

5 best practices to advance your internal logistics operations



An efficient internal logistics operation has a direct impact on the bottom line. Achieving high efficiency is contingent on the visibility, talent, technology and expertise.

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Internal logistics is one of the most important parts of conducting business for many enterprises. If a company's internal logistics operation is poorly run, products may be more difficult to move through the supply chain, disrupting your core business or even pushing back delivery dates to your customers.

This could negatively affect profits and customer satisfaction, leading to other damaging consequences down the line. Also, as volumes and market conditions change, the ability to ramp up and down to support the business can be critical for many internal logistics operations.

An effective logistics function also helps companies improve efficiency, reduce costs, improve customer service, manage regulatory compliance and respond quickly to changes in the market. And when customers and employees are happy, supplier ratings, employee turnover, customer satisfaction and other tracked metrics will tilt in the company's favor.

"The world is becoming more and more transparent, and if you aren't cleaning up your internal processes and building a foundation for success, employees will want to work somewhere else," says James Flora, solutions consultant, warehouse & distribution at Canon Business Process Services (Canon). "People want to work for companies that have positive ratings and that provide career paths that allow them to progress."

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As a managed services provider, Canon focuses on managing processes that span inbound logistics all the way to the point of consumption—including receiving and inventory management. In return, companies get an operation that functions well, customers get their orders on time, and employees want to stay put.

"This support helps sustain their core business. We serve the internal customer, which is the manufacturing or medical operation," says Flora, who reminds companies that not having the right part at the right time can significantly slow or even stop a manufacturing operation. "These are service disruptions of an unknown scale, and they're precisely what we help companies prevent."

Through its work with a wide range of companies, Canon has pinpointed five core internal logistics areas that most organizations seem to struggle with. Here are the main areas to consider and some best practices that you can use to work through these issues.

1

**Continuous Improvement Organizational Culture:
Enhance quality, reduce costs, improve morale**

If you're not using a continuous improvement process (CIP), the 5S (sort, set in order, shine, standardize, sustain the cycle) cyclical methodology, Kaizen events, regular layout/flow reviews, automation assessments and/or Gemba Walks (a workplace walkthrough which aims to observe employees, ask about their tasks and identify productivity gains), you're missing out on some significant benefits.

An important practice for organizations that want to stay ahead of the competition, continuous improvement helps companies enhance quality, reduce costs, improve employee morale and improve compliance. "Continuous improvement is a management approach and a mindset," says Flora. "It's also a dedication to positive change and a refusal to become stagnant."



There is no "cookie cutter" continuous improvement approach that applies to all businesses. However, the foundation in many cases is a measurement. This can be advanced by a "steering committee" with the goal of giving project managers the support they need to ensure that improvement projects align with business objectives.

Committee members identify and monitor risks, ensure the quality of the improvement project and monitor progress and timelines. The committee meets periodically to approve changes in the project scope and discuss the organization's larger, strategic goals. These goals often align with the CEO's annual message (e.g., "We're going to have 10% fewer safety incidents this year"), and are broken down by site or business unit.

If, for example, the safety incidents primarily involved forklifts, then the company would develop a continuous improvement plan to take itself from five accidents per year and down to just one or two—or preferably, zero. In other examples, a company may be more concerned with eliminating waste, improving quality or driving down inefficiencies that promote inaccuracy.

"Continuous improvement is generally pretty customized," says Flora. "In general, the focus should be on developing a vision that can be broken down into quantifiable goals and then into supporting tasks that help make that vision materialize."

2

A Commitment to Process Control and Training: No more shortcuts

The monitoring and regulation of processes to ensure that they meet desired output specifications, process control is an important aspect of any manufacturing or industrial process. At its core, process control helps to ensure the quality and consistency of products. Add training to the mix and the end result is a solid foundation for continuous improvement.

Of course, you can't improve if you don't know where you stand right now. And if each employee is doing their own "variation" of a process that's never been properly defined, establishing metrics and measuring progress is nearly impossible. By standardizing processes and then training associates according to those standards, companies can begin to both measure and improve their internal logistics operations.

