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The Pros & Cons Of Outsourced vs. In-House Maintenance

Outsourced contract maintenance is becoming an increasingly prevalent method for companies to maintain their assets in numerous industries, from aviation to IT and manufacturing. There are generally three approaches to maintenance management: In-house staffing, a hybrid of in-house and outsourcing and complete outsourcing. How these may be applied and to what extent is driven by each company and their own unique needs.

The list below highlights the key advantages and disadvantages of outsourcing maintenance with particular reference to the following key factors: cost, work quality, obtaining expertise, tools, equipment and technology, risk reduction and management focus on core business.

Advantages

Cost savings: Cost control is a driving issue for most industries and a prime motive for outsourcing. In-house staff wages and benefits (such as pension, medical, vacation) may have become too costly for the company to subsidize. Cost is also a function of a contractor's ability to flex up and down faster than in-house staff; additionally, hiring costs are absorbed by the contractor. An outsourced contractor assumes the burden of these, and other, financial liabilities associated with workers.

Staffing flexibility, expertise and work quality: An outsourced contractor can provide flexibility in delivering the proper staffing level and required skill set quickly, with less cost and time investment, as well as providing expertise that may not be available, or is inadequate, within the in-house staff. This expertise will also positively impact the quality of the work being performed. It provides the flexibility to utilize specialized services as needed, instead of incurring the cost of developing in-house competencies that are not needed on a permanent or continuous basis.

However, it should be remembered that this is also a potential weakness. Dependent upon location, and in

certain markets, the craft pool may be limited and the required skill sets may not be easily obtained. Or if they are acquired they may command top dollar and cost more in the long run.

Personnel issues: In the majority of instances, when a client completely outsources its maintenance function, personnel grievances, disciplinary actions and issues become the responsibility of the contractor. Former in-house activities such as payroll, time keeping, labor relations, HR, benefits, etc., are handled by the contractor, releasing management from the responsibility and time requirements of doing so.

Tools, equipment and technology: An out-sourced contractor can provide staffing well-versed in the usage of the most current technology, without the need of the company to provide training to the in-house staff in its use, or the cost of acquisition of the technology/equipment. The same holds true for specialized tools and equipment, in that the contractor would be required to supply the tools and equipment to perform the work required.

Core business focus: Out-sourcing allows management to concentrate on their core proficiencies and critical objectives to drive the business.

Disadvantages

Loss of control: Outsourcing the maintenance function may be cost-effective, but there are restrictions when working with contractors, such as the host company's inability to directly manage and instruct the workforce. Another example is it may be difficult for a service provider to fulfill all of a client's requirements such as staff flexibility or craft availability within the host company's expectations. Also, the client and contractor may have different approaches, management styles and philosophies, which can lead to conflict.

Staff turnover: In-house employees are inclined to have more years of service at a facility than employees of a



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contractor and know the business and its expectations better. This is a common issue for clients, as outsourced staff do not, as a rule, possess as much allegiance to the company. As such, the intellectual knowledge they possess in regards to a site's maintenance function, equipment and business model is more readily lost if/when they leave, as their loyalty is more tenuous.

Redundancy in management roles: Roles may be duplicated within a client and contractor organization, contributing to overall cost. Overlapping roles and responsibilities can lead to inefficiencies within the maintenance organization and contribute to the appearance of too many bosses and not enough workers, create conflicting priorities and confusion.

Response time: When dealing with specialty contracts such as PLC's, refrigeration and complex compressors, a response time to problems may be handled more rapidly in-house when compared with a phone call to an offsite vendor. The host company must balance the needs of the site against the decision to outsource this work and negotiate an acceptable response time, such as 24 or 72 hours. Since a longer response time equates to more downtime and lost production, this response time must be clearly defined in the contract, or the host company may be unable to meet their goals and objectives.

In conclusion, it is up to the end user to determine the cost-effectiveness, control, flexibility and focus required at their unique site to properly manage their maintenance function within their particular budgetary constraints. Outsourcing does not mean abdication of management responsibilities, on the contrary, outsourcing requires dedicated management personnel tied into the CMMS. Only with a detailed examination of these factors can it be realistically established whether outsourcing is a viable option or not.