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Improving Workforce Engagement in a Modern Distribution Organization

How to increase retention, boost productivity, and optimize labor costs

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> Workforce management innovation and engagement is critical. As technologies and tools become more sophisticated and ubiquitous, digitally upskilling the existing workforce will be pivotal to effectively operate in this environment and stay competitive.

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Introduction

As competition intensifies in the distribution space because of the "Amazon effect," and customer expectations rise around next-day shipping, the tight labor market is leading to serious industry concerns about meeting productivity goals. According to the 2019 MHI Annual Industry Report, hiring qualified workers is seen as the distribution industry's single biggest challenge, with 65% of respondents rating it "extremely" or "very" challenging.[2]

To meet productivity goals in today's distribution environment, employee engagement and retention have become increasingly important, with companies needing more advanced technologies to help them better manage employee retention, productivity, and labor cost optimization for few hundred rupees more in monthly pay employing new tactics to help improve employee engagement and retain their people.

This white paper explores how utilizing both future-built labor management solutions and new and innovative management approaches better equips distribution centers to improve employee retention, increase productivity, and optimize labor costs.

Distribution managers must employ new tactics
to help improve employee engagement
and retain their people.

Current distribution industry challenges

The most recent decade of the 21st century has brought added challenges to the distribution environment.

Shrinking labor pool

"In the past, a lot of companies treated operational labor as a fungible asset," says Dwight Klappich, vice president and analyst at Gartner. "It was easily replaceable because companies knew that they could go out and get 10 new résumés for every open position. That's just not the case anymore."[4] Economic indicators show a tight labor market continuing into the foreseeable future.

Rising labor costs

A tightening labor market has led to steadily increasing wages and labor costs. The Employment Cost Index, a broad measure of employment costs, showed a 2.8% increase for 2019 through the third quarter.[5]

Omnichannel complexities

Omnichannel expectations have transformed the warehouse from a storage space for supply chain inventory to a critical piece of the "value chain," including offering just-in-time packaging, assembly, and product customization.[6] These added pressures have stressed technologies and staff, sometimes resulting in employee burnout and attrition.

Heightened customer service and quality expectations

The "Amazon effect" is having far-reaching impacts, including raising the performance bar in the distribution industry. Consumers now routinely expect same-day, next-day, or, at most, two-day delivery of goods. Expectations are high, and distributors need to meet these expectations to survive.

The "Amazon effect" is raising the bar around performance in the distribution industry.

A Look Back: 20th Century Labor Management

Late into the 20th century (and continuing today for many organizations), labor management processes have been reactive, rather than proactive. Managers have been able to access only workforce summary information — such as productivity by job function and individual operator — on their desktops. They often haven't had the technology or processes in place to manage in the moment or make same-day adjustments. Detailed labor management information has been typically a week or more old, giving distribution managers little opportunity to understand current throughput rates and make real-time adjustments to optimize their existing labor force productivity.

Developing a Modern Approach to Labor Management

Labor management systems (LMS) have long been used to track workforce productivity in the warehouse. More recently, organizations are using these systems in conjunction with workforce management solutions to better understand labor costs, evaluate work processes, make more informed staffing decisions, and engage employees. These solutions enable organizations to:

• Access predictive information on labor forecasting and scheduling needs

• Utilize real-time and readily accessible performance data via mobile devices

• Take advantage of unified hire-to-retire capabilities

• Better understand labor costs through labor analytics

• Make timely data-based staffing decisions

• Improve employee engagement through simplified and enhanced user experiences

Impactful technologies for distribution centers

Labor management systems

Workforce management systems

Transportation management systems

Warehouse management systems

Getting the most out of labor management

To meet the challenges they face, modern distribution centers should consider integrating labor management, workforce management, and human capital management solutions so they seamlessly work together. An integrated labor management system delivers specific improvements such as those listed below.

