

Cook & Associates

Management Consultants

New Brunswick, NJ, USA



Don Cook
President

- Founded over 35 years ago to Perform Quality Industrial Engineering
- Specialize in Labor Management for Retail Distribution and Fulfillment
- Served over 50 Retail Clients in the United States, Canada, and Europe



PEP - Productivity Evaluation Program




QUESTIONS TO ASK FOR BETTER LABOR MANAGEMENT

Managing People & Process

Cook & Associates

Management Consultants

- 
- 1 What is Labor Management
 - 2 Are You Doing the Best with What You have
 - 3 What is the Labor Management Payback
 - 4 Are there Cultural Challenges
 - 5 What are the 6 Most Important Concepts
 - 6 How about Labor Management Software
 - 7 What are the Implementation Time & Costs
 - 8 Why do Companies Wait



WHAT IS LABOR MANAGEMENT?

LABOR MANAGEMENT

The System & The Skills Used to Manage People & Process

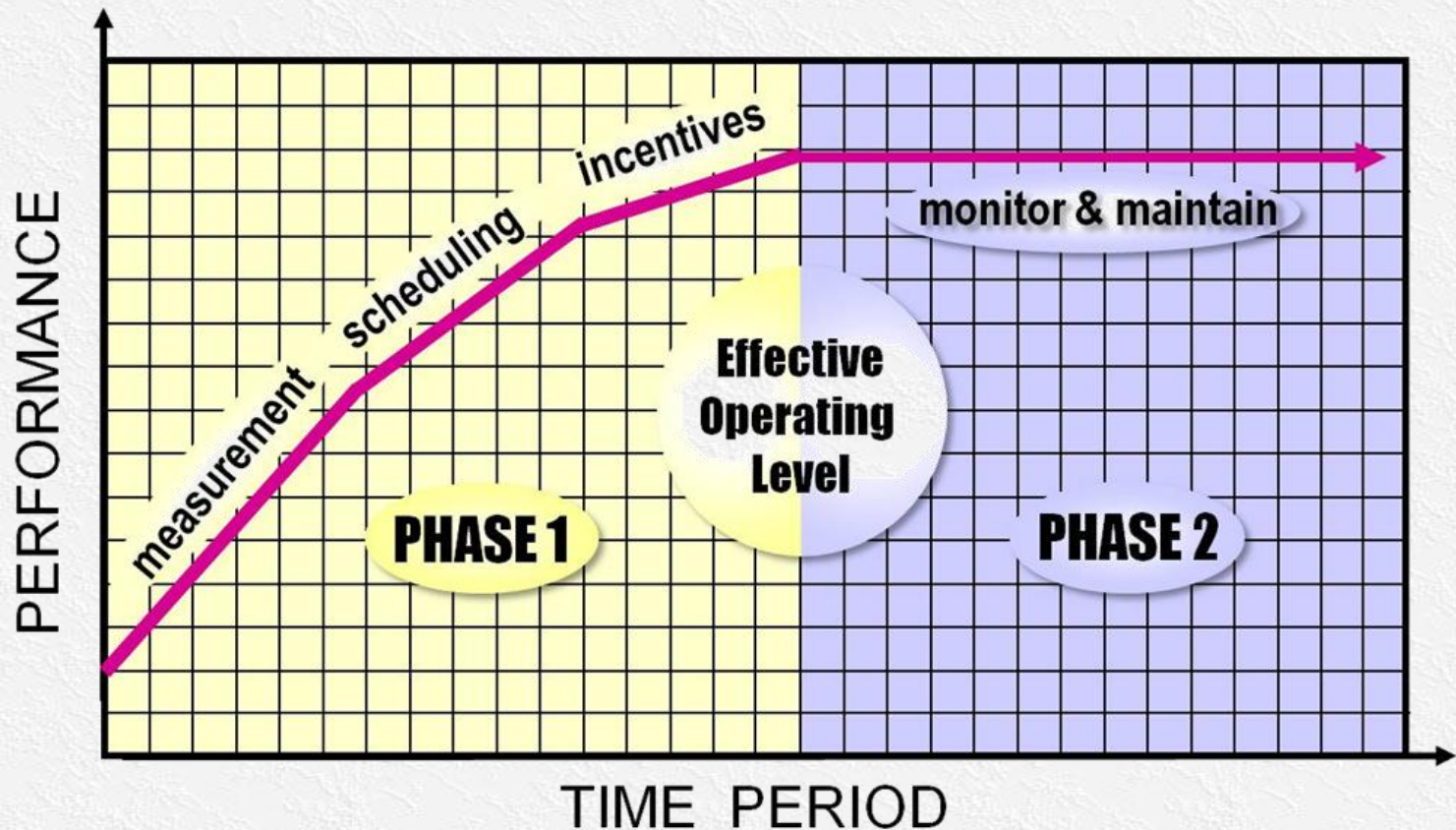
THE LABOR MANAGEMENT SYSTEM (LMS) is the methods & procedures designed to gather data, and the software that efficiently consolidates that data into meaningful & action-oriented operating reports.

