

Knowledge produces results

A shortage of time for developing new ideas and solutions is what companies and the public sector perceive as the greatest problem in conducting service activities in-house, according to a recent survey. I see that as meaning that time is – rightly – devoted to the core operation. For us at Coor, focusing on the core operation means constantly striving to develop and improve the service delivery to our clients. One of the keys in this development process is Coor's annual client survey which is currently being carried out throughout the Nordic region. The survey asks 17,000 of our service users how they perceive Coor's service delivery. The results are used as the starting point for work to develop both the service delivery to individual clients and delivery in more general terms.

New ideas and solutions force the pace of development, particularly when it comes to resolving the problem of global warming. In this issue of Nova you can read about how Coor helps its clients deal with their energy supply. I would like to wish you all an eventful autumn characterised by development.



*Mats Jönsson, CEO,
Coor Service Management*



Top tips when choosing a service supplier

More and more organisations are outsourcing their internal services. But what preparations should they make to ensure the best possible results? Here are six handy tips to take you a step closer to more cost-effective service.

Industry special

Ringhals focuses on core business

In the 1990s, Vattenfall's Ringhals nuclear power

station outsourced its service deliveries to some 20 or so suppliers. This spring Coor Service Management assumed sole responsibility for the service delivery to Ringhals.

“With Coor we can improve the operation,” says Rickard Halldin, Safety & Environment Manager at Ringhals.



"In the past Ringhals had employed staff for garden maintenance and taxi services, for example. We then decided to review our core business. The assignment for service deliveries went to 25 subcontractors. Now though we work with a single supplier, Coor, which manages, co-ordinates and delivers services," says Rickard Halldin.

In the 1990s Ringhals, the largest nuclear power station in the Nordic region, outsourced parts of its operation, including transport and service. At the time a high proportion of the assignment went to Studsvik Stensand which has delivered services to Ringhals ever since.

In January this year Studsvik Stensand was acquired by Coor. This spring Coor signed an agreement with Ringhals to deliver approximately 50 services.

"In the past Ringhals had employed staff for garden maintenance and taxi services, for example. We then decided to review our core business. The assignment for service deliveries went to 25 subcontractors. Now though we work with a single supplier, Coor, which manages, co-ordinates and delivers services," says Rickard Halldin.

He says that similar outsourcing solutions could be found throughout the Nordic nuclear power industry in the 1990s.

"When we define our core operation, it's about having personnel who can run the plant with a sufficiently high level of safety. For safety and security reasons we can't outsource everything that lies outside of our core business. Laws and regulations stipulate that operation, chemistry, some maintenance and some service must remain with the organisation responsible for the activity, i.e. Ringhals," Rickard Halldin explains.

Outsourcing service deliveries to one supplier who then manages and co-ordinates the assignment has the advantage that Ringhals need only have con-

tact with one partner, rather than 25 as in the past. Rickard Halldin gives the following explanation as to why the assignment went to Coor:

"Coor has the desire to collaborate and develop the operation. Personal relations are important, and of course we know Studsvik Stensand from before. Quite simply, with Coor we can find better solutions in our activities.

"Our operation is largely event-led; we have to have an organisation that can react quickly. Our rules, controls and safety directives require planning. We can streamline this process to ensure we use our resources in the best way – while at the same time being able to reduce our costs," he says.

In December 2008, Ringhals will evaluate the effects of the agreement with Coor. Rickard Halldin says that by then, three goals must have been achieved:

"We want to be making more efficient use of human resources, to have sufficiently high quality in the services we are buying and a reduction in Ringhals's service delivery costs. At present everything is pointing in the right direction," he says.

About Ringhals:

Ringhals is the largest nuclear power station in the Nordic region and the four reactors produce almost one-fifth of all electricity used in Sweden. The nuclear power station is part of the Vattenfall Group and is located on the west coast of Sweden in Varberg municipality. Ringhals is one of the few nuclear power stations worldwide to have both boiling water and pressurised water reactors.

The power station has just over 1,500 employees.

About the service assignment:

Coor's assignment began on a small scale on 1 April this year and will be fully developed in November. The delivery encompasses production service, property-related service and workplace service. Coor collaborates with 24 subcontractors. Service deliveries include sanitation, decontamination, fire protection, handling of sensitive waste, building service, management of outdoor environments, cleaning and conference service.

 We are looking to the future



The primary motivator in the Nordic region for sourcing services outside the organisation is to cut costs. Other key reasons are to increase the quality and service level, or to improve opportunities to focus on the core operation.

