



Nordic Manufacturing Companies Overhead Cost Benchmark 2006

Waagstein Research is during the spring of 2006 conducting a benchmark study of the overhead costs in Nordic Manufacturing Companies. Examples of questions that the study will give answers to include:

- How do our overhead costs compare to those of other similar Nordic manufacturing companies?
- What are the characteristics of manufacturing companies with low overhead costs?
- Which areas should we investigate further to improve overhead efficiency?

An important objective of the study is to allow the participants to compare their overhead activities with companies operating under similar conditions.

The study looks at both cost levels and the distribution of costs on resources and processes.

With the results as a basis better decisions on the corporate overhead activities can be taken.

Benchmarking overhead costs & activities

Overhead costs are the expenses of operating a business over and above the direct costs of production. Examples of overhead are finance, procurement, IT and Human Resources. There are two important characteristics that distinguish overhead costs from the direct costs of production:

1. The overhead activities are to a great extent similar to overhead activities in other organisations.
2. Since it's not the main activity of the business overhead tends to get less focus on cost, value and efficiency in comparison to the direct production activities.

This makes overhead costs and activities an area which is of great interest to benchmark.

Advantages for participants

Examples of how the results can be used are:

- Identify areas with direct savings potential as well as areas on which the management should put priority in order to improve cost control
- Give access to information and experiences that save time and facilitate decisions concerning current overhead operations
- Create basis for decisions on future investments and organisational changes.

Benchmark of business complexity

The cost level of the overhead operations is closely related to the complexity of the business. In order to assess whether the level of overhead costs is justified, consideration must be taken to the demands the business have on the overhead support functions. This is achieved by measuring and benchmarking the complexity of the business.

Participants receive:

1. Benchmark of the organisation's overhead costs and complexity.
2. An individually written report
3. An individual presentation of the results
4. A conference with the participating companies in the study
5. Access to the lead analyst

Benchmark:

"Benchmarking is a practical tool for improving performance by learning from best practices and the processes by which they are achieved."

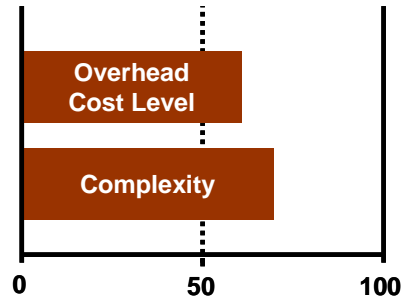
Overhead costs:

"Expenses of operating a business over and above the direct costs of production."

Examples of Key Ratios:

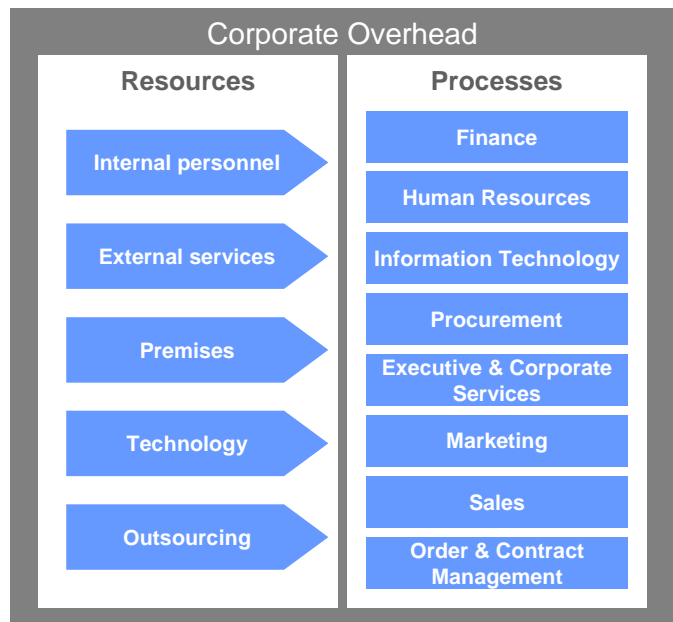
- Finance cost / turnover
- HR cost / employee
- IT Cost per IT user
- Procurement cost / cost sold goods
- Executive cost / employee
- Marketing cost / sales
- Sales cost / turnover
- Service cost / customer

Waagstein Research's model for measuring the overhead operations allows for complexity to be included in the analysis of the overhead operations. The results constitute a qualified basis for measuring, comparing and analysing the overhead operations.



Benchmark of overhead costs

The cost benchmark is designed to let the participants compare not only the total costs for overhead but also the costs for the resources that are invested in the overhead operations and the costs for each general process that the overhead operations are composed of.



Waagstein Research Overhead Cost Benchmarking Model

This model delivers several advantages to the participants:

- Makes a better understanding of the costs of the overhead operations and its distribution
- Enables a better identification of problem areas
- Separates internal and external issues.

Performance indicators

For each overhead process the cost level and complexity are rated on a scale from 0 to 100. The ratings are compared to companies within the industry.

Method

The participants of the study are guaranteed anonymity. The participants will know which companies that are included in the industry-specific study but are not informed of each other's individual results.

The data collection is carried out by means of a questionnaire. The questionnaire is filled out by the overhead management at the participating companies with support from an analyst at Waagstein Research.

Reporting period

The costs that participants report are the actual results 2005 along with the budget/forecasts for 2006. The measuring of complexity refers to the conditions at the time of measurement.

Deliverables

The results are delivered in the form of an individually developed report to each participating company. In the report the results are presented in charts, tables and text. The individual results are compared with the average, percentiles and the extremes. At an individual presentation session participants can discuss the results with the analyst.

The benchmark study is concluded by a conference with the participating manufacturing companies. During the conference the opportunity is given to discuss the results and ask questions that have arisen from the study.

The participants also have the right to personal telephone or e-mail contact with the lead analyst, for example in order to get answers to questions that are not covered in the report.

Pricing

The price for participating in the study is SEK 55 000.

Waagstein Research's policy is that our customers become 100% satisfied. In accordance with this the client has the right to, without our consent, to make price deductions if we do not fulfil this policy.

The prices are calculated excluding value added tax. The costs that may arise for travel, hotel and per diem are not included. Half the cost is invoiced at the beginning of the project and half of it on acceptance of delivery. The terms for payment are 30 days net.

Please contact us if you have any questions or want more information about this study:

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About Waagstein Research

Waagstein Research provides corporate governance services with focus on comparative benchmark studies.

Our customers are large companies and organisations where our target audience is decision makers such as CEOs, CFOs, CIOs, HR managers and controllers.

Waagstein Research's industry-specific analysis, competitive insight and strategic advice give businesses the tools they need to optimise their business value and reach lower costs.

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