. For many companies is extremely difficult able to track costs on their own processes and subsequently to determine the level of potential cost savings from using of outsourcing services.

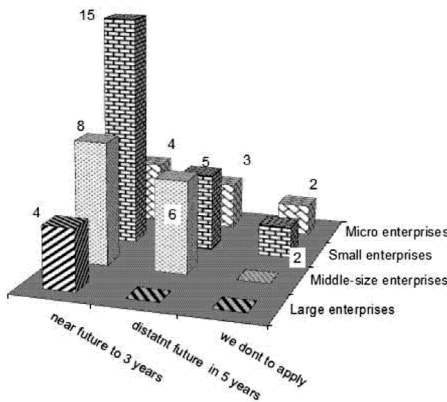
Interest in the use of outsourcing services in wood processing enterprises, as the results of the survey present, is evident (Fig. 5). All large companies and more than half of middle-size and small companies have expressed interest in expanding the use of outsourcing

Fig. 4: Used of Facility Management Outsourcing in Wood Processing Industry in Slovakia



Source: [15]

Fig. 5: The Possibilities of Outsourcing Application in the Wood Processing Industry in Slovakia



Source: [15, p. 42]

services in the close future till three years. Assuming the fulfillment of the benefits that the implementation of the outsourcing can bring for companies, a significant number of middle-size, small and also micro enterprises consider the use of outsourcing services in the longer term of 5 years. The survey also detected a lack of interest in the outsourcing use in some businesses, the main cause is solving of important issues how to keep the market in a competitive environment, but also a lack of time and space to deal with this problematic.

4. Project of Facility Management Outsourcing

The basic prerequisite for facility management outsourcing is optimization of business costs for their administering and improving the quality of services delivered. To implement the outsourcing of facility management in the organization it is necessary to prepare a high-quality project of its ensuring. The general model (design) of applications of outsourcing is very difficult to present because it is influenced by many factors, such as the specific features

of the company (industry, size, region, organizational structure itself, ...), the nature of the outsourced activities, the timetable for the implementation, financial budget and type of outsourcing relationship. In spite of it, there are attempts to define certain phases of outsourcing theoretically.

In the following part is presented a brief summary of the draft form of the implementation process of outsourcing, according to various authors, for example to Corbett [17] and others [3], [10], [15] in accordance with the requirements of international standard ISO 10006. ISO 10006 "Quality management – Quality Directive in the Management of the Project" is an international standard that provides guidance on elements of the quality system and procedures, for which the application in terms of project management is important. This standard complements ISO 9004-1 standard and is applicable for projects of varying scope and complexity. The general application process of outsourcing facility management can be defined in several phases:

- *Analysis of the areas identified for outsourcing facility management,*
- *Definition of requirements for the supplier,*
- *Selecting an outsourcing provider,*
- *Terms and conditions for setting the outsourcing relationship,*
- *Management of the transition phase of outsourcing relationship.*

The overall implementation time of outsourcing greatly depends on many factors while the time horizon of implementation is estimated from a few months to one year.

4.1 Analysis of the Areas Identified for Facility Management Outsourcing

The aim of this stage is to analyze the areas of organizations with potential to be outsourced by facility management with the calculation of potential benefits in the reduction or cost savings. Based on the analysis of the functional areas, a company must answer a few questions:

- What is the available offer of facility management services on the market?
- Which areas related to the administration of building would be appropriate to outsource?
- Outsourcing of which area will be of the highest benefit?

- What will be the potential cost savings resulting from the use of outsourcing services?
- It is appropriate to use the services of one supplier or more service suppliers?
- Analysis of strengths and weaknesses of the current status and opportunities and threats status outsourced?

For the analysis of the area identified for facility management outsourcing is possible to use a suggestion about potentialities for the SWOT analysis's development concerning threats from the authors Simeonov and Lambovska. By presenting empirical results of their implementation, the instruments of measuring and evaluating of threats are substantiated, provided threats evolve from the aggression degree of licensing institutions [19].

