

WAREHOUSING & DISTRIBUTION

EFFECTIVE LABOR MANAGEMENT

Five Best Practices



While automation has become a labor management strategy in the warehouse and distribution center environment, it's never going to entirely eliminate people. As many are discovering, there's a huge opportunity to attract, manage and retain your workforce much more effectively.

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IMAGINE GOING TO AN INDUSTRIAL AUTOMATION trade show and the aisles are packed with people. The crowd is shoulder to shoulder—no pushing or shoving, but there’s a quiet intensity about everyone there.

Talk to a few of them and they tell the same story again and again: “I’m looking for automation solutions because we’re feeling pressure to find enough people to keep our warehouse and distribution center operations running to meet demand.” The story is the same from people in manufacturing.

A THREE-STEP STRATEGY

Clearly, automation is one labor management strategy, but it’s never going to entirely eliminate people. As many are discovering, there’s a huge opportunity to manage your workforce much more effectively whether there’s automation or not. And it all starts with a three-step strategy:

- Find the right people
- Train them well
- Keep them happy

No, that’s not too simple an approach, and it does produce results. However, before we get ahead of ourselves, how did we get to where we are today? While some like to refer to the current labor environment as a “shortage,” that’s not really the case. However, labor is becoming a more pressing challenge across all industries—and in no area has that become more evident than in e-commerce distribution.

At the top of that labor pyramid is Amazon. When the e-commerce giant builds a distribution center anywhere it acts almost as a magnet for other warehousing operations to pop up nearby, and this seems to happen regardless of the facilities geographic placement.

It’s also common for distribution centers of other major retailers to gravitate toward nearby locations, not to mention regional warehouses of other businesses. There’s also the matter of the recent emergence of feeder warehouses and last-mile warehouses as consumers demand faster, shorter response times by those who sell anything.

All that opportunity also means every facility within at least a 25-mile radius is fighting for people from the same worker pool, which isn’t getting any bigger. Unfortunately, it isn’t uncommon for workers to move around to four or five warehouses in a couple of years. After all, the basic skills needed are easily transferred warehouse to warehouse.

And this doesn’t even take into account traditional warehousing networks that have typically clustered facilities jockeying for the same worker. In other words, the distribution network of just about everything is much more complex and competitive than what it was a mere five years ago.

That means there’s a whole lot of hiring going on. Unfortunately, hiring workers is not a core competency of most warehouses. And that’s proven day-in and day-out. Constant turnover is a drain on resources for HR departments.

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TURNOVER IS COSTLY

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How much turnover is too much? The experts at Canon Business Process Services (Canon) peg that number at 30%. Cross that threshold and there's a real need for professional help. What are the benefits of that help?

- Lower turnover rates
- Higher productivity
- Improved safety
- Long-term employee satisfaction with the work environment.

That's a powerful combination for employers and employees alike, the key point being that these advantages are well within reach with help from an experienced service provider.

To begin, a sound labor management strategy is data-based. It requires a thorough assessment of labor from how it's sourced to how it's deployed and utilized. Are temp agencies or the HR department adequately servicing the labor needs or merely filling slots? Are the right people out on the floor? Are those people well suited to their responsibilities? Is the company clearly demonstrating to people that they are valued through training and related programs?



FIVE BEST PRACTICE PERFORMANCE INDICATORS

“There are many moving parts in the labor equation, and Canon provides a set of fresh eyes to identify strengths and weaknesses,” says Joe Tague, senior manager of business applications for Canon. “In fact, we’ve identified five best practices that support an effective labor management approach. Our view is that warehouse and distribution centers should focus on these best practices whether they’re managing their operation with or without the aid of a managed services provider like Canon.”

1. The first best practice is to consider personal performance. People’s skills, level of engagement and interest in doing the job to high levels directly affect facility performance. Knowing who in the warehouse is a great fit and who is not such a great fit is an essential best practice for overall warehouse performance. That starts with the initial selection of individuals.

2. Second, examine how your long-time employees are affecting your current work environment. Tague points out they can be both a strength and weakness. Some might fail to keep up adequately with changes needed to adapt to business shifts and process demands, holding back the operation. Others suggest process improvements to boost productivity and get more out the door every day. A facility assessment typically identifies these pockets, and opens the door to new solutions. Just as employers want employees to be engaged and committed to the distribution center or manufacturing floor and its mission, employees expect the same back. They need to understand the company’s commitment to them individually and their value to the operation. It’s a two-way street, and when it’s missing from the culture of a facility, it shows in a Canon assessment.

