

▼ Editorial - Mats Jönsson

1,600 ideas richer

Companies that can understand their customers' problems and suggest ideas to resolve them also create value for their customers. The key lies in getting personnel who work in the customer's operation to help drive the ideas process. This is the reasoning of Alan G Robinson, a Professor at the University of Massachusetts and the author of several books on improvement in organisations, creativity and development. Professor Robinson took part in Coor's annual managers' meeting this October to talk about his conclusions.

Do we at Coor create value for our clients? Yes and no. I know we are doing a lot, but the way I see it there's always room for improvement. Coor made 2008 its year for client improvements. The starting point of a more comprehensive, structured, methodical way of working with client improvements. Today we have implemented this working method in 90% of our contracts, worth in excess of 10 million Swedish kronor in turnover a year. Since the process began we have recorded just over 1,600 suggestions for improvement, which have then been presented to our clients. And clients have chosen to implement almost half of them. One of the truly major suggestions for improvement was the invention of an automatically adjustable cutting fluid nozzle for a machine at Volvo Aero. The invention now saves Volvo Aero time and money, and you can read about it in Nova.

Professor Robinson talks about the importance of basic, minor improvements – the ones that are easy to introduce and produce results fast. The minor improvements are particularly important when it comes to starting up the ideas process in an organisation. At Coor we have already made good progress, but the key now is to raise the momentum.



*Mats Jönsson, CEO,
Coor Service Management Group*





Håkan Sigfridsson, head of Saab Shared Services, advocates openness in all contacts with suppliers.

Coor the engine in Saab's property service

Outsourcing is a mutual commitment where clients and suppliers depend on each other for long agreement periods. Trust is essential for the co-operation to work. For Coor and Saab, the start of the first agreement was a test.

In 2003 Coor and Saab signed a five-year service agreement for facility management at Saab's main site in Linköping, eastern central Sweden. The agreement included 60 personnel in property-related service, cleaning and workplace service. This was the first time Saab had signed an outsourcing agreement. The start was difficult, the operation functioned poorly, and finally the two companies sat down to try and work out what had gone wrong.

"The foundation of a good business relationship is the ability to discuss tough issues openly. Having the courage to talk about something that's not working, and telling the truth. This inspires respect," says Håkan Sigfridsson, head of Saab Shared Services.

It soon emerged that there were problems at both Coor and Saab. To get to the root of the problem, Coor carried out an inquiry and Saab reviewed its service procurement organisation.

"We realised, for example, that we hadn't developed the services enough. At the beginning of the agreement we continued to operate the services as before, without actively helping to improve them. Once we had pinpointed the problems with the

inquiry, we began a major process of change," says Leif Arvered, Business Unit Manager at Coor.

Today the collaboration has intensified and expanded. A new agreement was recently signed for another five years, which means that Coor will deliver and develop property-related and workplace services at ten Saab sites in Sweden.

"Saab has a large stock of property to be managed. The starting point was finding the supplier that was best suited to this. Coor has the technical know-how, the right price and is a reliable supplier. They also have the resources and money to invest in development," says Håkan Sigfridsson.

For Saab, outsourcing is about the long term. Having the same FM system and a uniform service delivery at all its sites is an effective solution that keeps costs down and makes the day-to-day work run more smoothly.

Leif Arvered thinks that Saab has matured as a client over the years and has defined an effective new level of service in the new agreement. "Saab has worked a great deal on its role as an ordering client. They managed this latest procurement process very professionally. They knew what they wanted and what they were prepared to pay." When it was time for a new agreement period, Saab decided to invite a couple of service companies to submit tenders. One of them was Coor, which did its homework properly when negotiating the new contract. Leif Arvered remembers that Saab found Coor almost a bit too focused on the details and awkward with all the questions that had to be looked into.

"We're very thorough at this stage to avoid unnecessary discussions the day the delivery begins. It's important that Saab's expectations genuinely correspond to what they're actually buying." Trust, development and a trouble-free working day for Saab are Coor's guiding principles in the collaboration. Indeed it is part of the Coor business model to deliver an integrated total service, rather than just individual services.

Håkan Sigfridsson confirms that Coor came in with a degree of analysis that was highly ambitious,

and this produced a map of Saab's FM services which could subsequently be developed further. "Many of the suppliers claimed they were good at everything and didn't have any limitations. But Coor had sufficient self-insight to openly admit which aspects it does well and which should be placed with someone else. As a customer, you want to hear the truth."

The collaboration between Saab and Coor began five years ago, and a new agreement has now been drawn up and signed for another five years.

The plan is that when Saab launches globally on a large scale in the near future, Coor will be able to accompany it as an FM supplier.

"We need a business partner with enough muscle to be able to make this journey with us."

Do you have any questions or would you like to know more?

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Ideas worth millions

Little strokes fell great oaks. For Volvo Aero, having the cooling water in the wrong place caused problems throughout the delivery chain. Aided by Coor, a unique solution to the problem was found.