Cost-cutting drives outsourcing

The principal reason for outsourcing service operations is cost-cutting. At least 10 percent of costs go on internal and related services not linked to the core operation. This has been shown by a Nordic survey of large companies and the public sector.

Of the Nordic countries, Finnish companies and public organisations spend the most money on internal and related services not linked to the core operation. The average proportion of costs in Finland is around 14 percent, while in Sweden, Norway and Denmark the figure is more like 10 percent.

The primary motivator in the Nordic region for sourcing services outside the organisation is to cut costs. Other key reasons are to increase the quality and service level, or to improve opportunities to focus on the core operation. Cost-cutting weighs more heavily for Norwegians than for other Nordic countries. In Finland outsourcing is seen partly as a way of increasing the focus on the core operation, and partly as a way of giving employees in the field a chance to develop.

The greatest problem in conducting service activities in-house is a shortage of time for developing new ideas and solutions. There is a general consensus here – both between the Nordic countries and between the public and private sector.

External service deliveries increasing

Sourcing service operations from external suppliers is extremely popular in the Nordic countries. Virtually all large Finnish companies and the entire Finnish public sector outsource their services. In Norway outsourcing of services is nowhere near as prominent, with more than half of Norway's local, regional and national authorities running service operations in-house.

Looking ahead, the majority of respondents in Denmark, Finland and Sweden believe that companies and authorities will increase outsourcing of services over the next five years. However, the opinion in Norway is that current practices will remain in place in the future. All that said, everyone agrees that outsourcing of service operations is here to stay.

About the survey:

The target group was large companies (with 500 employees and at least 250 people in one workplace), government agencies, county councils and local authorities. The primary interview subjects were MDs, Deputy MDs, County Council Directors and Local Authority Directors. Secondary subjects were buyers, property managers, administration managers and heads of finance. A tertiary group of subjects was HR managers. The survey entailed a total of 466 telephone interviews in Sweden, Norway, Finland and Denmark between 21 May and 5 June 2007. Research company Demoskop conducted the survey on behalf of Coor.

 From the client's perspective

Coor a cog in Volvo Aero's machinery

High availability, quality and cost efficiency are just some of the demands Volvo places on its collaboration with Coor. A collaboration where the delivery focuses not only on smoothly functioning service, but also on strengthening Volvo Aero's competitiveness globally. The recipe for success is a well-established working model in

which the quest for rationalisation has become part of the daily routine.

For a long while now Coor has played an important role in Volvo Aero's production in Trollhättan. Among other things, Coor is responsible for machine availability, relocation and installation of machinery, internal transport and warehouse service – a confidence that calls for great proactivity, both strategically and operationally. Coor's involvement is an important, pivotal link in Volvo Aero's delivery organisation.

“Because the service delivery has a direct impact on our results, it's extremely important that Coor is driven and feels responsible for its delegated areas. The delivery must be of a high technical quality with minimal response times, which for instance entails being on stand-by even at weekends,” says Thomas Ellström, head of component production at Volvo Aero.

Clear allocation of responsibility

To live up to the demands on speed and availability, Coor has worked alongside Volvo Aero to develop a system of well-defined communication paths and follow-up structures, for example.

“Teamwork is never at its best until the parties can co-operate fully, and we think we now have a good co-operation with Coor generally. In a business like ours, with demands on extremely short through-put times, it's incredibly important to have clearly defined communication channels when something needs to be done. Everyone should know where to turn, and to whom. In many ways it's like a relay race, knowing where the important issue lies and who is responsible.”

A constant quest for improvements

Because the service delivery plays such an important role in production and directly affects Volvo Aero's results, one of the requirements is that Coor should constantly seek out new ways of streamlining its processes. High proactivity and an ability to plan for change are also among Volvo Aero's expectations.

“Our customers and owners place rigorous de-

mands on us, and Coor's delivery is an important part of this. Obviously it's very much about keeping to schedules and ensuring production runs without disruption. But because the service delivery is a natural part of the operation it's important that Coor continuously strives to evolve both its own and our subcontractors' competence and quality. This is also a responsibility that we find Coor takes very seriously.”

“Because the service delivery has a direct impact on our results, it's extremely important that Coor is driven and feels responsible for its delegated areas,” says Thomas Ellström, head of component production at Volvo Aero.



‘Business as usual’ not enough

Tough competition places demands both on quality and cost efficiency. According to Thomas Ellström, productivity development is crucial in keeping up with the competition.

