

## Maintenance Standards

### Major retailer distribution centers



In this case study the customer is a well-known major retailer of automotive supplies, sporting equipment, and household goods. They operate some 1700 retail outlets that are supplied from one of four major distribution centers.

Those distribution centers contain a great deal of automated loading, unloading, conveyors and robotic material handling systems. There are laser guided autonomous fork lifts, stocking, picking, sorting and loading systems. All of the distribution centers handle large volumes of truck traffic and material. They are all

company owned, two (older centers) are operated and maintained by the company, while the other two (much newer) are contracted out.

#### Situation

The VP Supply Chain Operations is responsible for the distribution centers. He had seen what was being done to maintain both the older and newer centers and was concerned that newer centers with the contracted maintenance may not be doing what is needed to sustain the value of the assets and their longevity. Those are classic concerns whenever any form of outsourced service is used. There is always that nagging question that perhaps short term profitability of the service provider will be trumping the longer term best interests of the owners. His observations were somewhat well founded in that practices were indeed different. What wasn't known though, was whether they were any better or not.

#### Solution

We were engaged to help with maintenance standards – something they did not have at the time. After discussing the situation with the VP Supply Chain Operations, we all acknowledged that we should keep our minds open. The outsource service providers were leading companies in the management of major distribution and cross-docking facilities. While they were not all that familiar with the retailer's retail operations, they were truly expert in managing this sort of facilities. Although they were doing things differently, we realized that they may be on to something that the older facilities had been missing.

The approach we took was to write a set of very specific asset by asset maintenance standards. Because we had easy access to the company operated facilities, and those were geographically close together, we created a team from both facilities as well as a head office Supply Chain project manager. Over the next several months everything that was done to maintain the assets in those two older facilities was

fully documented and written into an agreed upon standard format. Comparison against asset registers helped us to make sure we hadn't missed anything. In doing this work we also noted the source of the maintenance instructions. Most had been originally taken from manufacturer recommendations and then modified over the years in service.

Those new draft "standards" were then circulated to all the distribution centers for review by knowledgeable individuals. There were a few revisions, but not many. The newer centers noted that the standards did not cover all of their equipment and that some equipment covered was not installed. It was evident that we weren't entirely finished with writing.

The next phase which took about a month was to visit the centers, each for a couple of days and evaluate what the centers were doing in comparison to the new standards. We found that where the standards were applicable, they were indeed being followed in the older facilities but not with quite the discipline we had expected to see.

At the newer (contract operated and maintained) facilities, we found that what they were doing didn't always match the standards. They had also done an excellent job in reviewing the standards, making note of the differences and had prepared explanations for each discrepancy. We were impressed at their depth of understanding and their explanations. What they were explaining was very much aligned with the thinking we find common in organizations that are very familiar with applying Reliability Centered Maintenance principles. Indeed the results that were visible in the equipment and its performance were also impressive. They had better management systems for the work and better records of downtime and causation, and used those to inform revisions to whatever maintenance and operational practices that may have an impact on performance.

Using what we learned at the new facilities the standards were then modified to match whichever facility was getting the best results. The older facilities had less compliance to their own standards so they embarked on a program to tighten up their work management processes. Across the board performance was enhanced and confidence was gained that indeed they were all doing the best to sustain high performance over the long term.

## Reflection and Results

In this case there were no set goals to achieve except to demonstrate which practices worked best and to get them adapted across the organization.

The work revealed that outsourcers can be superior in execution if indeed they are allowed to be. In this case, there were no overly constraining prescriptive contractual terms that tied their hands to a particular program. General statements of objectives were sufficient and the contractors did indeed live up to their agreements in terms of performance.

Standards can be power tools if they are followed. They must also be examined to ensure that they are indeed the best standards for the application at hand. Here we saw that what were thought to be better practices were in fact not being followed as well as they could be. We also saw that even though two facilities were close together and operated by in-house staff, there had been very little communication between them and practices varied quite a bit. It was the contractors who were specialists in looking after such facilities who brought some leading practices to the table and were able to demonstrate higher performance.

Being open minded to those sorts of discoveries, and indeed even looking for them in the first instance, was a key to learning and improving across the board.

### To learn more

The relationship between “owner” and “outsourced supplier” can be very diverse. As a rule, the outsource service provider is an expert at what they do, after all, that is all that they do in most cases. Don't be surprised if they are capable of doing it better than you can – in our field, our companies don't exist to do what we do, we exist to help the company do something else. We've worked at improvements in both situations. The use of consistent standards is one thing that helps drive improvements both ways, and both will benefit the organization. Open minded approaches and some external facilitation to make sure it stays open-minded can really help.

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