THE SKILLS are acquired through extensive “Change Management” training and are needed to reach the desired results. These skills allow management to interpret and use the LMS reports to:

- Develop Comprehensive Management Techniques
- Provide Timely Employee Feedback
- Reward High Performers and Coach Low Performers
- Identify Processing Problems and Bottlenecks
- Implement Methods and System Improvements

LABOR MANAGEMENT

*Reach the Effective Operating Level by
Doing The Best with What You Have*



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**ARE YOU DOING THE BEST
WITH WHAT YOU HAVE?**

DOING THE BEST WITH WHAT YOU HAVE

Operating Differences Make Benchmarking Difficult



Courtesy of Solution Selling® Blog

DOING THE BEST WITH WHAT YOU HAVE

Revealing Manager Comments

- I don't really know what my people are doing, or what they should be doing
- We use a lot of temp staff & overtime, but I'm not sure they are cost-effective
- Some employees ask me why they're paid the same as others who do half the work
- Stores say merchandise isn't ticketed properly & it doesn't arrive on time

DOING THE BEST WITH WHAT YOU HAVE

Insightful Management Questions

- How many employees are in each area and does the figure include temps and loaned & borrowed hours?
- What techniques are used to flex staff to balance labor with work volumes?
- Are high & low performers identified and how are they rewarded or coached?
- What key tasks comprise most of the workload and are there any bottlenecks or problem areas?

DOING THE BEST WITH WHAT YOU HAVE

When Managers Give You the Answers...

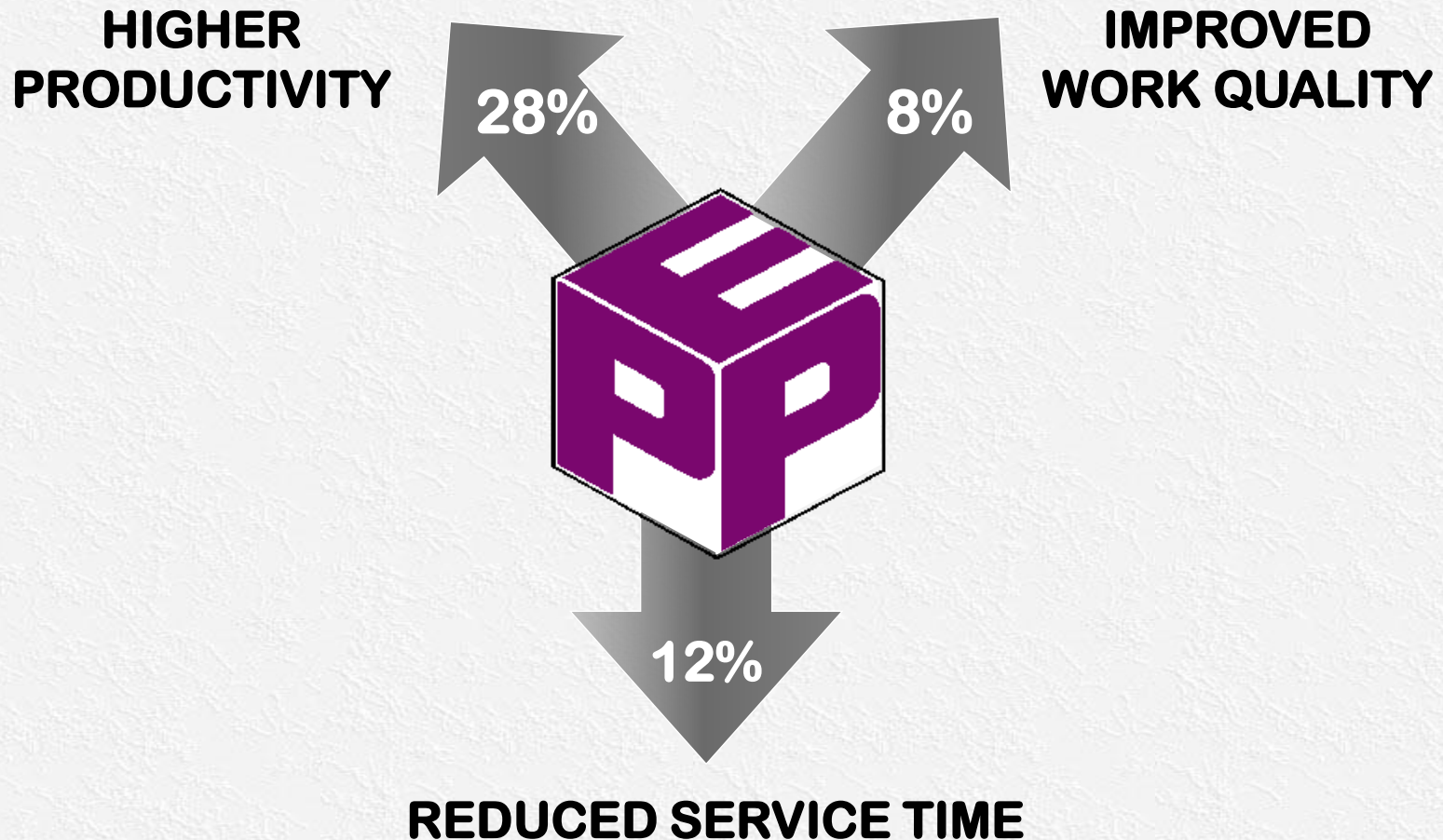
If you're evaluating whether effective labor management tools are in place, be sure to check in the real world to see if the management process actually works the way you've been told.

