Distribution Center
MANAGEMENT

May 2010 Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Seven keys to improving distribution productivity

By Charles Zosel

Distribution operations in most companies face enormous pressure to cut costs while improving service.

The good news is that there is a proven solution — labor management — that reduces fulfillment costs while increasing throughput and customer service.

Better still, these results can be achieved with low risk and at moderate levels of investment that provide a return on investment in less than a year.

Though it seems hard to believe, productivity improvements in the range of 15 percent to 30 percent aren't just possible — they are commonly achieved. Here's how:

1. Build individual accountability at all levels of the organization.

Overall productivity in the DC depends on the accumulation of individual performance across operators and tasks. Yet very few companies do a good job measuring individual performance. Either they don't truly capture or use individual performance data, or they rely on static measures (such as order lines picked) that fail to take into account the specific attributes of the work individual operators perform.

Productivity improvement starts with individual measurement and accountability. This involves the use of measurement tools to (1) accurately track performance at the operator level, and (2) incorporate discrete, engineered standards that consider the specific characteristics of each individual task to measure operator performance against the fair and accurate goal times.

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This notion of individual measurement and accountability also applies as you move up through layers of management, especially for frontline supervisors and warehouse managers.

2. Build standards based on the right methods and procedures.

Standards based on sub-optimal methods and procedures will miss significant opportunities for productivity gains. This sounds obvious, yet many companies attempt to build standards on existing processes and methods without first evaluating whether they are appropriate or could be improved.

To maximize productivity gains, look at three levels of analysis, engineering, and improvement:

- People,
- Process, and
- Technology.

Even many experienced distribution professionals do not thoroughly understand the role and importance of improved methods. In most DCs, a lack of training results in different operators performing the same tasks in many different — and rarely the most productive — ways. There is a set procedure to most efficiently perform any given task.

3. Use software and engineering in combination.

Both engineering (which is a combination of best practices, preferred methods, and dynamic engineered standards) and labor management software can drive improved distribution productivity by themselves, but they are more powerful when used together.

Labor management software deployed without engineering support does deliver improvement through use of resource planning, tracking of individual performance, quality tracking, support for incentive pay systems, and other functions.

Combine both engineering and software and you can see improvements of 20 percent to 30 percent or more.

4. Focus management attention on the details.

Productivity gains are won and lost in the trenches. For a program to succeed, multiple levels of management must focus on the details.

Simply stated, while the right strategies and planning for improved productivity are important, successful program execution is what ultimately delivers the results. As always, upper management's understanding and support is critical. Executives must focus their attention on the tremendous opportunity productivity programs represent.

They also must provide the support needed for the project to succeed. Lower-level managers quickly perceive whether executives are knowledgeable about such project details, and regard that understanding as a key indicator of their interest and support.

It is also critically important that warehouse managers and frontline supervisors understand not only the "what" of the productivity initiative (goals, program elements) but specifically how this transformation will happen and how results will be achieved.

This is essential for effective communication with the workforce that will gain their support and participation.

Managers and supervisors need to learn to react quickly to the detail-level early warning signs of potential problems — employees struggling with performance pace or quality, the same recurring errors across several different employees, uncharacteristic delay patterns, and so on — and to act quickly to pin down the problems and fix them.

5. Train operators and supervisors for success.

Professional training is essential in any supply chain improvement initiative. This is especially true in productivity programs, where training operators and supervisors is fundamental.

Initially, operators need training on the correct methods for each task, and to be able to demonstrate their ability to execute each task. Supervisors must also be trained in how to identify and manage individual performance issues.

> With the same basic tasks performed repeatedly, even small gains (such as saving a few seconds on each order pick) generate big wins.

The information tools from labor management software should be used to identify operators who require additional training in specific areas. This system-generated feedback, combined with visual observation, will help close the gap for operators performing below expectations.

6. Incentives can work — but only if done well.

Incentive programs are not to be embarked upon lightly, or as a simple fix to an overall productivity problem. It is critical that the program is well planned and executed to avoid problems that outweigh the potential advantages.

Incentive programs must be built on a solid foundation of procedures, methods, and standards. When built on the right foundation, well-executed incentive programs can increase overall productivity by 10 percent to 30 percent above the significant gains achieved through methods, embedded standards, and labor planning and reporting software.

When developing an incentive program, consider the potential pitfalls:

• Incentive programs can increase overall workforce management challenges.

• It is difficult and painful to eliminate an incentive program — it soon becomes perceived as a "right" by employees.

• Incentives can cause conflicts among different work groups (pickers versus replenishers, day shift versus night shift, and so on).

There are several advantages as well:

• The associates now have significant motivation to achieve beyond the minimum.

• Associates will drive production improvement and push management to remove barriers to productivity.

• The productivity of the facility can increase dramatically if the incentive is properly aligned with the desired behaviors.

There is one last critical component that must be remembered: "You get what you incent." If safety or quality is left out of the formula, there can be serious consequences to associates' behaviors that can be detrimental to the operation.

7. Use formal change management teams and techniques.

General and organizational change doesn't just happen. There is a proven approach to "executing the change" in productivity initiatives. Formal teams are an important element of this process.

The change starts with a clear definition of roles between executives, managers, supervisors, operators, and any third-party providers. Formal teams should be created in the areas of communication, learning, and rewards. These teams must each address the current culture, past history of change initiatives, and any previous or expected resistance.

The teams must clearly understand the organization's current status relative to the project goals and "future state" of operations. Teams should always include floor-level personnel in addition to managers and supervisors.

The team's progress toward clearly defined goals must be reviewed in formal, scheduled ways — often daily. Too often, the potential gains of any initiative are not achieved due to a failure of change management. This is especially true in an area such as distribution productivity, which has an impact from the executive suite to the warehouse floor.

Charles Zosel is vice president of TZA, a supply chain consulting firm in Long Grove, IL. He can be reached at 800-229-3450. DCM

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712 Main Street — Suite 187B, Boonton, NJ 07005-1450

Telephone: (973) 265-2300 • Fax: (973) 402-6056 • Email: info@DistributionGroup.com • Website: www.DistributionGroup.com

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