Cornerstone Solutions, Inc.

Look Your Labor in the Face

Seven Keys to Success with Today's Labor Management Systems

Why is there so much emphasis these days on labor? What about the software? What about automation? Software and Automation may help your warehouse run more efficiently, but it's the people behind these tools that make it all work together. Without the people, you have nothing. So let's take a look at labor.

Brown hair, blue eyes, 250lbs, wearing a plaid flannel shirt with blue jeans and black steel-toed work boots, and possibly the nicest guy you'd ever want to meet. But watch out, he can crack a whip with the best of them. He manages his DC with a keen eye on swift order fulfillment, and the highest rate of order accuracy his company has seen in a dozen years. Does he work in your Distribution Center? If you don't recognize him yet, you just might soon enough. If he doesn't quite fit the physical description, he surely fits into the mental picture of what you expect your DC manager to provide for you. Your manager could run your warehouse more efficiently, with a little help from a Labor Management System.

Legitimate Expectations. The success of your labor is about reaching every employee's potential, not reaching managements' expectations, as those can easily be set too high, or in some cases, too low.

- Engineered Standards: An LMS is capable of calculating how much time a given task will take, compiling that data, and comparing the results with Engineered Standards. The standards are objective, they are scientific, and they measure actual employee performance to create a benchmark for each activity. The standards need to be established by each business, usually by hiring industrial engineers or consultants to analyze workplace activities and conduct studies. Those benchmarks are then entered into the LMS to provide accurate performance reports specifically for that business.

Timing is Everything. Without engineered standards, we can easily fall into the assumption that a task can or should be completed faster than possible and ultimately set employees up for failure. On the other hand, if management has underestimated an employee's proficiency, your operation could be losing valuable minutes, hours, or even days of effort each month. Using the standards creates an environment of accountability for employees to reach pre-set productivity goals that are attainable 100% of the time. An LMS works in real time and tracks each person's schedule, accounting for exceptions that inevitably occur throughout the day, such as team meetings or breaks, so managers can compensate accordingly for the slowed operations.

Consistent Workload. Productivity changes with each warehouse activity as the day progresses and with differing levels of employee expertise. A forklift that is driven to the opposite end of the building, to pick a fragile pallet from the middle rack, while waiting on another truck to clear the aisle, is going to dramatically affect that employee's performance if the aforementioned considerations are not accurately tracked for that task.

Determining attainable goal times for these specific Direct Labor tasks truly boosts employee morale, because they know the goal can be met. Even Indirect Labor (such as the exceptions mentioned above) can also be incorrectly viewed as low productivity if not monitored accurately.

Where Does an LMS fit? Select the right Labor Management System and it will accommodate the changing needs of your business and fit into your existing technology with the necessary functionality built in. First evaluate each vendor's offering and how they handle your particular needs, keeping in mind their ability to be flexible, upgraded, and the total cost of ownership. You may have an existing WMS that offers Labor Management that can be integrated with little configuration required. Hiring supply chain consultants who have experience evaluating vendors, along with implementation and integration of such systems, can save time and money.

Reduce Costs. While your existing WMS or ERP systems can drive warehouse productivity, they do not provide the advanced benefits that an LMS is capable of offering. Since a workforce can account for 40% of your overall expenses, the benefits of labor performing at optimized levels should provide 10-45% payroll cost reduction, depending on the approach taken. Additionally, the ROI should be noticed within the first year, which is very appealing to corporate labor budgets. This ROI results even while offering employee incentives because the increased efficiency produces proven time savings.

Is your Workforce Ready? Many incentive-based programs have seen large success since they offer workers some type of bonus program that rewards those who work at or above the standards. The objectivity of the LMS gives the employee a self-assessment that ultimately drives their personal performance to likely exceed previously set targets, or at least keep them accountable to themselves as well as their superiors. You will soon find that your workforce turnover is dropping due to employee personal gratification. Managers should begin using the data collected to coach employees, and in the end, find that stronger teamwork is an added benefit. However, be careful not to offer bonus programs without a ceiling, or worker safety and performance quality quickly become a concern.

Getting Ready for the Journey. If you decide to make the move to optimize your labor workforce, here are a few "landmines" that you will want to avoid:

- Interface Dependency: An LMS needs data from other systems – most importantly a Warehouse Management System (WMS). Simply because the labor package you choose has the functionality you want, it does not mean that the information to use it actually resides in the WMS. Be careful that your discovery process includes a mapping exercise of what information will be needed from the WMS – before the purchase is made.
- Executive Sponsorship: Labor Management is an "optimization" step, and not a mission critical application. The warehouse can still ship product without it, thus a significant effort needs to go into creating a positive attitude towards "change management" and Human Resource considerations. Without proper employee buy-in of the system, the application is likely to fall into misuse or be discontinued all together. Support and sponsorship of the program needs to be highly visible, from the top down, and should anchor a serious effort to gain rank-

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and- file acceptance of the LMS. This is important in all installations, but especially so in labor union environments.

• Avoid Over-Engineering: Standards, and sometimes reporting, can become too granular in LMS, creating a myriad of exceptions that create a system maintenance nightmare. Consider "loosely" engineering standards in such a way that they can be ratcheted down later. Going from an environment with no standards to highly defined engineered standards can create more problems than are solved in some environments – suggesting an interim step might be best.

In conclusion, Labor Management Systems can track direct vs. indirect labor activities, measure and report on performance and utilization, provide tools for planning resources and capacities, and maximize productivity of your workforce. The benefits of LMS are vast. They include increased performance and utilization, improved management capabilities, stronger employee satisfaction, and provide a self-directed workforce. What are you waiting for? Isn't it time for you to look your labor in the face?

About the Author

John RC Pearce is a Senior Sales Executive at Cornerstone Solutions, Inc., a supply chain management consulting firm. He has over 30 years experience working with a broad base of IT solutions – and across all spectrums of the business environment, including manufacturing, wholesale/distribution and multi-channel retail. John's industry and market niche experience is equally as comprehensive, having been involved in segments such as life sciences, food & beverage, 3PL, automotive, hi-tech, apparel, industrial and many more. Managing business from his Charlotte, NC office, John is a member of the local CSCMP Roundtable and has just completed 6 years of employ with the largest software supplier in the Supply Chain space, Manhattan Associates out of Atlanta, GA. He can be reached at 704-732-4880 or via email at jpearce@cornerstones.com.

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