Maintenance (PM and repair):

In Assignment 2 we discussed the various types of maintenance that might be required in an industrial setting. Knowing the critical nature of maintenance, why would you want to "shop-out" this important function? Think about the advantages listed earlier. How can contracted maintenance save time and/or money? How can hiring another company that is expecting to make a profit going to be cheaper than utilizing manpower that is already on the payroll? We may be able to justify this in a number of ways.

Let's start answering this by looking at the next advantage, which is the avoidance of personnel costs. If we hired a contractor, we could avoid paying some of the additional expenses involved with employees, such as FICA and Medicare taxes, State and federal unemployment insurances, Workers Compensation premiums, and a whole passel of benefits like life and health insurance, and vacation and sick time. I can hear you saying, "But Kevin, the contractor will be paying most of those costs, too. How will that save money?" That is true, but there are a couple of other factors that may come into play.

First, the contractor will only be costing you billable hours, that is, hours that he (gender neutral) is actually working on the maintenance activity. Contracting with them in an on-call capacity would have them available when needed. If you have employees who would routinely do the maintenance, you would be paying them for a full work day, whether or not they were actually working on the maintenance. You would also have to allow for days off, either scheduled or not.

Second, your employees may be "generalists" who work on a variety of assignments, while a contractor may specialize in HVAC equipment, or electronics or whatever. This may reduce the time it takes to do the maintenance, thus saving time and reducing billable hours. The contractor may also have some specialized tools and equipment needed to do the work. Not having to purchase these on the chance you may need them could also be a cost saver.

And third, if you have mechanics who are responsible to maintain production equipment and building systems, how would you prioritize their time? If one of your widget casting machines break a valve, and at the same time an air conditioner in the office goes out, where are you going to assign the mechanics? Since widgets are your "bread-and-butter", you'd better keep them cranking out, but the "suits" in the office may get a little hot under the collar (literally). Perhaps keeping your mechanics/machinists focused on production allows you to stay focused on your core skills, that is, production, while a contractor might be better to handle your building and building systems.

But could you have a contractor working on production equipment? Sure. Will it be as
economical? Maybe, but you may not have a choice. As we noted there may be licensing, warranty or proprietary reasons why you may need to have a contractor working on some equipment. Will it be as fast? Depends, unless the contractor has staff on-site, I wouldn't count on it. But you may not be able to avoid it.