

Maintenance Outsourcing Is the Answer, Or Is It?

Written by Al Weber, Ivara Corp.
Wednesday, 01 September 2004 11:35

There is no single position regarding maintenance outsourcing that is correct for all organizations. With this in mind though, I have always believed that there is tremendous value in retaining core maintenance competencies in capital-intensive industrial environments and developing internal maintenance expertise on equipment that is key to the manufacturing process.

To successfully support physical assets, a high level of knowledge and skill needs to be present, as well as a strong sense of ownership for the performance of the assets. To have an environment that emphasizes positive thinking and to incorporate continuous improvement into the way things are done it is imperative to look at the pros and cons of maintenance outsourcing before making your decision.

Work identification suggests that there is a minimum maintenance workload associated with the management of every physical asset. If this minimum workload was defined for all assets and an attempt made to balance the timing of this work, an optimal maintenance resource level for the organization could be determined. From a skill and ownership point of view, it makes sense to have a properly sized workforce to address the workload associated with these assets, generally leading one to recommend that these resources be internal. Peak workloads and noncore maintenance activities, such as carpentry and painting, can be contracted out, providing flexibility and allowing organizations to focus on building a knowledgeable and committed maintenance workforce.

In this case, maintenance contracting refers to an organization hiring external resources to perform maintenance, while the maintenance being performed remains under the direction of the corporation. Maintenance outsourcing means handing over accountability and responsibility for the entire maintenance process to a third party.

In the above scenario, I subscribe to maintenance contracting to address peak workloads and to gain access to specialized expertise. A maintenance outsourcing model could successfully be used to accomplish the same end, where a dedicated group of individuals from an external organization are assigned to the maintenance of specific assets. Outsource personnel could be provided incentives to develop a sense of ownership, training and, in time, the experience to develop expert knowledge and skill.

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The caution, however, is that it is quite probable if externally owned and controlled, the personnel and therefore the expertise could be lost if and when the supply contract comes up for renegotiation. It is important to note that, typically, outsourcing resources also have a high turnover rate, making it difficult to create continuity with the equipment they are looking after.

There are key factors that are essential to consider prior to making any decisions:

- A major part of the outsourcing controversy stems from a lack of in-depth understanding by management of the many contributions maintenance can make to the success of the enterprise.
- Maintenance is too often thought of as a liability and not an asset; a service and not a business partner. As a result, there is limited investment in people providing the maintenance function. If companies do not invest in their people, they will not achieve a proficient, stable workforce and it will be next to impossible to develop personnel with the knowledge and skills required that allow companies to differentiate themselves from the competition.
- Many companies believe that the value of outsourcing lies in bringing process, technology, and practices to their plant. In reality, most outsourcing firms do not have a true understanding of the concepts of proactive, predictive, and process-based maintenance.

Successful companies that invest in sustainable growth recognize the strategic impact maintenance can have on their business and are prepared to invest in their own people, not advocate responsibility to a third party.

My core ideology is against maintenance outsourcing. However, I would be the first to admit that in some situations, a business case may exist to outsource. Some examples might include:

- A lack of sufficient skilled trades in a geographic area (ensure the outsourcing organization is not also restricted by geography otherwise it will be unlikely that you will get a better caliber of professionals for maintenance improvement initiatives).

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- The nature of equipment maintenance required is highly cyclical with extended periods of low maintenance demand.
- The nature of the equipment is highly specialized where an external organization has the expertise and it is not cost effective to build it internally.
- The physical size of the facility is too small to invest in a world class maintenance function.

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