Labor Management Redefined

Presented by:

Peter Schnorbach
Senior Director Product Management
Market Forces Impacting the Industry

- eCommerce
- Wage Pressures
- Low Employee Engagement
- Increasing Infrastructure Costs

<table>
<thead>
<tr>
<th>Minimum-Wage (and Below) Workers by Occupation, 2013</th>
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<tbody>
<tr>
<td>OCCUPATIONAL GROUP</td>
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<tr>
<td>---------------------</td>
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<tr>
<td>Food preparation and serving related occupations</td>
</tr>
<tr>
<td>Sales and related occupations</td>
</tr>
<tr>
<td>Office and administrative support occupations</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance occupations</td>
</tr>
<tr>
<td>Transportation and material moving occupations</td>
</tr>
<tr>
<td>Professional and related occupations</td>
</tr>
<tr>
<td>Production occupations</td>
</tr>
<tr>
<td>Healthcare support occupations</td>
</tr>
<tr>
<td>Protective service occupations</td>
</tr>
<tr>
<td>Management, business, and financial operations occupations</td>
</tr>
<tr>
<td>Construction and extraction occupations</td>
</tr>
<tr>
<td>Farming, fishing and forestry occupations</td>
</tr>
<tr>
<td>Installation, maintenance and repair occupations</td>
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Source: Bureau of Labor Statistics

<table>
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<th>ENGAGED EMPLOYEES</th>
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<tbody>
<tr>
<td>U.S.</td>
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<tr>
<td>33%</td>
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BUSINESS JOURNAL  SEP 27, 2016
Do Employees Really Know What's Expected of Them?

Employees across generations have a shared need for clear expectations in the workplace.

Source: Cushman & Wakefield Research
eCommerce

Interestingly, but not surprisingly, when it came to software, warehouse labor management systems were the top choice. E-commerce fulfillment is labor intensive and costly, as these orders are generally small, with items often stored in different parts of the facility, and that require additional steps such as packaging and labeling.
eCom fulfillment presents 7 unique challenges

- Use of expensive equipment - need to maximize throughput
- Peaks and valleys in labor utilization
- Ebb and flow of amount of orders
- Changing order priorities
- Constant influx of orders
- Smaller order sizes
- More rapid order fulfillment cycle
Minimum Wage

- Across the U.S., minimum wages are on the rise. Many states and municipalities are proposing and passing legislation that pushes their minimum hourly wages above the federally mandated $7.25 to as much as $15.

- Labor accounts for approximately 20% of total supply chain costs, so rising wages have a significant impact on the bottom line. For a fulfillment operation of 500 employees, a $1 per hour wage increase can raise labor costs by approximately $1 million per year.
Mobile is changing the way we think and act

The mobile *mind shift* is the expectation that I can get what I want in my immediate context and moments of need.
Engagement Techniques of the 21st Century

✓ Informational flow with minimum hardware or application restrictions.
✓ Information available anywhere and anytime.
✓ Integration of Quantitative and Qualitative information.
✓ Gamification capabilities for engaging employees.
Millennials

- Technology Savvy
- Mobile Enabled
- Highly Connected
- Rely on Feedback
- Thrive on Recognition
- Collaborative
- Creative
Employee Engagement

**Employees who say most memorable recognition comes from CEO**

<table>
<thead>
<tr>
<th>24%</th>
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<td><strong>BUSINESS JOURNAL</strong>  JUN 28, 2018</td>
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</table>

Employee Recognition: Low Cost, High Impact

Recognizing good work is a powerful, cost-effective method of improving organizational performance -- yet it is underused.

**Engaged Employees**

<table>
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<tr>
<th>U.S.</th>
<th>WORLDWIDE</th>
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<tr>
<td>33%</td>
<td>13%</td>
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Do Employees Really Know What's Expected of Them?

Employees across generations have a shared need for clear expectations in the workplace.

**Millennials who say they receive routine feedback**

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Managers: Millennials Want Feedback, but Won't Ask for It

Millennials desire routine feedback from their supervisors, but they neither request nor receive it.
Does Engagement Matter

**Engagement’s Effect on Key Performance Indicators**

Median differences between top- and bottom-quartile teams

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Median Difference</th>
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<tbody>
<tr>
<td>Absenteeism</td>
<td>-37</td>
</tr>
<tr>
<td>High-Turnover Orgs.</td>
<td>-65</td>
</tr>
<tr>
<td>Low-Turnover Orgs.</td>
<td>-25</td>
</tr>
<tr>
<td>Shrinkage</td>
<td>-28</td>
</tr>
<tr>
<td>Safety Incidents</td>
<td>-48</td>
</tr>
<tr>
<td>Patient Safety Incidents</td>
<td>-41</td>
</tr>
<tr>
<td>Quality (Defects)</td>
<td>-41</td>
</tr>
<tr>
<td>Customer</td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>10</td>
</tr>
<tr>
<td>Profitability</td>
<td>21</td>
</tr>
</tbody>
</table>

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**Turnover**

- High-Turnover Orgs.
- Low-Turnover Orgs.
Positive Message
Engaged Employees

- Weekly email with key operational metrics.

- Specific metrics tailored to the employee.

- Optional rankings to incent employees.

- Key operational metrics tailored to the specific operation or facility.
Labor – Performance at Work

Value/Investment

- Throughput Only
  - Facility, job, activity
  - Shift, Day, week
  - Supervisor, Employee
  - Mobile
  - System Generated

- Reasonable Expectancies:
  - Best Practices
  - Variance Reporting
  - Feedback/Coaching
  - Configured as a part of WM

- Engineered Standards:
  - Discrete Standards
  - Travel Calculations
  - Vehicle Calculations
  - Program Development
  - Change Management

- Advanced Functionality
  - Incentives
  - Forecasting
  - Scheduling
  - Planning

Value/Investment:

- Foundation: 10%
- Basic: 15%
- Advanced: 30%
- Best in Class: 45%
How We See Engagement

Labor Management can transform simple protocols into real Engagement
How is Employee Engagement Built?

Three Pillars of Engagement
• Communication, Recognition, Measurement
• Virtuous Cycle
• Leadership is the lynch pin

Engagement reflects leadership
• Gains are relative to granularity of detail
• Measurement enhancements are transferable

All Leaders can improve with better measurements and information
How is Employee Engagement Built?

Communication is the nervous system of an organization.

- Regular touchpoints are critical
- Timeliness
- Consistent Messaging
- Clear and Meaningful Interactions
  - Beginning of shift
  - Intra-day Huddles
  - End of shift
- Performance Review Cycles
- Coaching and Feedback

What is the platform supporting communication within your business?
How is Employee Engagement Built?

Recognition Builds Leadership Credibility – *I know what it takes to do your job well*

**Verbal**
- 1-on-1 coaching sessions
- Group

**Tangible**
- T-shirts, badges, parking space
- Team lunches / cookouts

**Monetary**
- Movie tickets, company gift cards
- Time off
- Incentive programs

How quickly and clearly can you recognize top performers?
How is Employee Engagement Built?
Measurements ensure that all know where they stand

- Productivity
- Throughput – CPH, UPH
- Timeliness
  - Next Day
  - Real Time
- Accuracy is always non-negotiable
- Fairness
- Sets the precision limits for the:
  - Operation
  - Associates

Accurate Measures shift the focus from exactness to effort level
Make a Lasting Impression

Program Branding Should be an Organic Process

- Should Resonate With:
  - Company Culture and Mission
  - Business Vertical
  - Employees

Collective Development Ensures Stickiness

- Pull Ideas both Centrally and Locally
- Employee Submissions
- Merge with Existing Programs
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