Volvo Aero in Trollhättan produces parts for aircraft engines. Precision and quality are key. Tomas Odelius, department manager at Volvo Aero, says that a lot of work has gone into streamlining the system in order to speed up the feed rate of products as orders increase. But something wasn't right.

"Despite replacing a machine, our operation times were no better. That's when we realised that the problem lay elsewhere."

Volvo Aero approached Coor, which supplies production service to the site, to find a solution.



The proud inventors show off their adjustable coolant nozzle.

Perhaps the personnel working on the machines could see what was wrong?

In component grinding, cooling water is absolutely vital. The problem proved to be a poorly adapted cooling water nozzle. The cooling water ended up where it should occasionally, but most of the time it didn't. The result was parts with burn damage, sometimes so serious that entire parts had to be scrapped, while other damage could be polished off.

"The loss in the machine's lead times is estimated at around 2,000 hours a year. Moreover, several different parts are ground on this machine, which became something of a bottleneck for all our deliveries," Tomas Odelius explains.

Electrical engineers Terho Klaavuniemi and Jan Östenberg took up the challenge, along with Arne Nyman, a maintenance engineer at Coor. The solution was an automatically adjustable coolant nozzle which made sure grinding could be carried out in the right way.

It took two years from idea to functioning component, and today the new solution works without fault. It is estimated to save two and a half million Swedish kronor a year for Volvo Aero thanks to shorter lead times. Furthermore, not one of the half-million-kronor parts has had to be scrapped.

"To my knowledge, we have the only machine in Sweden with a washing nozzle that follows a pre-set programme. Coor has played a key role in this improvement work, says Tomas Odelius.

In addition to all the obvious benefits of the new nozzle, it also extends the life of the machine's diamond grinding wheels. The wheels cost around 10,000 Swedish kronor each, so this represents a

serious annual saving.

“It is invaluable when we can work together and draw on each other’s knowledge in a project, and work towards the same goal. The improvements may be in the client’s production methods, but we gain too in terms of experience and reputation,” says Lars Johansson, group manager for Coor at Volvo Aero.

Facts:

Four years ago, Coor established an internal Contest for Progress to inspire and draw attention to personnel’s improvement work. This year’s winners are Terho, Jan and Arne for their work at Volvo Aero.

This is the jury’s verdict:

“The machine maintenance group has managed to develop a ‘bottleneck relieving machine’ so that the client, Volvo Aero, can handle future volume increases without further investments, and also with higher quality at a lower cost than before. The group has combined knowledge of the client’s operation and professional skill with innovation and creativity, which truly has developed the service delivery to create value and success for the client. This is intelligent service!”

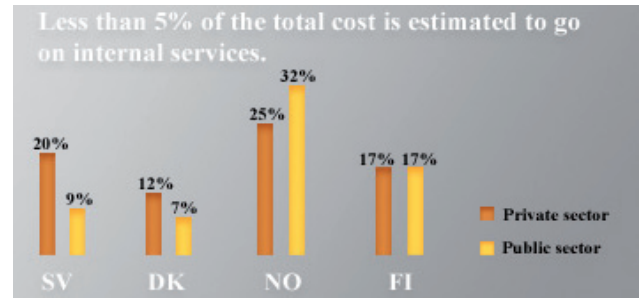
Do you have any questions or would you like to know more?

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What do internal services cost?

How much of your total costs are spent on internal and other peripheral services? On this point, Norway differs greatly from the other Nordic countries.

In the public sector, one in three respondents in Norway say that the amount spent on internal services and peripheral services equates to less than 5% of their total costs. Compare that to Denmark, where almost one in ten say the same. But Norway



would seem to be a country of extremes. Almost as many, 28%, say the figure should be twice as high, i.e. that 10% of costs go on internal services.

In Finland the cost distribution is roughly the same for the public and private sectors, while only 1% have internal service costs of 40% or more.

However, in Norway private companies believe that on average they have higher internal service costs than national and county authorities. And if we add together the public and private sectors in Finland, 19% say that internal services equate to at least 20% of their total costs.

Denmark has the highest proportion of uncertain respondents, with 40% answering they don’t know. But in Sweden too there is uncertainty in the public sector, with 38% unsure what proportion of their total costs are spent on internal services.

The average of respondents saying that costs correspond to 10% of the total figure is the same in all the Nordic countries at around 25%.

Do you have any questions or would you like to know more?

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Magnus Kuchler, responsible for Facility Management consultation in the Nordic region at Ernst & Young, has great insight into the FM industry.

Who's doing what in the crisis?

The recession is a bitter reality for private and public sector organisations alike. Magnus Kuchler, an expert in the FM market, sees differences in the way the various sectors are handling the situation.

“The private sector reacts quicker, for better or worse. Many companies have had a good third quarter, but are still putting on the brakes, to be on the safe side. The public sector on the other hand takes a long-term approach and adapts more slowly,” says Magnus Kuchler, responsible for Facility Management consultation in the Nordic region at Ernst & Young.

Kuchler feels that both sectors can learn from each other. The private sector has a lot to gain from thinking long-term and not just focusing on the next quarter. The public sector has to be guided more by value, as this is what the ‘clients’ will be demanding to an increasing extent.