“Coor provides cutting-edge expertise on which we rely greatly. It's vital that we maintain a strategic co-operation that gives us peace of mind in knowing that Coor is developing at the same rate we are. We compete globally and that competition is razor sharp, for example from low-cost countries. That's why we constantly focus on developing our operation. We work in an arena where ‘business as usual’ simply isn't enough, we have to be on the leading edge. And that applies to all parts of our production,” he concludes.

About Volvo Aero

Volvo Aero is a wholly owned subsidiary of AB Volvo. In co-operation with the world's leading aviation companies, the company develops and produces components for aircraft and rocket engines. Volvo Aero is one of the world's leading producers of commercial rocket combustion chambers and nozzles, and has components in more than 80% of all aircraft engines on larger aircraft. Volvo Aero has approximately 3,200 employees and turnover in 2006 was about 8,000 million SEK.

About the service partnership:

Coor is responsible for a total service commitment at Volvo Aero Corporation in Trollhättan, western Sweden. The agreement runs for four years from 2006. It encompasses the areas of production service, workplace service and property-related service. Services include project management, construction, tool sharpening, machine maintenance, cleaning, internal transport, energy and media provision, and ground maintenance.

Measuring tool prepared to the millimetre



The machine was in position in time, despite the tight deadlines. One success factor in the project was the clear allocation of responsibility between Volvo Aero and Coor. The work structure has become a template for similar projects in the future.

Measuring tool prepared to the millimetre

When Volvo Aero needed to procure an advanced new measuring machine, it called on Coor for assistance. While Volvo Aero concentrated on assessing the machine's function and performance, Coor focused on securing installation and operational reliability. The clear allocation of responsibility was a success factor in the project, and has now become a template for future procurements.

When Volvo Aero started the process of procuring a new machine for measuring large areas, Coor was involved from the very beginning. Coor adopted the role of expert, was responsible for ensuring the supplier fulfilled Volvo Aero's technical specifications, adapted the premises for the machine and installed the machine itself.

"Our role was to help Volvo Aero ensure they got the machine they needed, in this case an advanced piece of measuring equipment. We also had to make sure operational reliability could be guaranteed for 20 years," says Lars Johansson at Coor in Trollhättan.

The assignment also entailed adapting the service organisation and establishing tools for troubleshooting.

"This meant that Volvo Aero could concentrate fully on the machine's function and role in the delivery process," Lars Johansson continues.

Thorough testing

Once the machine type and manufacturer had been decided on, Coor and Volvo visited the supplier. Function and acceptance tests were run on the chosen machine to check that it met Volvo Aero's requirements.

"It was important to identify any shortcomings in the delivery as early on as possible, as remedying any faults once the machine is at Volvo Aero is both costly and time consuming. That's why it was so important to scrutinise the machine in detail while it was still with the supplier."

Preparation and transfer

Both the machine transport from Germany to Sweden and installation at the Trollhättan plant were carefully planned to ensure optimum safety and efficiency. Responsibility for the preparations was delegated to Coor.

"A machine like this isn't something you just slot into position; the factory floor and adjacent premises have to be specially adapted. For example, the foundation the machine was to stand on was a critical issue. It had to be completely stable and free of vibration. The solution was a special floating plate foundation that was recessed into the floor."

A successful collaboration

For its part, Volvo Aero is very pleased with how the project went.

"We got the machine in position in time, despite

the tight deadlines. The clear allocation of responsibility was definitely a success factor as both parties knew exactly what was expected. The project has become something of a template for similar projects in the future,” says Thomas Ellström, head of component production at Volvo Aero.

 Focus on development

With the right focus, environmental work pays off



“A common error is to view energy supply and its environmental impact as a local issue. It’s not. To be effective, you have to raise your sights and tackle the issue from a global perspective,” says Mikael Olsson, an expert in energy issues at Coor.

With global warming, the environment has literally become a burning issue. Coor has the expertise that can help clients deal with their energy requirements in a way that is both financially and environmentally sustainable. With the right focus, environmental work pays off – for the company as well as the environment!

There are many views as to what constitutes efficient, sustainable energy provision. No real surprise, then, that many companies and organisations find it hard to gain an overview not only of their own energy situation, but also of the cost saving potential.

Mikael Olsson is one of Coor’s experts who helps companies and organisations reduce their energy costs. According to him, a comprehensive strategy can reduce energy costs as well as the global

environmental impact. It does require a broader perspective, however.