3. That brings us to our third best practice, which is also one of today’s greatest challenges in developing a distribution workforce. Ensure that people have careers, not just jobs. The latter is typically a dead end that results in people leaving for 25 cents more an hour. By establishing clear career paths, people can see how they can develop personally. That’s a major contributor to keeping people engaged and part of the workforce long term.

4. Our fourth best practice involves training. Are your programs structured to help employees enhance their value to the distribution center? If not, there is opportunity lost twice here. Once is the lost chance for continuous improvement of warehouse processes. Twice is the lost chance to invest in the employee’s personal development and their personal understanding of that as an important corporate goal.

5. The fifth best practice is to educate your staff on safety procedures. People need to know that their ability to do their job well is directly dependent on a safe environment.

These and other best practices establish a base line for evaluating the effectiveness of your labor management approach. As the saying goes, you can’t fix what you haven’t measured—and that’s especially true in warehouse and distribution center operations.

CASE IN POINT

Take the case of major automotive parts supplier. “Turnover was high and there wasn’t great labor stability, so the first need was to stabilize the workforce,” notes Tague.

“Unfortunately, the company was using seven different temp agencies, and that in itself was contributing to labor instability,” says Tague. “The right people weren’t being found in the first place, and to make that worse, the work required considerable flexibility by people to adapt to production shifts.” It wasn’t a good situation.

“Canon has both a plan and the experience to re-make your labor management strategy.”

— Joe Tague

Following a Canon assessment, Tague points out, one company was hired to replace the other six. This allowed greater consistency in hiring. A new hiring standard also unified the process, making it considerably easier to hire the right people.

This resulted in additional successes based on creating labor teams dedicated to various tasks in the plant. For the first time, the facility was able to build labor around individual processes, a significant improvement over past practices.

It took six months for the labor force to stabilize. But that was only the first step. During the next year, management and supervisors reevaluated how and when they used labor. In turn, these improvements led to new work scheduling practices better tailored to individuals, their needs and interests. As a result, the previous flexibility required of employees to adapt to schedules was replaced by individual schedules that accommodated both employees and production schedules—the quintessential win-win.



While so many look at today’s workforce as a limiting factor to their success, it doesn’t have to be that way. “Canon has both a plan and the experience to re-make your labor management strategy.” says Tague.

It really does come down to the three-step process referred to earlier:

- Find the right people
- Train them well
- Keep them happy.

People out on the warehouse and distribution center floor will quickly get behind that strategy when they understand how both they and the company benefit. Suddenly, 25 cents more an hour down the road doesn’t look so appealing. In fact, people start to realize that to jump for that raise is actually undervaluing them and their skills.

A CAREER AND A PATH

What they want instead of a job is a career and a path that can support them and their families for a long time to come. They want to be part of a winning team that works together to achieve great goals. In fact, proper development of people is the cornerstone of:

- Lower turnover rates
- Higher productivity
- Improved safety
- Long-term employee satisfaction with the work environment

Getting there takes a concerted, focused effort to create the right environment. Canon's facility assessments make that possible by zeroing in on key performance indicators that have been proven to make a difference.

While easy to overlook, training gives people much needed opportunities to increase their value to the operation and to feel good about what they do day in and day out.

Canon begins by evaluating personal performance. This includes how well people do their job as well as their level of engagement and interest in the job. Those characteristics have a huge impact on the overall performance of any facility.

It's also critical to review how long-term employees affect the work environment. Longevity by itself is not necessarily an indicator of an engaged, competent workforce. A facility assessment identifies what's working well and what's not working well enough. That leads to creating action items that can make a difference, in some cases almost immediately.

Then there's the matter of training. While easy to overlook, training gives people much needed opportunities to increase their value to the operation and to feel good about what they do day in and day out.

And finally, there's safety. It is easy to underestimate the value of safety as a best practice. Everyone needs to know key safety procedures and see them practiced out on the floor. Otherwise, everyone is at risk and that only impedes performance levels.

None of this is beyond the reach of any facility with the right guidance from Canon Business Process Services. The major automotive parts supplier mentioned earlier discovered that value. And today that manufacturer is considered a model for building a win-win situation for all employees. You can do the same. Now is a good time to get started down that path.



ABOUT CANON BUSINESS PROCESS SERVICES

Canon Business Process Services helps enable business agility and digital transformation. We accomplish these goals by applying our workforce management expertise, Six Sigma methodologies and best-in-class technology. With professionals across the US and in the Philippines, we have been named a Global Outsourcing 100 leader by IAOP for 13 straight years. Canon Business Process Services is a wholly owned subsidiary of Canon U.S.A., Inc. Learn more at cbps.canon.com and follow us on Twitter @CanonBPO.

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