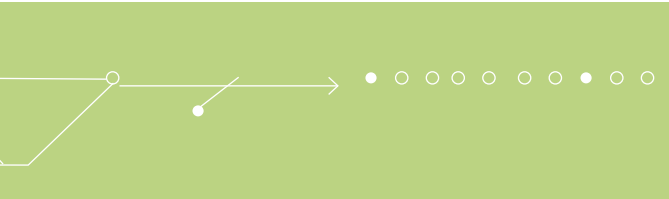
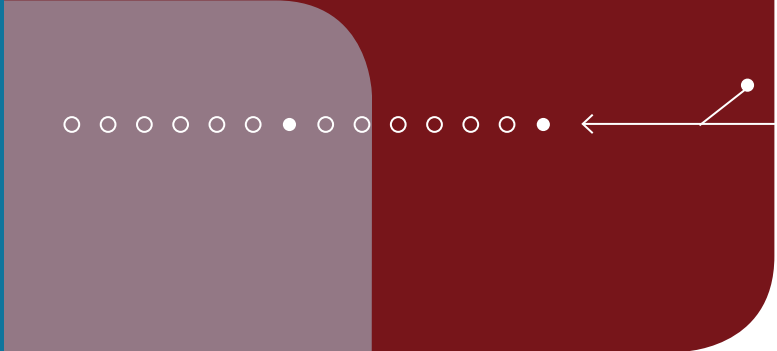


Whitepaper



5 Reasons

You Can't Afford to Postpone Your Labor Management Project



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Introduction

As the adage goes, you can't manage what you can't measure. Today this is true of many things in warehouse and distribution center management, but perhaps nowhere more so than for monitoring the productivity of your workforce. Payroll is typically the largest single expense in the warehouse. Because of this, many companies have undertaken projects to utilize warehouse management systems (WMS) and other technologies to do more work in less time. But while directed, verified work direction raises efficiency levels, it is not enough to truly streamline work performed and maximize your dollars spent.

The fact is many businesses fail to gain visibility to the work their employees carry out on a daily basis. They balance the need to meet tight customer deadlines with making sure employees are on time for work. This is a difficult challenge. Fortunately, the advent of labor management systems (LMS) has enabled businesses to better use labor resources, maintain profit margin expectations and gain a competitive edge. Many businesses are looking to these systems as a foundation for improved workforce management and cost reduction—whether they already have a WMS or not. Labor management has become the next logical step for businesses in search of new efficiencies.

What Is Labor Management?

A labor management system allows you to track, measure, report and plan labor activities within your organization to increase efficiency and reduce costs. Many businesses implement LMS alongside warehouse management systems for an additional level of benefit. This is possible because integrated systems are able to generate and share relevant data.

Labor management helps you answer questions such as:

- How much time do employees spend doing unproductive work?
- Why does it take some employees much longer than others to do specific tasks?
- How long should it take to do a specific task?
- What is the true capacity of my workforce?
- Where do we need to focus our labor resources today?

What You Will Learn in This Report

In this report you'll discover five reasons why you need to be planning for a labor management system implementation. You'll also gain insight into what to consider when evaluating LMS vendors.

Example

Over the course of a day, Employee A picks 100 lines per hour and Employee B picks 80. Who's more productive?

At first glance, it might seem like Employee A is more productive. But the truth is that traditional productivity measurements do not give you enough information to determine who is performing better. There are many variables that need to be considered when determining employee performance. What type of picking is being done? What equipment is being used? What items are being picked and from what locations? How much employee fatigue transpires by hour or by shift? All of these factors must be considered when determining an employee's performance.

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1 Your workforce is underperforming.

Not only is it likely that your employees aren't reaching their full productivity potential, but you don't know by how much they're missing it. Fifteen percent? Thirty percent? In any case, you need to take action.

The ability to identify and increase performance levels is a key benefit of a labor management system. By determining how much productivity you stand to gain, you'll discover how much money you've been losing. Labor management systems focus on using the same workforce you currently employ—or even a smaller one—to complete work activities quickly and efficiently. They help you work smarter and reduce waste.

