DEVELOPING A PLAN TO EVALUATE YOUR HVAC SERVICE PROVIDER

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Whatever business you are in, if you have multiple sites your HVAC service provider can play a key role in the smooth operation of your company. Establishing a formalized system to evaluate vendor performance is essential to making the best informed decisions for your company.

Successful companies embrace their suppliers and vendors, viewing them as partners in helping them to operate their business. “Making sure that this is a mutually beneficial partnership will impact the price you are negotiating today and the quality of service you get in future,” says Dennis Wright, a management consultant from the SCORE Orange County office. If a vendor offers a key service to your operation, invite that vendor to strategic meetings that involve the area they work within. A common mistake companies make is to have a combative relationship with their suppliers and vendors. “That is the opposite of what you want to do,” says Drew Greenblatt, President of Baltimore-based Marlin Steel Wire Products, which makes custom stainless steel metal baskets, brackets and other parts. “A lot of companies will actually have an adversarial relationship where they hire people who have brass knuckles and try to beat up vendors to get better prices or better terms.” That is a very shortsighted way to do business, according to Wright and Greenblatt.

Instead of getting stuck on price, focus on the quality of service. A vendor can have the lowest price and the lowest quality of work, too. Your goal is understand what value-added services a given vendor is bringing to your company.

Your business should have a system in place for evaluating, selecting and then reevaluating the vendors it works with.

Here are some tips and tools you’ll need to effectively rate your HVAC service provider, track their performance, and ultimately increase your company’s bottom line.
Create specific performance criteria for tracking and evaluating your vendors on a regular basis: monthly, quarterly, and/or annually.

Considerations include size of the company, number of certifications, are they a licensed contractor in each state in which you operate, do they have a quality management system, complaint history, and financial stability. For instance, you might consider if they have a documented procedure for the services they provide? “We look at a couple of driving metrics to evaluate how good our vendors are,” says Greenblatt, “including percentages of on-time performance, number of times we received a quality part or product, and how quickly the vendor responded to requests for quotes.”

A basic consideration for every business owner should be whether the supplier has a quality management system in place. “This doesn’t just apply to manufacturing but any business including service providers,” explains Miriam Boudreaux, President of Mireaux Management Solutions, a Houston based consulting firm that specializes in the implementation of quality management systems. “It’s really about if the supplier has a certain set of procedures in place that its people are expected to follow. Is there a system for handling complaints or problems? Are there corrective or preventive actions?”

Six questions to ask when hiring an HVAC contractor.

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1 Inc. Magazine - (Dec. 30, 2010) 7 tips for rating and evaluating your suppliers and vendors
2 Inc. Technology - (2010) Keeping tabs on mobile workers
Do they have the ability to track their technicians? Tracking software can create a lot of efficiencies. “If a job comes up, and there are 30 people out in the field, the dispatcher can decide who to send based on who’s closest,” says Michael Berger, Director of Marketing at Xora. “You save on fuel, employees use their time most efficiently, and the customer gets faster service.”

In the HVAC industry response time is critical. It is extremely important that your contractor has the systems in place to react to your calls to dispatch a technician immediately. “I lost a major long-term client, and only learned of the problem when the contract was not renewed. I asked the client why, and the reply shocked me. We went through the list of factors, and everything was great, except my subcontractor was always late. I lost the client for one reason—a lack of dependability,” explains Marilyn Holt, CMC of Holt Capital.

It is also important that facility managers have immediate access to this information. This requires that the HVAC service provider captures the information and has the software in place so that facility managers can easily access this information and make educated decisions.

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2 Inc. Technology - (2010) Keeping tabs on mobile workers
3 Bloomberg Businessweek - Make sure your vendors and subcontractors work for you
There are many common techniques for rating a supplier’s performance including evaluation forms, surveys, system metrics, and software applications. Marlin Steel tracks vendor performance using a customized program he created in QuickBooks Enterprise Solutions accounting software, the Manufacturing & Wholesale edition.

You can craft a survey where you ask your own employees to answer questions and to rate the HVAC service provider. You can review how many callbacks it took to repair the same problem, timeliness of arrival, professionalism, appearance of the technician, quality of work performed, cleanliness of the area after work was completed and the overall satisfaction with the contractor. This should also be combined with periodic audits performed. The bottom line is that you need to generate measurements or reports at the onset and throughout the course of the vendor relationship. As part of a partnership relationship this information should be shared with the contractor to give them an opportunity to address any low scores and develop a strategy for improvement.

“We did vendor reviews where we would bring them together off site at a hotel with our IT and procurement people,” says Wright, who in his last business life for eight years was vice president and director of procurement for a large global engineering company.
Consider your HVAC vendor as part of the team and treat them as such. Communicate often and openly. Technology is great but don’t overlook the personal touch of a phone conversation or face to face meetings, says Greenblatt. Also, avoid conflicts by paying on time or at least honestly addressing late payment issues and talking with your supplier or vendor about it. Be up front and transparent with your service provider. Make sure they understand your needs and expectations.
As you monitor a service provider’s performance, you have to decide when to praise them and when to issue a red flag, says Boudreaux. Show appreciation for a job well done; give a supplier additional business or locations because of excellent performance. “A bad supplier will provide you with mediocre or poor service and cause a problem with your customers,” adds Boudreaux.

You can drop a supplier for poor performance but strategically it is better to retain your vendors and not to flip around all of the time to replace them. By giving a warning, you give the supplier or vendor an opportunity to correct the problem. Use data that you have collected to work with your suppliers, says Boudreaux. “This process is not just about reviewing your suppliers but helping them to improve their performance.”

No one of course should tolerate ongoing bad service. There may come a time when you have to let go of an underperforming supplier or vendor. “We fired a vendor that was really cheap but was not meeting the ship dates. They were also non-responsive to complaints. They cut corners and handed in shoddy paperwork,” Greenblatt cites an example.

“We give a warning and then put them on notice or a short leash before we cut ties completely,” he explains. “We will call the vendor and give them an opportunity to correct the situation. We will send them digital pictures, emails, and quality reports. So, there is no mystery when there is a challenge or an issue.”

The relationship with your supplier is a business partnership, says Wright, and if both parties are working to make sure that the partnership is a success it will be a success. In the long run, having a win-win supplier and vendor relationship will be a competitive advantage.
1. Establish Performance Indicators
Create specific performance criteria for tracking and evaluating your vendors on a regular basis: monthly, quarterly, and/or annually.

2. Devise an Evaluation Method
There are many common techniques for rating a supplier’s performance including evaluation forms, surveys, system metrics, and software applications.

3. Maintain Good Relationships
Consider your HVAC vendor as part of the team and treat them as such. Communicate often and openly.

4. Decide When to Issue a Red Flag
As you monitor a service provider’s performance, you have to decide when to praise them and when to issue a red flag.

5. Cut Loose Weak Links
No one of course should tolerate ongoing bad service. There may come a time when you have to let go of an underperforming supplier or vendor.