

OUTSOURCING IN POWER PLANTS

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Abstract: the purpose of this paper is to indicate the notion of outsourcing used in power plants. This paper will also examine the concept of internal outsourcing, as well as provide and define some examples of applying large-scale message sending function and IT function.

Keywords: outsourcing, insourcing, co-sourcing.

The term ‘outsourcing’ constitutes a blend from: outside-resource-using [1]. Clearly, this notion could be explicated as a deliberate decision to handle responsibility for a crucial activity in an organization, so far performed by the organization itself, to an outer company, the so called third participant, specializing in the particular area.

1. Intrinsic outsourcing vs cognate notions

Professional literature often specifies the following head brands of outsourcing [2], exercised both by commercial enterprises and non-commercial units, including public administration:

- Assistance outsourcing – disbursing to the outer subject the realization of certain duties, i.e. guarding exteriors and interiors, administering the building, maintaining transmission line, managing social buildings of the company, employee transporting. This constitutes the simplest, and, in Poland, the most common form of outsourcing.
- Administration and management outsourcing, for instance handling by the outer unit functions as: accounting, managing records, archives, as well as staff evaluation, selection and training. The most common of this type is accounting outsourcing, used widely by small and medium companies.
- Production and service outsourcing. It relates to both basic functions and assistance as well, i.e. handing over maintenance and control over production lines, seasonal technological renovations (e.g. blast furnaces, electric power generators used in power plants, tractions and rolling-stocks), grid, technological and internal transporting, managing risk in institutions, in banks, or insurance companies [3].

The term ‘outsourcing’ is used conventionally to signify several, frequently remarkably different, change models, which are conducted by companies within the framework of organization changes. In this sense, one could classify as outsourcing the act of commissioning several, or even all, assistance services, so far executed by the company itself. Nevertheless, this is a short-term solution, accepted usually due to the need for quick problem-solving, not on account of its usefulness to the strategic development of the company.

Another breed of outsourcing is service outsourcing. This model, consisting in careful selection and engaging qualified outer companies, is very often included in strategic management. To fully and effectively realize this model, it is necessary to identify the need for change, to stipulate one's demands, including the outcome, as well as the possibility of free choice concerning the way of realizing the service by the executor. As one may easily notice, service outsourcing is more likely to fill into the above definition (see: introduction) of outsourcing, than a single commission.

Insourcing, a term relating to outsourcing and understood as its opposite, consists in improving a particular area of the company and performing service in this area to other companies.

Co-sourcing, on the other hand, comprises more accurate interaction between the service provider and recipient. The recipient provides staff to perform this particular service [4].

From the point of view of realization method, external and internal outsourcing could be indicated. **External outsourcing** uses service provided by sections or people outside the company. Joint venture companies, cooperation agreements, or strategic alliances constitute examples of merging these two forms of outsourcing.

Internal outsourcing is based on concentrating in one particular place a selected administrative or service function executed for other companies. This is to coordinate and unify some procedures within the framework of the company's economy, mainly international one. Therefore, expenditure is diminished by unifying the processes as well as centralizing and automatizing the management of a given function.

Due to its character, internal outsourcing most frequently covers all sorts of financial service, such as invoicing, collecting dues, as well as logistic functions, staff, telemarketing, or call centers.

Some people argue that internal outsourcing leads to distracting tasks, i.e. passing them down to lower levels of the company's structure. This seems unbecoming, though, as it is an entirely different sort of management procedures than the ones understood as outsourcing.

Consequently, using internal outsourcing is more likely to occur either in a company being actually a group of companies, or in a company having an excessively complex structure, thus perceived as a set of separate companies, despite formally constituting one single unit.

2. Outsourcing in power plant activities

Following the above mentioned notions and definitions, one may attempt to evaluate outsourcing in power plants.

In view of Poland joining the EU, energy sector has been constrained not only to adjust to the regulations, but also to restructure. In the light of liberalizing of the market and probability of facing modern foreign companies, Polish companies have been expected to increase their efficiency and competitive skills.