Tracking nontransactional roles

Existing labor management systems don't have the capability to track nontransactional roles, creating a gap that can result in incomplete analysis and a narrow view of the workforce. The activity of aggregated nontransactional employees not only impacts the overall productivity numbers of a distribution center, but also accounts for a sizable portion of labor costs. To fully understand overall performance, organizations need a holistic view of their entire workforce.

Examples of nontransactional roles
Box building
Housekeeping / janitorial
Maintenance (maintenance tech, maintenance lead, conveyor technician)
Inventory roles (cycle counter, planner, slotting analyst)
Workload or wave planning
Quality control positions

Improved analytics

Predictive analytics no longer requires a separate team of data scientists. Using a unified workforce management system solution that includes artificial intelligence (AI) and machine learning (ML) technologies enables organizations to easily access and develop high-quality data from existing data. Integrating solutions not only delivers valuable labor data to better manage employees in real time to meet fulfillment and distribution demand, but also provides tools that can improve the employee experience to attract and retain quality staff.

Demand forecasting with machine learning has been shown to improve forecasting accuracy by 20%.

Precise labor forecasting

Labor forecasting and scheduling solutions can help organizations accurately align labor scheduling to demand, helping ensure optimal labor coverage for each shift, every day. Demand forecasting with ML has been shown to improve forecasting accuracy by 20%,[7] resulting in cost savings from better alignment of labor allocation and reduced overtime. With access to accurate labor forecasting data, distribution center managers can better plan for their labor needs, including meeting shifting market conditions and changing seasonal demands.

Better scheduling with AI and ML

Advanced analytics, including artificial intelligence and machine learning, are taking effective scheduling to the next level and are playing an increasingly important role in enabling organizations to more accurately predict their labor needs and create best-fit schedules. Using an organization's often existing and extensive labor and workforce management data, AI and ML technologies gain insight into customer demand patterns and employee schedule preferences to create forecasts that provide valuable guidance in optimizing staff scheduling, which can enhance employee engagement and provide appropriate shift coverage at the lowest cost.

Additional AI and ML benefits

Advanced technology also helps organizations improve their workforce management by:

Providing open-platform functionality

Managers and employees can access workforce management tasks — integration with teams, paid-time-off approval, absence and overtime oversight — via real-time application programming interfaces (APIs) to meet industry-specific needs while working in other applications from technology partners such as Microsoft, Facebook, Google, and hundreds of others.
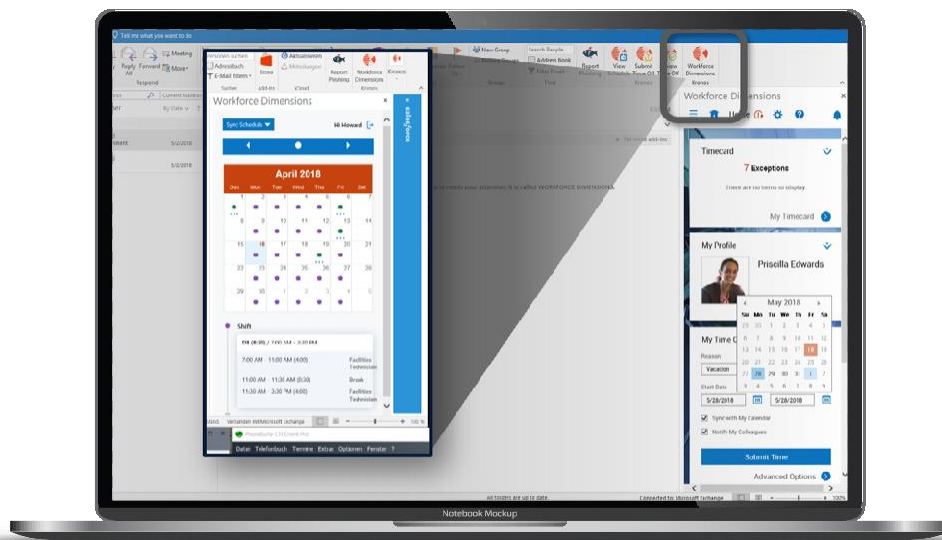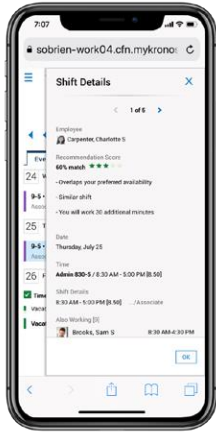
Improving workforce management user experience in real time

