



# Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

## Management Strategies

### These four factors will tell you how well the DC is managed

Helgi Leja, an account executive at the consulting firm Fortna Inc., says that he can usually tell how well managed and how productive a DC is within five to 10 minutes of his first visit. What's his secret?

He looks at four aspects of the operation: The cleanliness and organization of the DC, the energy and enthusiasm of the workforce, the attention to safety, and the training and competency of the workforce.

At the recent ProMat conference, Leja discussed how these factors are related to DC performance, and suggested some inexpensive solutions that you can take immediately to improve these areas.

#### Seeking an objective way to measure criteria

While he can usually tell how well-run a facility is by observing the four factors, Leja admits that this is generally a subjective analysis. He wanted to determine if there is an objective way to evaluate performance from these measures. To do that, he looked at DCs in four different distribution networks, ranking the DCs in each of the four areas based on objective measures such as lost time incidents per employee and money invested per employee on training and continuing education.

The results of the initial study were encouraging, although the sample was too small and the measures the DCs used to rate themselves were not consistent enough to generate conclusive

results. But there were some important lessons learned. For one thing, safety and building cleanliness appear to be the two most important factors affecting performance.

Surprisingly, Leja found that continuing education and investments in improving morale did not correlate to high performance. "In theory, you think if you spend a lot of money on training and you spend a lot of money on morale, you will do well. But it seems that all of these companies are spending money after the fact. They're already performing poorly, then they start throwing money into it."

For example, one DC spent a lot of money on education and building morale, but productivity and quality were still low. Investigating, Leja learned that the numbers didn't tell the whole story. The facility had faced problems with discrimination charges and new management invested in morale, training, and motivation after the problems had impacted performance.

"Maybe if they had done this before there was a crisis, there wouldn't have been a crisis," he says.

#### Inexpensive steps you can take

Leja offers simple, inexpensive steps you can take to improve your performance in each of the four areas, and here are several of the best.

**Safety:** Use a team-based approach to take advantage of the positive power of peer pressure. Create a knowledge exchange process so

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that employees can recommend and be rewarded for safety ideas. Establish a safety committee that includes workers from the DC floor, the supervisory or managerial staff, HR, and key members of upper management. Finally, document all accidents — that way everyone can learn from the mistakes.

**Cleanliness:** Hold your staff accountable by assigning work areas or aisles to employees and making them responsible for cleaning the area at the end of their shift. Create designated trash collection areas or simply add garbage cans at the end of aisles. Resell used corrugate, old pallets, etc. to raise some cash while disposing of trash.

**Training:** Cross-training not only offers you flexibility in managing the workforce, but it also increases job satisfaction and encourages career

advancement. In addition, give employees the opportunity to take part in different committees, such as safety or customer service, to help them become better educated about the overall business strategy.

**Morale:** Sponsor athletic teams to promote goodwill and build relationships with employees. Also, offer inexpensive incentives. A bag of chocolates only costs a couple of dollars and helps keep employees energized for the entire shift, says Leja. He's also seen management provide Cuban coffee in the afternoon in a Miami facility, and Gatorade during the summer in Atlanta. Remember, such small tokens of appreciation can go a long way, he says.

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