Both consolidating and privatization of the sector impose adjusting to rules of the free market; power stations ought to search for alternative distinguishing marks. On the unified product market, power plants do not gain diverse positions sheerly due to the price [5]. Outsourcing, therefore, appears to be a way of going beyond traditional, previously employed methods and adapting to market conditions.

Needless to say, it seems obvious in the light of analysing reasons for outsourcing, which are as follows:

- 1) company's increased focus on its basic activities,
- 2) obtaining the access to world's quality production powers,
- 3) accelerating and increasing benefits from reengineering,
- 4) sharing risks between two subjects partaking in the outsourcing process,

- 5) discharging one's own resources for other purposes,
- 6) getting access to extra funds,
- 7) cash inflow,
- 8) gaining discount and control over the cost of operation activities,
- 9) access to resources previously unattainable,
- 10) overcoming and solving difficult tasks.[6]

As mentioned before, what is accomplished by outsourcing are tasks and functions not being the main activity of the organization. K. Lyons provides several examples of services usually assigned to outer companies. The services are as follows:

- managing car transport,
- cleaning,
- renovation and maintenance of buildings,
- catering,
- providing security,
- managing the whole process of transportation,
- waste disposal,
- working in the reception,
- handling libraries/collections,
- health protection,
- fighting vermins,
- managing training centres,
- IT services. [7]

The above examples fully reflect possibilities and needs of power plants and, as one might think, are largely exhaustive as far as the notion of outsourcing in power plants is concerned.

3. Examples of outsourcing use

As K. Rochalski implies, in previously quoted work entitled „Rozwiązanie problemu masowej wysyłki korespondencji w zakładach energetycznych” (‘Solving the problem of a large-scale post sending in power plants’), the key to success for power plants is marketing and communication.

It is often alleged that contact between power plants and their customers is restricted to mail. This form of communication, used mainly to inform the addressees about the amount of money they are to pay, could easily realize marketing purposes.

With regard to the EU regulations entering into force on 1 July, according to which individual customers in Poland can choose their supplier, taking up marketing actions is likely to bring about success. Furthermore, possible, large-scale changes of suppliers can generate increased movement in billing systems.

In this situation, power plants face the alternative: either to form their own large-scale printing centers or to hand over mail production and servicing processes to the outer company [5].

The study conducted has shown that the latter is more beneficial. Needless to say, cooperation with outer companies gives the power plant an opportunity to deal with difficult or uncontrollable tasks within the plant itself. They may be:

- providing maximum data safety and confidentiality (specialized outer companies employ norms and procedures following ISO and quality policy, as well as BS7799),

- cost-cutting by applying effective policy of using capital assets and purchasing materials (the number of orders taken up by the company assures most profitable purchase of materials),
- reducing problems resulting from individual mistakes (due to experience and specialist knowledge gained during trainings),
- access to spare centers (possibility of using a spare centre in the case of failure or an additional commission).

However, the most essential profit from outsourcing in the field of production and large-scale transactional mail service is handing over responsibility for safety and protection of personal data and information. Due to using procedural mechanisms and following regulations of international certificates, outer companies provide the customers with data safety.

In addition to this, to protect data, companies use IT and create extra posts, i.e. data safety administrators, quality testers. To establish this in one's own centre is not only unprofitable, but also quite problematic [5].

As the author affirms, in relation to external outsourcing in large-scale mail service in power plants, the services, previously performed by the company, within the company itself, are directed to the outer companies; specialized in the area, neutral, i.e. with no significant connection with any power plants.

Nevertheless, sheerly handing over these tasks to outer companies not always seems most beneficial for performing side functions of the power plant. It can be mostly visible when the function, despite not being the key one, entails excessive abilities to be accomplished.

In such case, applying external outsourcing to this function could be more justified. External outsourcing perceived as focusing one particular function (either administrative or service function), which shall be realized by the subject for other subjects within the company, or for other companies acting as a group.

It should be noted, however, that external outsourcing in this case consists in assigning a task to the subject functioning within the framework of the company or a group of companies before making this change and obliging the subject to serving the customers who used to provide themselves with the given service before the change. For it will be an entirely different case when a new subject is set up, taking over administrative or service functions in relation to subjects previously used for this purpose. This particular case is defined as capital outsourcing [1].