“A common error is to view energy supply and its environmental impact as a local issue. It’s not. To be effective, you have to raise your sights and tackle the issue from a global perspective. The environment doesn’t care about national boundaries. The Nordic power systems are connected to the European ones, and rationalisation or an increase in power production in Sweden has consequences in Europe.”

To make a complete, fully comprehensive evaluation, the current energy use of the operation must first be analysed. One important focus area is electricity consumption, as this is the energy form that has the greatest impact on the environment.

“All energy use affects the environment, and conversion to electrical energy is one of the processes with the greatest impact. The reason is that the European energy supply system always has fossil-fired power stations that produce the marginal electricity that is used. Marginal electricity refers to the last few percent of electrical energy added to the European power system. This electricity is produced in coal-fired power stations.”

Reducing electricity consumption first reduces marginal electricity, i.e. coal-fired energy, which in turn has a direct impact on the environment according to Mikael Olsson.

“Every kWh a company saves reduces the amount of combusted coal in Europe. Consequently, greenhouse gas emissions from coal-fired power stations also decrease. What’s more, converting coal to electrical power is expensive. For instance, 100 percent coal energy is converted to only 30 percent electrical energy. The remaining 70 percent turns into waste heat. Ultimately, our aim is to help our clients make financially and environmentally sound choices, and an understanding of energy systems is a key factor,” continues Mikael Olsson.

Some of the practical ways in which Coor assists companies include checking whether they are paying too much energy tax and acting as an expert

in the energy procurement process. According to Mikael Olsson, many companies are paying too much.

“When purchasing energy, an understanding of the bigger picture as regards energy systems is a distinct advantage. The best results are achieved from a complete review of all the client company’s energy-related costs, with the aim of reducing them.”

Coor also looks at the way in which energy systems in a building or industrial plant work in practice.

“Are the systems being run optimally? Are there systems that work against each other? There are all kinds of questions that need analysing and answering. The result of this process leads to a number of proposed improvements, which in turn lead to lower energy costs once they’re implemented. Generally speaking, there is tremendous potential in this area,” concludes Mikael Olsson.

Three foundation stones

Mikael lists three essential foundation stones that all companies and organisations should consider in their work:

- ★ One kilowatt hour saved has by far the best environmental effect! In addition to technical measures, this often demands a change of behaviour within the company. Changes like this take time, but increasing awareness of how everything links together can produce solid results. Communication is vital in this process.
- ★ Using electrical energy for heating has a big environmental impact (a heat pump that runs on electricity is not particularly environmentally friendly). From an overall social perspective, district heating produced from renewable fuels is preferable.
- ★ Life Cycle Cost (LCC) calculations should be carried out when investing in energy to produce a comparison between different options. This is because the investment cost in most cases is just a small part of the overall life cycle cost.

Facts about Coor’s energy-related and environmental services

The main aim of Coor’s services is to drive and develop the way clients run and maintain their energy systems.

Some of our services:

- *Contract analysis, contract strategy and procurement support*
- *Energy tax optimisation*
- *Subscription monitoring and optimisation*
- *Energy administration (compiling, processing and reporting media statistics)*
- *Climate accounting (environmental burden in the form of CO₂, based on energy consumption)*
- *Key ratio analyses for energy/media*
- *Forecast control for energy (possibility of individual goal orientation for operating engineers)*
- *Energy rationalisation (mapping, analysis, financing and implementation)*
- *Operational optimisation*

The Nova newsletter is an electronic newsletter from Coor Service Management, containing news about the industry and about Coor. The newsletter is published in Swedish, English, Norwegian and Finnish.

You have either sent your e-mail address to us yourself, or it has been retrieved from your company or from Cision’s media database. We will only use your e-mail address to contact you.

According to Sweden’s Personal Data Act you have the right, once per year and without cost to you, to apply to us in writing to be informed about what personal information about you that we hold and how we process it. You also have the right to demand changes in the information that we hold about you.

*Contact: Åsvor Brynnel, asvor.brynnel@coor.com
Texts: Susanne Kinnunen, Staffan Bruzæus, Webbkraft, Carl Hjelm, OTW
Graphic design and production: Webbkraft
Photos: Börje Försäter/Hallandsbild, Jann Lipka*

*Coor Service Management, SE-173 11 Stockholm. Råsundavägen 12, Solna,
Tel +46 (0)8 553 950 00, Fax +46 (0)8 27 93 35, www.coor.com*