And don't forget the documentation, says Jeremy Wisdom, senior solutions consultant, warehouse & distribution at Canon. "It's not always just about having the 'best idea,'" he points out. "There should also be actual documented, detailed processes in place as part of your overall logistics continuous improvement plan. It's not just gathering everybody in a room and telling them to come up with good ideas. There's a more fundamental process that has to take place, and employee training plays a major role in that process."

3

Communication Structure: Huddle up and share daily

Communication structure is a key component to the success of any operation. Metric boards, daily huddles, performance reviews and gathering (and acting on) customer feedback should all play a role in the internal logistics communication process. Data is also important and should be gathered daily and shared with associates, all of whom should be working toward similar goals and thinking as a team.

A good first step is to begin having daily huddles that start with the first shift and extend throughout the day to the other shifts. During those short sessions, be sure to share the overall team's goals for the given day, month and year.

"This will help to get everyone on the same page and structured so that they're 'all in this together,'" advises Joseph Tague, director of business applications at Canon. "You want to avoid teams that are siloed, working on their own and unable to perform outside of those silos."

"Many organizations use 'think tank' sessions and high-level discussions about what needs to happen," Wisdom adds. "This may lead to some amazing ideas at a higher level, but the daily alignment and dissemination of information—plus follow-up to confirm information has been received—should also play a major role in the communication structure."

4

Metrics and Data: Leverage the power of analytics

The collection and analysis of data are vital to creating a path toward continuous improvement. Data encompasses all of the qualitative and quantitative information that companies need to be able to identify, address and solve their internal logistics challenges.

Metrics and data help organizations more specifically define where they are and where they want to be. “Companies are moving more and more toward quantification, versus just using broad statements like ‘our volumes are really stable’ or ‘we’re doing really well,’” says Flora. “When captured, validated and presented in the right way, data becomes the foundation for strategic decision-making, versus just going with your ‘gut feel.’”

Some of the key metrics to track include volume hour-by-hour and day-by-day volume, both of which allow companies to understand when their workload is coming in and how long that work takes to complete.

From there, organizations can extrapolate the productivity of the cost-per-movement, quality rates, inventory accuracy, safety incidents and near misses. If, for example, a warehouse manager knows that Friday afternoons are slow at their operation, they can either take on more volume, rebalance the schedule or adjust staffing to mirror that volume and improve internal logistics efficiencies.



5

A Healthy Culture: Creating an environment where people thrive

Defined as the shared beliefs, values and behaviors of an organization, corporate culture plays an integral role in workplaces focused on safety, employee retention, and quality.

With the labor shortage still in full swing, culture has become even more critical for organizations that want to attract and retain talent; increase efficiencies; improve customer satisfaction rates; and reduce turnover.

“The goal is to promote a culture where multiple different individuals—versus just one leader—are focused on a better way of doing something,” says Flora. “Those individuals should also be encouraged to ask ‘why’ you’re doing something a certain way, as opposed to just going with the status quo.” This, in turn, helps to improve productivity and quality while also promoting a positive, open workplace culture where people can thrive.

Take safety, for example. When associates know and understand safety policies and communicate back with any issues, questions or concerns (i.e., near misses, accidents, etc.), it will help buoy the internal logistics department’s overall culture.

“It’s good to have a dedicated quality, process control or continuous improvement manager,” Flora points out. “However, if you can ‘turn on’ that cultural engagement across 100 percent of your employees, you’re going to see things in real-time and have ‘eyes and ears’ in places where team members are working every day.” And when those team members know that their voices are respected and they have some level of autonomy to participate in continuous improvement processes, the results can be downright magical.

An optimized internal logistics solution

Virtually every business with inventory that is moving through a warehouse needs an optimized internal logistics solution that spans people, process and technology. This includes businesses for which internal logistics management is not a core competence as well as organizations that are expanding or not happy with the current state of their operation.

Canon helps companies overcome these challenges by establishing the five internal logistics best practices highlighted above and implementing other strategies. Canon teams deliver these benefits by managing all of the end-to-end processes, from receiving and internal supply management to fulfilling customer orders.

In return, companies get the benefit of Canon’s expertise and solutions, which combine to help companies ensure that they get the right part to the right place at the right time as quickly, safely and economically as possible.

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CONTACT US

CANON BUSINESS PROCESS SERVICES
cbps.canon.com
261 Madison Avenue, Third Floor
New York, NY 10016
888-623-2668