WERCSheet

Information for Members of the
Warehousing Education and Research Council

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More From WERC's 2013 Annual Conference

The annual conference in Dallas contained a rich and varied mixture of presentations, so many so that we are continuing our topic coverage in this issue. Catch up on sessions you might have missed that contained valuable information you can put to use in your facility and career right now:

CONFERENCE COVERAGE
WERC
THE CONFERENCE FOR LOGISTICS PROFESSIONALS 2013
DALLAS
APRIL 28 – MAY 1

Six Supply Chain Trends That Will Rock Warehousing

As logistics leaders, everyone wishes they had a crystal ball to tell them which major trends will impact their jobs in the future. **James Cooke**, editor of *Supply Chain Quarterly* and *DC Velocity,* presented a look into that crystal ball when he outlined the big trends he believes will impact the industry in the near future. They included the following six examples:

NEAR/ON SHORING – After years of overseas sourcing, many manufacturing companies are bringing their operations back onto U.S. soil, said Cooke. "Some things, like clothing manufacturing, will stay overseas somewhat," he said. "But if making product of low value, it makes more sense to make it nearby. There is a lot of anecdotal evidence supporting this trend right now."

Cooke claimed that U.S. manufacturing will return here due to the following factors:

- **Rising labor costs**
- **Volatile oil prices**– as energy costs go down here, makes more sense to do it here
- **Speed to market considerations**– getting products to stores from far away is a big issue
- **Robotic/digital manufacturing**– when using robots, differentiating issue is labor costs
- **Change in DC locations** to accommodate new supply chain flows
- **Reduced safety stock**
- **Reduced storage for goods and parts**

> **...this is an era of agile supply chains, and DCs must be prepared to meet those needs.**
> James Cooke

James Cooke

This return of manufacturing to the United States will ultimately result in a shift in DC locations, said Cooke, so logistics professionals are wise to begin preparing for this major change.

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SUPPLY CHAIN

Maximizing Workforce Productivity

By Gary Griffith
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Software and automation continue to change how work gets done on the distribution center floor. But, in the end, the core productivity driver is still a motivated associate doing the right things in the right way. Here are 10 tips for maximizing workforce productivity.

1. **Baseline performance.** Productivity improvement starts with determining realistic performance goals for specific tasks. You can't measure progress without these baseline metrics. Still, many companies forego this key step. Perhaps because things are going well and there is no external pressure to do so. Or, the operation is so busy that it's difficult to divert scarce engineering resources to this task. Whatever the reasons, none can warrant avoiding this foundational step. Associates must be accountable for how their actual performance compares to an objective standard.

2. **Do more visual management.** If you can measure it, you can show it—on LCD screens, on bulletin boards, on in-rack TV screens. Associates appreciate real-time feedback on how they're doing, and they are motivated to make those metrics boards show more green than red. Visual management can extend beyond operational metrics to financial metrics. In the transportation department at KANE headquarters, a display board reports on the prior day's performance on revenue per truck, miles per gallon, profitability and other financial indicators.

3. **Seek innovation from all levels.** Working harder or faster won't get you the dramatic productivity gains you'd like. Those will come from new and better ways of executing. And it's the associates doing the work every day who know best how to improve the process. Make it as easy as possible for them to share their ideas.

   Simple suggestion boxes can work. In many operations, physical boxes are being replaced by virtual "idea rooms" where suggestions are made and discussed online. But to provoke a steady stream of ideas from the warehouse floor, you'll need to change supervisory behavior. Instead of giving the associate the answer—"here's how you do it"—supervisors must become comfortable and competent in engaging associates in problem solving, with questions such as "Can we improve this process?" and "How can we make our company and customers better?" These days, associates are more tuned in to business outcomes. We need to ask the right questions, then shut up and listen.