The critical question of this phase, which greatly affects the decision-making of the enterprise, is to identify potential cost savings and other benefits arising from the use of outsourcing services. It cannot be presented in this contribution in complex form. From results our proposals is obvious that the economic analysis of the potential of outsourcing in practice it is necessary to work with concepts such as ABC calculation, criterion cost of outsourcing and transaction cost. Primary task is to establish the level of potential cost savings as the primary effect of the use of outsourcing [14]. In the first step is necessary to determine criterion outsourcing costs (CC_O), for the potential analysis of economic calculations of advantages, respectively disadvantages of using outsourcing services as follows formula 2:

$$CC_O = \text{own costs of process (or activity, operation)} - \text{transaction costs} \quad (2)$$

From results follow the need to determine own costs of selected business process and its difference from the level of transaction costs (additional costs required to management the outsourcing relationship determined on the qualified estimation). Transaction costs of outsourcing can be expressed as the total costs of accounting period or on the level of costs related to the specific unit. The specific unit is determined on the base of discussed area of outsourcing (facility management, administration, logistics and other), as well as on the level of

price offer of the external subject for given type of service (employee, document, administration, area and other).

The complex presentation of this methodology is presented in the literary sources *Potkány, M. Outsourcing Companies in the Wood Processing Industry in Slovakia. Zvolen: Technical University in Zvolen, 2011. 79 p. ISBN 978-80-228-2194-0*. Very important information can be found in [21] and [5].

4.2 Definition of Requirements for the Supplier

Based on the results of the previous phase, it is necessary to define basic requirements for the supplier(s) of outsourcing services, whereby it is recommended not to focus on specific results but to identify the type of outsourcing relationship and definition of responsibilities for services rendered. Definition of requirements should include:

- detailed specification of the range and quality of delivered services,
- method of technology and information exchange in connection with outsourcings relationship (acknowledgment and acceptance of services),
- definition of liability (in the form of insurance guarantees determining the extent of insurance coverage),
- qualification requirements and the size of the supplier with proof of ownership of resources to provide services: licenses (certificates, certificates serving as permit the implementation of the activity or as proof of their quality), references (list of organizations using the services provider who predicate of the ability to provide services).

4.3 Selecting an Outsourcing Provider

Selection of the contractor to ensure the assigned area (therefore outsourcing provider), is based on the assessment of criteria set out in the previous stage. However, the bid for outsourced activities designated by the supplier is taken particularly into account – its financial stability, number and expertise of employees, licenses, certificates, licenses, references and guarantees the contractor. Own choice of an outsourcing provider can take different forms and most often takes the form:

- public tender,
- tendering,
- direct addressing of recommended suppliers.

When evaluating potential suppliers it is recommended to compile an Evaluation Commission (with internal staff of organization involved in the future cooperation but also with external evaluators) and use of multicriteria decision-making with more preference points or weighted point method with the assessment of the criteria scoring system based on defined criteria such as scale from 1 to 10.

4.4 Terms and Conditions for Setting the Outsourcing Relationship

In any relationship there must be conditions according to which this relationship is functional, therefore, negotiations about the outsourcing relationship is an inseparable part of the application process of outsourcing. Outsourcing contract is for a certain period and it is possible that, according to its content, the outsourcing relationship may continue for several years. The contract must be drawn up and written to describe the plan how the relationship will be managed.

In practice, there is no outsourcing contract type, because every relationship is different. When creating a contract, it can be inspired by a so-called checklist contract about outsourcing. Outsourcing contract of a specific type should contain at least the following points [17]:

- Definition of the Parties: the definition of customer service and its supplier.
- Subject of the contract: the essence is the determination and specification of services being provided within the outsourcing process with the possibility of defining their level of quality and specific outcomes.
- The clause on transfer of responsibility: the transfer of responsibility for services performed for the contractor with the possibility of defining the fines and compensation for damages.
- Life of the contract: determining the time horizon of the contract (minimum time is recommended for two or for three years).
- How to change the contents of the contract.
- Mode of termination of the contractual relationship: there are several options such as early termination of the contract, withdrawal, cancellation of the agreement

(in each case, defining the reasons and notice period).

4.5 Management of the Transition Phase of Outsourcing Relationship

The project of outsourcing of facility management is not finished with selecting the provider (s) and with the conclusion of an outsourcing relationship contract but it continues in a so-called transition phase. Based on the Takeover documentation, the service provider takes over operation of the facility management services and become the legitimate executor.

The transition phase is actually a process of transformation when a selected area is replaced by an external service which often leads to restructuring of business processes and also to a change in the organizational structure of the enterprise. The incorporation of outsourced services to the restructured business processes should be closely monitored and evaluated. It is recommended to create a working position in the enterprise that would be responsible for relationship management, evaluation, and solving of any emerging problems and the preparation of business administration (the so-called outsourcing manager).