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So how is all of this productivity gained? Through the implementation of engineered standards and preferred methods. These enable you to know how long it should have taken an employee to perform a task and compare it to how long it actually took that employee.

An LMS will help you objectively measure employee performance and identify those whose performance consistently exceeds the standard, as well as employees who need assistance.

The Role of WMS in Labor Management

Many companies wonder if they need a WMS to implement a labor management system. Even though an LMS does not require a WMS, you'll see the greatest level of benefit if you have both systems. Some companies implement only an LMS, while others add labor management to an existing WMS.

Combining WMS and LMS provides a full solution for managing and planning labor activities. In addition to product information, the WMS provides the LMS with tasks such as pick plans, and activities such as shipping, receiving, etc. The LMS can then calculate time for each task or activity and provide real-time and historical visibility to actual vs. standard.

Here's a look at key measurement terms:

Engineered standards: These are objective benchmarks created to measure individual or team performance utilizing a scientific method. There are different methods available when creating engineered standards. Two of the most common are Methods-Time Measurement (MTM) and Maynard Operation Sequence Technique (MOST). Both include a procedure for establishing time standards by recognizing, classifying and describing the motions used or required to perform a given operation. Standards can also be created through direct observation time studies.

Master Standard Data (MSD): MSD consists of accepted and proven engineered standards that are typically grouped by industry. These standards are built using one of the methods described above and are applied to like processes across an industry.

Preferred method: The best way to perform an activity, taking into account both safety and time required.

These data components become the basis for all measurement of employee productivity. A robust LMS will give you access to Web-based visibility tools for real-time data tracking on performance versus standard, key volume indicators (KVIs) and utilization. This will help you reward high performers and detect inefficiencies. You'll also spot unproductive activity and its associated costs to keep everyone focused on achieving high performance levels. Additionally, an LMS will give you the opportunity to detect processes that could be carried out in more efficient ways.

2 Unproductive activity is eating away at your budget.

It's important to provide employees time to take scheduled breaks from their work. But time-consuming meetings, idle chatter and avoidable work delays can add up. Chances are, these activities are costing you more than you realize.

A labor management system will help you pinpoint unproductive time in your warehouse. Identifying areas of "indirect labor"—unproductive time that is not directly related to completing assigned tasks—will help you improve the utilization of your workforce and make money-saving changes.

Because all employee activity is tracked and accounted for, you can drive out waste and lost time. The LMS tracks the start and stop time of all tasks, clearly showing gaps in productive work or opportunity for increased utilization of your workforce.

Examples of Unproductive Time (Indirect Labor)

- Avoidable delays
- Time spent between tasks
- Meetings
- Clean-up
- Maintenance/repair
- Unauthorized breaks

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3 You're spending too much time babysitting your workforce.

Do you find yourself monitoring the clock-in and clock-out times of your employees? Do you have to manage their break and meal schedules? Worrying about the details of how your employees spend time distracts you from accomplishing the more strategic, value-added work necessary to keep overall operations on schedule and your customers satisfied.

Labor management systems foster a self-driven and self-directed workforce by providing an accurate, objective measurement tool. The key to this is communicating what level of productivity is expected of each employee and then being clear about exactly how they can achieve their goals. You may see lower turnover rates

as employees feel they are more fairly measured and incented. Likewise, some companies find recruiting material handlers becomes easier with an LMS as they gain a reputation in the area for providing fair standards and even incentive-based pay.

An LMS can also contribute to great employee relations programs. Although some companies are initially hesitant to implement labor management because they fear backlash or lack of acceptance, they typically find the opposite is true: associate morale is actually improved by using the software. This is possible because employees know what is expected (their 'goal times,') and how they can meet these goals. They know their individual performance is being measured against goals based entirely on the exact tasks they are directed to perform. Companies that link pay to increased performance also see a dramatic shift in the efficiency of work performed.

Contrary to popular belief, unions often support labor management as a way to prove and showcase good performance. This is because LMS generally provide a fair and accepted standard of employee activity. By accurately tracking work performed, these systems can be aligned with labor unions' focus on workforce excellence.