4. **Provide excellent job skills training.** Don't be in a rush to move new hires to the floor. The time, effort and money expended in job training pays back ten-fold if the result is an associate who understands the procedure and can execute with consistency. Companies skip or accelerate the training process for different reasons. In some cases, bodies are needed to "get the orders out." Others simply don't have an adequate training budget. One recent request for proposal to 3PLs from a major consumer goods company stipulated "no start-up costs and no transition costs." Not exactly a ringing endorsement for training.

   Despite budget-driven cutbacks, there is a strong financial argument for training since a well-trained staff minimizes turnover—your biggest expense. According to the Society for Human Resources Management, the average cost of turnover can be as high as 1 to 1.5 times the position's average salary. This takes into account many factors such as lost productivity, recruiting costs, and overtime.

5. **Institute pay for performance.** It works. Just a little more money in the paycheck can generate as much as 30% or more in productivity gains. Such programs need to be carefully set up, however. Individual-based payments can trigger complaints from associates if there are nuances between jobs that make one worker more likely to reach goal over another. In addition to productivity, you'll also want to consider the associate's attendance, safety record and other factors when developing your bonus calculation.

   Once you get the details right, the payoff from pay-for-performance can be significant. One 3PL boosted productivity 6% to 9% in its cross-dock operation for a major retailer. The program is simple. The 3PL and its customer conducted time studies and agreed on a fair goal for the number of pallets processed per hour. Performance that exceeds this standard generates savings, which are split between the 3PL and its customer. The 3PL, in turn, splits its share of the savings with the team.

6. **Cross train.** Don't train for just one skill. A flexible team with knowledge of multiple tasks allows you to flow people to the work and avoid unnecessary overtime. It also makes for a more interesting day if associates are involved in different tasks with different teams. Cross training also creates bench strength. When people are out sick, you can lean on a trained associate versus an untrained temp.

7. **Provide context.** This is not WHAT to do, or HOW to do it. This is the WHY. Explain to associates the impact of their work downstream. What are the consequences—for the company and its customer—if mistakes are made?

   It's sometimes hard for an associate to recognize the connection between a metric—let's say 99.5% order accuracy—and unhappy customers and lost business. For a large company like Office Depot, even a small deviation from perfect can mean 50 mistakes a day. To bring this home, the company has warehouse associates work at one of its stores for a day and deal directly with frustrated customers about issues such as stockouts and special orders that never came in.

8. **Develop bench strength.** Productivity can grind to a halt if there's no one trained and ready to step in when associates go on vacation or get called away to another assignment. Map out a succession plan for all your key positions. The goal: seamless transitions with no decrease in productivity when a key associate moves on. The succession plan also provides a "growth path" for current associates. Training them for the next level of responsibility demonstrates confidence in their ability to take on new and challenging roles and pays you back in happier, more loyal associates.

9. **Set team goals and celebrate achievement.** Measuring productivity does not have to be all about the individual. Team goals can create a sense of camaraderie, particularly if successes are celebrated.

   Make it easy for associates to monitor performance by establishing a visible display in a high-traffic area. When goals are achieved, reward the team with lunch, company logo products, or both. KANE's safety program includes different levels of awards for safety goal attainment with rewards for associates at each level.

10. **Consider workforce management software.** It's not appropriate for every DC environment, but successful implementations generate, on average, 10% to 20% productivity increases. With that level of improvement, ROI calculations on the software can be very favorable. Workforce management software does not require extra work for warehouse associates since performance is based on everyday scanning activity. The system merely reports on performance relative to an objective standard. From there, it's simple for a manager to calculate the labor savings possible through increased productivity

Throughout this piece we've talked about improving the productivity of logistics associates, as if all were the same in term of motivations and attitude. Obviously they are not. To coax the best performance from your staff, you need to adapt your strategies slightly for each individual. That means learning, *and caring,* about each associate and demonstrating to them how much you value their contribution.

Kane Is Able *is a third party logistics provider that helps consumer packaged goods (CPG) companies efficiently warehouse and distribute goods throughout the United States. KANE's CPG logistics solutions include integrated warehousing, contract packaging, and transportation services specially designed to meet the needs of CPG manufacturers and their retail partners.*

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