“Many companies that have developed their FM operation over a long period have made a conscious decision and have control over all parts of their operation. They know where they can raise or lower the level of service to get the cost and value right. In the public sector there is a tendency to niggly and fuss, which reduces the value a little in all areas, rather than making good prioritisations and thinking about the bigger picture.”

FM is very much an important support operation in the public sector. Surveys show that good buildings and school food boost pupils’ performance, that hospitals which feel welcoming, function smoothly and have good food have more satisfied patients who recover more quickly. Moreover, the public sector’s core operations will require more resources in the future.

“The trend is that more people need society’s support today, we are living longer, we are ill more often and have increasing unemployment. The organisations need well-educated people to employ, which places demands on the education system. All this costs money that isn’t there, which means the public sector must be more effective without reducing its level of service,” Magnus explains.

Successful change requires investment of both time and money. It is easier for private companies to make large investments which pay for themselves many times over in the longer perspective. The public sector tends to make quick fixes here and there without carrying out any major changes. Furthermore, there is the problem of outsourcing sometimes being erroneously associated with privatisation in the public sector, and that public organisations rarely review all the possible options in their operation and, consequently, have little control over what a service should actually cost.

The private sector is influenced by other factors, according to Magnus.

“There is an unwanted flexibility among clients, who are irregular and can change suppliers quite quickly. This places tough demands on the FM industry which often has long-term contracts and a lot of employees. Moreover, it is necessary to have enough muscle to follow private companies internationally; their FM portfolio must be able to be global.”

Magnus points out that we must remember that the FM industry is still in its infancy and that, irrespective of the economy, clients and suppliers alike will mature with more knowledge and head towards a more professional make or buy strategy. The companies are driven by the insight that they cannot concentrate on everything, and that in

many cases it is beneficial for non-core operations to be outsourced.

“It’s a challenge for all FM suppliers to be more proactive about the value they can deliver to the client’s core business, rather than just delivering what has been agreed.”

It is vital to find the right strategy which the company can live with over a long period of time, rather than panicking and doing something hastily and wrongly.

“Outsourcing is not a magic pill that works for everyone. If you’re not prepared to embrace change and take control of your operation, you can’t expect outsourcing to solve all the problems,” Magnus says.

What will the economy be like in a year’s time?

“We’ll be back on track again. Everything is faster these days, including recovery.”

What effect is the global financial crisis having on the FM market?

“The companies are carrying out cost-cutting measures which are leading to a decrease in the total purchase volume. Some suppliers will lose their contracts, some employees will lose their jobs. However, many companies are currently reviewing their operations and making changes which will generate more purchases in the long run and will, in turn, develop the FM industry.”

▼ Focus on development



Alan G. Robinson, management guru, gave a lecture on the value of good ideas.

Creativity - a factor for success

Suggestion boxes and financial rewards do not raise creativity in a company. Instead companies need to encourage and implement the ideas that come from personnel. That’s when creativity can pay for itself.

Award-winning author, pedagogue and organisational consultant Dr. Alan G. Robinson took part in Coor’s managers’ day this year to talk about improvement processes. Dr. Robinson has studied over 300 organisations in 17 countries, giving him a unique opportunity to examine the similarities between personnel in different organisations. “Personnel on the floor see a lot of problems and opportunities their managers don’t see. Managers must understand that 80% of the ideas come from personnel, and only 20% from management,” says Dr. Robinson.

How an organisation sets about producing ideas also has an impact on how well it succeeds in its improvement work.

First and foremost, senior management must have the desire to drive the change process, to spearhead this work and encourage the rest of the organisation to get on board. Middle managers and supervisors must be trained and guided in how to get their teams to come up with ideas. Setting clear, quantitative goals, such as asking each of the company’s employees to submit at least one idea a month for a year, can help to kick-start the process.

By also setting aside time, such as once a week, for the teams to focus solely on ideas establishes a process for corporate creativity which is integrated with other work elements.

Robinson challenges managers and personnel to observe what's going on in the operation, on the floor and to create a joint, positive ideas process. This encourages everyone's creativity.

"It really is a win-win situation," he says. "It's part of the improvement process companies can implement to help personnel perceive added value, and personnel in turn can take pride and satisfaction in knowing that they work for a company that listens to them and values their ideas.

"For an organisation like Coor the real challenge lies in trying to keep more of an eye out for problems. When personnel start noticing problems, it gives them an opportunity to be creative and find solutions," says Dr. Robinson.

Five points for a good ideas

- ★ Foster the small ideas
- ★ Do not reward individual ideas
- ★ Make ideas a part of everyone's job
- ★ Create a good ideas process
- ★ Focus personnel's ideas on what you want to

About Dr. Alan G. Robinson

Dr. Alan G. Robinson is a specialist in Lean Production and in managing continuous improvement, creativity and innovation. He has co-authored five books which have been translated into over 20 languages. Dr. Robinson works at the Isenberg School of Management at the University of Massachusetts, USA.

Do you have any questions or would you like to know more?

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