

## Vetting the Vendors

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Outsourcing work can help free up production capacity, but before passing off a job, be sure you've picked the right vendor.



*Due to space restrictions, the following excerpt was cut from Jan Fletcher's article "Adding Depth to Project Management," which appears in the Dimensional Supplement of our January 2013 issue.*

For a shop specializing in dimensional signs—or any shop, really—outsourcing work can help free up production capacity. But before a shop passes off the job, they should be sure they've picked the right vendor.

Outsourcing channel letters should be considered a production-management tool, as it offers good potential for boosting a shop's profits. When Joe Arenella, CEO of Sign Tracker in Austin, Texas, had a sign shop, his goal was to outsource 25 percent of his product because he discovered that doing everything in-house eventually maxed out the shop's production capacity.

“If things got a little lean, we could contract,” he says. “That strategy successfully avoided lay-offs, and also increased the shop’s capacity to fill orders in times of strong demand, he says.

Outsourcing labor does come at a price—it requires oversight, according to John Noonan, executive vice president of Sales and Marketing for The Icon Companies, in Elk Grove Village, Illinois. He says the company rates its vendors on both quality of workmanship, and punctuality and suggests that those on the project’s team have knowledge of the capabilities of vendors, including a particular vendor’s current workload.

Sign shop owners should remain cognizant of the risks of subcontracting: Will installers conduct an accurate survey and take precise measurements in the field? Will they do a good job with the code checks?

“Determine the flow of communications from the start,” Noonan says. “That includes both in-house communication, as well as information passed through to the subcontractor.”

Noonan suggests devising a charter for the project that specifies the lines of communication and codifies a communication-escalation plan. When issues arise, such a plan determines who bears responsibility for flowing information between a sign company and the project’s vendors, including those up or down on the management chain.

Pricing and payment terms also should be specified in a work charter, Noonan says, as the more clear you can be with the client about each side’s roles, the better the program is going to work.

*Photo courtesy of Jan Fletcher.*

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