4. Outsourcing of IT function in the Vattenfall Group

The example of internal outsourcing in power plants could be Vattenfall IT Poland company, within the framework of the Vattenfall Group. The former belongs to the Vattenfall Group and uses the shared service approach, i.e. serving several subjects belonging to the Group.

This means that Vattenfall IT Poland can provide service in relation to infrastructure, as well as IT to Vattenfall Group in Poland and abroad (for instance: all GZE companies, power plants in Warsaw as well as Vattenfall Poland). The company does not run any activities outside, and its customers have an insight into its proceedings.

The company may perform internal outsourcing tasks, such as telecommunication and IT services, both providing, handling the equipment and dealing with business applications belonging to other Polish companies of the Vattenfall concern [8].

Moreover, the company manages the so called help desk, accepting information about and solving problems. The centre receives orders for equipment and software installation.

There are certain teams of employees in the company, meant to support IT teams from other companies of the group within the framework of specialized technologies and systems.

The employees administer systems and applications, such as SAP R/3, billing system, IFS in power stations in Warsaw, remote readout of meters, SCADA, Planet, WIRE systems, etc.

Vattenfall also has its own Competence Centre for SAP system, employs its own consultants, as well as develops the whole system. As far as telecommunication is concerned, the company deals with maintenance and development of the whole telecommunication network being a part of Vattenfall companies. What ought to be pointed out is a network belonging to GZE, due to its immense possessions, including optical fibres, copper cables. The basic service constitute network maintenance, data transmission and telecommunication service. Vattenfall employs over a hundred people; forty of them working in Gliwice, whereas the remaining thirty in Warsaw. The latter deal with 2 thousand personal computers delivered to customers, manage about two hundred servers and the same number of network equipment and handle business applications, including 15 principal ones, like SAP R/3, used most frequently.

The above example of internal outsourcing conducted by Vattenfall displays a very significant and characteristic feature of outsourcing in power plants. The divulged IT service seems to be the most common type of outsourcing. It should be noted that this service is outsourced not only in power plants, but also in other fields.

The IT outsourcing does not necessarily mean handing over the whole IT infrastructure to a specialized unit. It is one of the solutions, but it is more common for service providers to handle one particular area. The areas may be: managing work environment, developing, maintaining applications, managing networks, holding computational centres and providing continuity in action. This kind of service is provided by Computer Land Outsourcing Centre and other companies supplying outsourcing service. Internet outsourcing, as well as application and service providing (ASP), are eagerly used nowadays. In the latter case, software installation and getting license is not obligatory. In ASP the documents are kept in severely protected service provider data centre.

5. Conclusion

All things considered, outsourcing not only advances competitiveness, but also helps reduce costs, leading to long-term profit upturn. It has been estimated that owing to cost-cutting measures in relation to infrastructure and staff, as well as focusing on key activities of the company, improved cost control (set costs of access to new solutions and technologies) and better quality of service, profits may rise up to 10%, or even 20%. IT outsourcing is likely to rise company's effectiveness, furthermore, due to it, the service provider can swiftly react to the customers' needs. In addition, both companies reap the benefits of the cooperation; (this process could be defined as a kind of synergy between them) the company makes profit and the specialized outsourcing company receives new commissions.

On the other hand, the service provider may not fulfill the expectations, on account of poor skills, too many customers, quick decisions, with no regard to the customer's needs, too little systematic work, lack of support or adjustment to newly occurring demands. But the most common reason for dissatisfaction with the service provided is too high price in relation to the outcome. Therefore, before making any final decisions, one ought to carefully plan the strategy, select areas meant to be covered by outsourcing and consider all terms of the potential agreement. It is also recommended to examine costs, expected profits, and possible hazards, as well as to determine relations with the service provider [9].

All in all, despite little risk it entails, outsourcing seems worth considering, especially in the power plant branch full of IT solutions. This kind of service has been provided since 2003, however it is still in progress. This fact yields excellent opportunities. In the power plant branch, the most significant role will be carried out by selected subsidiaries, tending to outperform others as far as experience is concerned.

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