

# TURN YOUR WAREHOUSE ON ITS HEAD

Improve Productivity, Quality and Safety from the Ground Up



Rental  
Leasing  
Logistics

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## WHAT IS LABOR MANAGEMENT

Contrary to the usual top-down management style, some organizations are instituting labor management software and simultaneously upending their warehouse, giving employees the reins – and rewards – for establishing efficiencies.

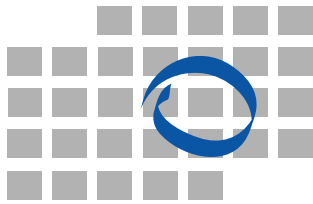
*“Labor management combines software and engineering to maximize user performance and warehouse utilization.”*

— Eric Hepburn, Vice President, Distribution Management, Penske Logistics

Implementation of an effective labor management program requires a measured process that allows ample time for employees at all levels to integrate the new requirements into their behavior and to see the benefits of the initiative.

“The key to making the program launch a success is keeping the lines of communication open and making sure the associates are kept in the loop at every step,” says Hepburn.

There are seven key benefits an operation can realize with the implementation of a labor management solution:



### Improved Planning

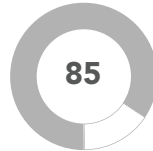
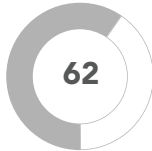
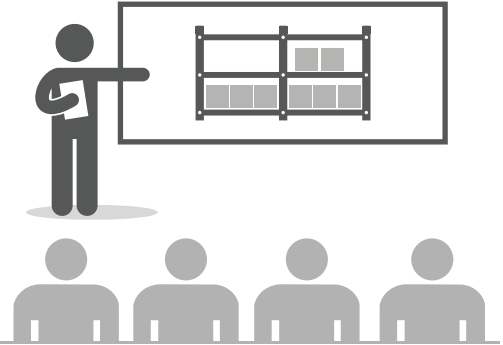
*With better visibility into the volume and types of work being performed, you can more effectively plan your workforce requirements to meet operational demands.*

### Training

*With documented best practices and established labor standards, training new associates — or crosstraining your existing workforce — becomes much easier.*

### Workload Balancing

*With the data to see when and where work is performed — by function — you can more effectively train/staff your workforce to meet operational demands.*



### Productivity Reporting

*Give your workforce visibility to their own performance, and performance at a team level, to encourage competition and identify drivers of inefficiency.*

### Coaching and Feedback

*Empower your local supervisors and managers to observe, coach and provide associate feedback that helps foster development.*



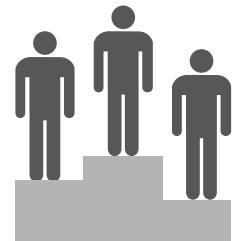
### Adherence to Preferred Methods

*With established labor standards you can standardize and streamline operations, helping to eliminate non-value-added activities.*



### Rewards to Associates

*Performance tracking increases visibility at individual and team levels, enabling recognition, reward and accountability.*





## MAKE SURE EMPLOYEES OWN THE PROCESS

While standard approaches focus on top-down management, the program Hepburn uses at Penske Logistics engages workers at the employee level and empowers them to “own” the process, from implementation to communication, to identifying areas for improvement, and best practices for all processes within the warehouse.

As part of the implementation process, employees and engineers are required to develop discrete, multi-variable labor standards for each process, taking into account all process steps required while performing the task.

Associates have the opportunity to develop leadership qualities by training management on coaching techniques, thus removing barriers that may exist between management and work force. By utilizing the software collectively, there is more buy-in across the levels in the organization, creating more of a “flat” organizational environment.

As a group, associates implement relevant incentives as a reward for top performers. They accept the parameters because they helped shape them and have a stake in their success.

“It must be clear that the emphasis on productivity does not come at the expense of quality or safety,” says Hepburn, noting that foremost emphasis must be placed on the attention to quality and safety in all aspects of warehouse activity.

## A LABOR MANAGEMENT SUCCESS STORY

A major manufacturer was operating a 1.7 million square-foot, dual-use facility with 150 associates. The title of its program, chosen by the associates, was “Employees 4 Success.” Within the first eight months, employee productivity had increased 22 percent and cost-per-unit had decreased 16 percent. Over the course of three years, the units-per-hour had increased 31 percent, the cost-per-unit had dropped 41 percent and the damage had decreased a full 68 percent.

*Three Years Later ...*

**31**↑% UNITS-PER-HOUR

**41**↓% COST-PER-UNIT

**68**↓% DAMAGE

## LEADERSHIP TRAINING

Once employees have helped shape the process, the local supervisors and managers are empowered to lead from the front and called upon to understand and change the process. Mentoring is very important throughout the implementation of a labor management program. Mentors need to observe, coach, provide feedback and evaluate. Local leaders should foster the development of associates with effective guidance.

In order to track performance, the direct labor functions will be monitored and there should be increased visibility into individual and team productivity, in addition to the ability to track expenses to individuals.