Conclusions

Facility management is an effective form of outreach business management which aims to provide relevant, cost-effective services to support the main business activities (core business) and allow them to optimize. At present, marked by the financial crisis, is the application of facility management most current because it provides savings and optimization of operating costs promotes increased employee performance and thus contributes to increase the profitability of the enterprise. The most common forms of application of facility management in the enterprise is a partial or complete outsourcing, whose main components are technical and administrative management of buildings, interior cleaning of winter and summer maintenance exterior, provision of energy services and water management, including services. For implementation of the outsourcing of facility management in the organization it is necessary to prepare the project's quality assurance which includes an analysis of areas

identified for outsourcing facility management, requirements definition and vendor selection, to determine the terms and conditions related to outsourcing and management of organizational change.

Partial results of research concerning on outsourcing utilization in wood processing companies in Slovakia demonstrate that outsourcing is commonly used in large and medium-sized enterprises when the main reasons are reduction of overhead company costs, orientation into core business and increase of quality for outsourcing processes. According to the survey result outsourcing of facility management in the complex form is most used in large enterprises. In the other types of enterprises (middle-size, small) it is used mainly in areas of administration, educational and catering activities. In micro enterprises is outsourcing use only in administration activities (law and economic consulting, accounting and payroll administration). Interest in the use of outsourcing services in wood processing enterprises in the future is evident. All large companies and more than half of middle-size and small companies have expressed interest in expanding the use of outsourcing services in the close future till three years.

The total process of outsourcing implementation in a company depends on many factors. Time horizon of outsourcing implementation is estimated within a few months to one year and it is necessary to consider the risks of outsourcing use (loss of control over the outsourcing activity, the possibility of an external orientation to their own targets, breach of contract from outsourcing provider). Risks can be already eliminated in the process of negotiating its incorporation into the outsourcing contract, which will then manage the outsourcing relationship for several years.

Outsourcing is one of tools which are able to release potential fixed in the areas that do not belong among the core activities. On the other side if the way of outsourcing utilization is chosen correctly as well as the partner – company key abilities and their competitive advantages may be strengthened. But the task of economic and non-economic benefits is still the open one as well as the risks of its utilization. It is the competence of each organization to decide freely about the opportunity of its utilization. Problem of deciding of outsourcing

facility management practices in use or not ?? is a question of its economic efficiency. The problem determines the level of its costs of outsourced processes that are not among the main items of core business activities. Most of the overhead costs must be allocated through a methodology of activity based costing calculation. To determine the allocation base, there is proposed for each group of overhead costs to look for its suitable type, e.g. using the function CORREL of processor Microsoft Office Excel. Data of costs and level of alternatives of allocation bases are recommended to compare minimally quarterly. Then is necessary to determine criterion outsourcing costs (CC_O), for the potential analysis of economic calculations of advantages, respectively disadvantages of using outsourcing services. The application of such calculations in enterprises, however, requires changes to the accounting and corporate governance costs.

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OUTSOURCING OF FACILITY MANAGEMENT**Milota Vetráková, Marek Potkány, Miloš Hitka**

Facility management is an effective form of organizational changes that support the orientation of the organization on core business activities. At present, at the time of financial crisis, the application of FM is used the most since it provides savings in operating costs of organization. The most common form of FM application is outsourcing. Outsourcing is understood as a modern trend of management and also the changes which serve to transfer support activities of a company on an external provider. Practical utilization and application of outsourcing is frequent and very popular in many industries of all developed countries since it brings a lot of positive effects. Wood processing industry in Slovakia is influenced by the economic crisis causing stagnation in the construction industry and decrease in the customer demand for construction, woodwork and furniture products. Many companies are looking for different forms of cost savings and recently more companies have increasingly used the possibilities of outsourcing. The authors present the results of the questionnaire research aimed at the use of outsourcing within the chosen sample of woodworking industry companies in Slovakia. It focuses on the area of outsourcing FM with the use of correlation analysis lining the dependencies of the chosen questions. Within the article there is also the presentation of the proposal for partial methodology of evaluation for economical effectiveness of the potential outsourcing use which within the ABC calculation methodology suggests implementing conceptual schemes such as criterion outsourcing costs, transaction costs and costs savings. The authors also present the suggestions for general methodology of outsourcing FM implementation project which includes analysis of outsourcing opportunities and threats in this area of business, definition for service supplier requirements, selection of providers, contracting the conditions for the contract relationship and the management of the transonic phases of the outsourcing relationship.

Key Words: facility management, outsourcing, wood processing industry, changes.

JEL Classification: L69, M21, M29.