

Can Core Competencies Be Outsourced?

Written by Terry Wireman, Editorial Director, C.P.M.M.
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In last month's column, we presented evidence that if a company uses assets to provide a product or service, maintenance is, indeed, a core competency. Still, there exists a school of thought that you should only outsource non-core business functions. Does this apply to maintenance/asset management?

Consider the following reasons to outsource maintenance.

The first reason has been a given since maintenance organizations have been in existence. Outsourcing maintenance is typically done in organizations that perform many projects or schedule outages or shutdowns. In these situations, there is a fixed amount of work that needs to be performed in a given time period.

If the work exceeds in-house resources, outside resources are brought into the equation. Also, if specialty tasks need to be performed, outside resources that specialize in performing these tasks can be brought in and perform the tasks at a higher level of efficiency and effectiveness.

The second reason for outsourcing maintenance is to provide specialty skills. In some organizations, certain types of maintenance on control, automation or HVAC systems is outsourced. This is a cost-benefit decision. In many cases, the work generated by these systems is insufficient to justify staffing a full-time employee. Thus, it becomes more cost-effective to outsource the maintenance function, provided certain performance guarantees are negotiated.

The third reason for outsourcing is beginning to grow among financial officers in companies. As CFOs continue to look for ways to increase shareholder value, they are examining every possible cost-saving avenue. Outsourcing companies now are directly approaching CFOs with the business proposition to replace the in-house maintenance function with an outsourced organization. The advantage? Reduced maintenance expenditures and any reduction in expenses is an increase in profit. No matter how you slice it, this can be an immensely compelling proposition for a CFO.

In-house maintenance/asset managers may try to refute these claims, but consider some

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statistics. What if 1/3rd of all maintenance resources really are wasted due to ineffective and inefficient management techniques and it does take three to five years (internally) to transform a reactive maintenance culture into a "Best Practice" organization? Can a professionally-managed outsourced maintenance more rapidly reduce maintenance expenses while increasing equipment availability and efficiency?

What can maintenance/reliability managers do if they want to keep their maintenance/asset management as an internal business function? The key is to become professional maintenance managers. To do so, they must learn to translate their technical language into the language other company managers speak—financial... dollars and cents. If not, an increasing number of maintenance organizations will fail to show value. And, they will be outsourced.

Today's maintenance/ reliability managers must accelerate (their improvement programs lowering maintenance expenses), innovate (find better practices that improve asset reliability and efficiency) or evaporate (be prepared to be outsourced).

The responsibility of any CFO (or COO and CEO, for that matter) is to improve profitability. Unless their internal maintenance function is optimized, outsourcing will always be an attractive option.