Motivation is easy with this program; performance tracking increases visibility at both the individual and team levels, which requires accountability and provides recognition and reward.

The value of the labor management program is evident in terms of associate relations, management effectiveness and operations effectiveness.



### Associate Relations Value

- Timely, objective feedback of associate performance
- Increased associate earnings with no risk to the labor budget
- Improved attitude and morale



### Management Effectiveness Value

- Provides management tools and techniques for staffing, goal-setting and reporting
- Comprehensive management training
- Ability to attract and retain top-quality associates
- Enables management staff to effectively display the value brought to the customer



### Operations Effectiveness Value

- Maximum utilization of work force
- Appropriate manager/associate ratios
- Extended facility throughout and capacity

## IMPLEMENTATION

### Phase 1

The labor management program is best rolled out through a phased implementation over the course of about four months. The program is launched with a kickoff meeting to explain the scope and plan to employees. During the first month, management will seek employee buy-in and allow the concept and its benefits to sink in so that upon implementation, employees will embrace it with a positive attitude. In addition, during this phase, baseline labor analysis is completed, allowing for effective measurement of the launch.

### Phase 2

Implementation begins with the largest labor buckets, for example picking and put-away.

### Phase 3

The rollout proceeds to medium labor buckets, like unloading, loading, in/outbound scanning.

### Phase 4

The final phase of the program begins with indirect labor buckets, such as returns processing, consolidation and cycle counting.

Once all standards for the major functions have gone live, the program will require ongoing support for standard maintenance; accountability and performance improvement planning; continuous improvement initiatives; and weekly operations meetings.



#### To qualify as individuals, each person must:

- Have 20 qualifying hours for the week
- Achieve 101 percent of location average productivity score
- Be accident- and injury-free
- Work scheduled work week – no unexcused absences



#### To qualify as a team, each team must:

- Hit the location units per man-hour goal
- Have 99.5 percent stow accuracy for the previous week
- Not exceed in-house damage goal

## SIX STEPS TO ASSESSING YOUR WAREHOUSE EFFICIENCY

### 1. Yard Process

You need a plan for handling the trailer before it arrives at your gate. Does it go straight to a door, sit and wait based on priority, or is it arriving as replenishment stock and only needs to be dropped off?

### 2. Inbound Process

The moment the product arrives at your facility you need to know where it's headed, how it needs to be handled and how long it may need to stay there. We call it a "Plan For Every Part" (PFEP).

### 3. Outbound Process

A big step that you can't overlook is the final piece of the puzzle – the outbound process. Two keys to shipping the perfect order are ensuring you have done all the required previous steps for handling at your location, and doing it on time.

### 4. Task Management

Once all available product is on hand and the work required is known, how do you prioritize what needs to be handled to achieve maximum efficiency? The most efficient way to execute this is by using your Warehouse Management System (WMS) as the backbone, and letting it optimize task assignments.

### 5. Inventory Management

Last-In-First-Out (LIFO), First-In-First-Out (FIFO), first available, cross-docked product – how you choose to stock and use your inventory will greatly affect the required handling, racking and the processes within the building.

### 6. Warehouse Labor

This component drives roughly 70 percent of your overall cost of doing business in a warehouse. It's easy to throw extra staff at a problem to meet demand, but the trick is planning and optimizing to minimize the single largest line item in your warehouse budget.



## ABOUT ERIC HEPBURN

Eric Hepburn is Vice President of Distribution Center Management for Penske Logistics. He brings more than 20 years of experience to the business. Hepburn joined Penske in 2012. Prior to joining Penske, he served as Vice President of Business Development for Jacobson Companies in Chicago. He also worked at Exel as Senior Director of Business Development. He is located at Penske's global headquarters in Reading, PA.



## WE BRING YOU EXPERIENCE AND RELIABILITY

Consistently delivering a great customer experience, along with fresh, temperature-controlled groceries, is an enormous task for any food and beverage distributor. When you need a reliable logistics and supply chain partner to help plan your daily operations, trust the experts at Penske. We have the experience, industry know-how and reliability to provide the right mix of deliverables, tailored to your operations, production levels and market demands.

## WE HELP MOVE YOUR BUSINESS FORWARD

Our approach is simple. We make it a priority to understand your supply chain needs and meet those needs by delivering your products fresh and on time. Our routing tools and industry knowledge allow us to engineer distribution networks that exceed our customers' expectations. By helping to reduce miles and time, you get the benefit of delivering a fresher product, and, in turn, creating an extraordinary customer experience.

## ABOUT PENSKE

Penske Truck Leasing Co., L.P., headquartered in Reading, Pennsylvania, is a leading global transportation services provider. Penske operates more than 200,000 vehicles and serves customers from more than 1,000 locations in North America, South America, Europe and Asia. Product lines include full-service truck leasing; contract maintenance; commercial and consumer truck rentals; used truck sales; transportation and warehousing management; and supply chain management solutions.

To learn more about Penske's products and services please visit [gopenske.com](http://gopenske.com).