Leveraging APIs, employees can interact with a virtual bot on their smartphones, asking about their day's schedule, while managers can ask which employees are absent and who is approaching overtime — even when managers are on the frontline in the warehouse.

Automating tedious tasks

AI enables employees to quickly find a perfect match for a shift swap, ensuring shift coverage and freeing up managers from this time-consuming task. AI shift swap recommendations take into account an organization's work rules while employees' shift preferences derived from ML help further define shift-swap opportunities.

Enhanced warehouse employee engagement

Employee engagement can be increased by utilizing Workforce Management solutions that offer mobile device self-service tools that enable employees — from home or elsewhere — to make time-off requests and swap shifts, check their schedules and pay information, and call in sick. Managers also can use their mobile devices to respond to employee requests from anywhere and manage in the moment while overseeing warehouse operations. This ease in completing tasks can significantly reduce moments of frustration and, subsequently, help improve retention of both employees and managers.

Modern labor management approaches

Having the right technology in place and getting the most from it is critical, but many new labor management approaches also should be considered to achieve success in the modern distribution center. A few are listed below:[8]

Adopting flexible scheduling

With multiple generations in the workforce, flexible scheduling can meet their varying needs. Baby boomers may want to work part time as they near retirement while Gen Z employees may be happy working 32 hours a week if they live with their parents and have lower living costs.

Seventy-four percent of millennials say flexible scheduling is important,[9] enabling them to work around family responsibilities.

Providing leadership development programs

Offering leadership development programs and training certifications—such as pallet jack operator, reach truck operator, and order picker operator, among others—shows a company's ongoing investment in its employees and can result in increased engagement and retention of staff.

Fostering employee cross-training and interaction among departments can help employees develop their critical thinking abilities and advance their technical and business skills, benefiting both employees and the company.[10]

Supporting effective management

Select managers who are committed to the performance and success of their employees, and provide managers with real-time data that enables them to spend more time on the floor, improving overall productivity. Effective managers can help boost employee adoption of new supply-chain technologies.

Fifty-seven percent of respondents surveyed for the 2019 MHI Annual Industry Report are "planning new technology investments totaling more than $1 million over the next two years."[11]

The right HR technologies help managers be more prescriptive in getting their employees more engaged. They can easily leverage predictive insights to collect and analyze data related to, among other things, flight risk, absenteeism, productivity, engagement, and fatigue.

Offering financial incentives

A tight labor market may be cause for trying new strategies. For new employees who remain on the job for six months, 12 months, and 18 months, consider offering some financial incentives to encourage them to remain with your organization.

Labor Management Platforms: Not Just for Large Companies Anymore

Labor management systems have typically been utilized by large companies with the resources to invest in this technology. The advent of the cloud has enabled smaller organizations to afford LMS technology, as well as workforce management and human capital management technology. The savings realized by deploying these solutions to reduce attrition and the ongoing costs of continually replacing employees make them attractive to firms of all sizes.

Modernizing your labor approach in today's supply chain

With a tightening labor market showing no signs of easing, the distribution industry must embrace fresh strategies to retain current employees and keep them productive. Deploying the latest technologies to better forecast your daily labor needs, understand employee schedule preferences, automate tedious scheduling tasks, and engage employees and managers through self-service tools can give you a competitive advantage in the labor market. By enabling your people and processes through effective use of innovative technology, your logistics organization can uncover hidden capacity, control costs, and boost responsiveness to achieve new levels of operational excellence.

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