4 You need to meet corporate objectives for cost reduction.

Continually finding new ways to reduce costs is one of the most important challenges businesses face today. Many warehouse management professionals have been constrained by corporate objectives in cutting their operating budgets to meet strategic goals, especially when Wall Street is watching. Ultimately, you

don't have a choice in meeting these objectives; it's up to you to find the best way to get the job done. Warehouse management software, automation and outsourcing often head the list of efforts to keep operations moving swiftly within budgetary guidelines. And yet there is still room for improvement. This improvement can come from optimizing your labor through the implementation of an LMS.

An LMS Generates Accurate Goal Times by Considering:

- ***Travel time from one point to the next***
- ***Equipment used: forklift, push cart, pallet jack, etc.***
- ***Item attributes: volume, cube, weight, etc.***
- ***Item location: floor, shelf***
- ***Special handling time for valuable or fragile items***

For many companies, planning and measuring the work carried out by their employees is the next logical step in this progression of optimization. An LMS helps you improve throughput by better utilizing the people you already have on staff and adjust for seasonal variations in volume. You might even be able to optimize to the point of needing a smaller workforce or reducing your reliance on temporary labor. Getting more work done in the same amount of time will keep the executive management team happy.

5 Your competitors are doing it.

The competition is always getting tougher. Key competitors are encroaching on your business. Customers can be fickle. Flawless distribution can be a competitive weapon in today's business environment. It's your job to make sure you meet shipment dates and customer expectations every time. Having a strong workforce and the right tools at your disposal makes this possible. You don't want to achieve parity with your competitors; you want systems and processes that differentiate your business.

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Efficient operations lead to on-time, complete shipments. Labor management systems help you focus your efforts on improving and maintaining quality and service levels so even your most discerning customer is pleased. It's about knowing exactly what your workforce is able to accomplish so you can manage expectations accordingly. Superior planning and execution will enable your customers to see that their requests are being met.

Selecting the Right Labor Management System Vendor

Flexibility to Meet Unique Requirements

A key requirement will be the system's ability to accommodate your changing business needs and those of your customers. With the speed of change in today's distribution environment, the ability to configure your system inhouse is essential to maintaining customer satisfaction. As you work with each vendor to evaluate functionality, request specific information and demonstration regarding their protocol for configuring business processes to your unique needs. Most vendors modify code to make requested changes, a costly and time-consuming process. Look for a vendor offering a flexible system that does not require code-based configuration. This ability to make changes, and how changes are carried forward during an upgrade, will be important to consider in determining your long-term total cost of ownership.

Key to Your Search

Make sure that the vendor you select is able to map the LMS to your unique requirements, not simply the ones considered base application functionality. If you've configured your WMS to leverage unique business processes, you'll want to track labor metrics for these processes as well to achieve maximum benefit.

Labor Management as Part of an Integrated Suite

Another area of consideration is looking at a potential vendor's entire product offering and integration experience. There are many companies that focus solely on labor management systems without looking at other critical components of the warehouse or broader supply chain. A single software platform is also important, meaning that all of the software applications from the vendor are based on the same technology—and even better, utilize a common administrative toolset, user interface and database structure.

Experience With LMS Consultants

The involvement of an experienced labor management system consultant can be helpful both during the vendor evaluation process and for creating and inputting your engineered standards. A consultant can help expedite this process and supply relevant information about potential software vendors to meet your specific functional needs, technology standards and price point. Consultants with system implementation and integration experience can also help you identify all project costs early, eliminating surprise expenditures during the project. Selecting a vendor neutral consultant will help ensure you get accurate standards regardless of any biases inherent in the software.

Keep in mind that accuracy drives your ability to extract productivity from your operations. Therefore, you should verify that your LMS consultant can help you achieve the industry expectancy of standards accuracy. This means a confidence level of +/- 5 percent of normal with 95 percent accuracy.

Conclusion

As companies strive to optimize their supply chains, they continually seek new areas from which to drive out cost and create new efficiencies. Labor management systems have risen in popularity due to their ability to optimize work performed AND generate fast system payback. Many companies now rely on LMS to reduce costs, improve the morale of their workforce, and meet corporate objectives. Given all that is at stake, you can't afford to delay your labor management project.