3

WHAT IS THE LABOR MANAGEMENT PAYBACK?

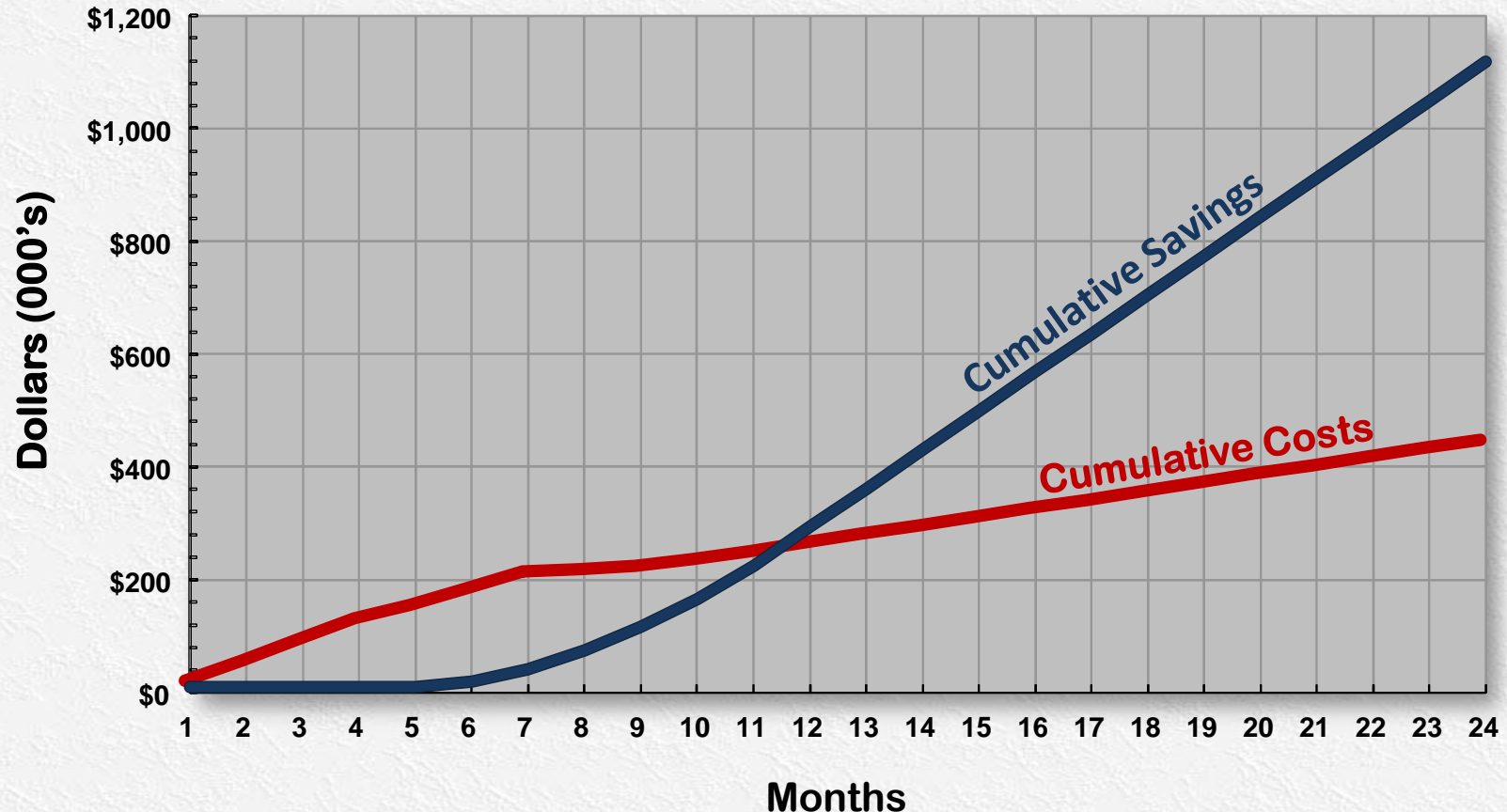
LABOR MANAGEMENT PAYBACK

Program Results



LABOR MANAGEMENT PAYBACK

Project Breakeven



Normal Average Payback is 10 to 14 months

4

ARE THERE CULTURAL CHALLENGES?

CULTURAL CHALLENGES

The Objective: Create a Sense of Pride - You Have to be Good to Work In This Company!

- **Current Conditions:** The number and difficulty of the problems will vary based on the type of relationship management has already created with the employees, and if applicable, the union.
- **Labor Environment:** Naturally, acceptance of the Program will be much easier if the productivity improvements are going to be used to absorb higher work volumes rather than reduce staff.

No Matter What the Challenge, Management Must Always Reserve the Right to Manage

CULTURAL CHALLENGES

LABOR MANAGEMENT PROGRAM



*Use The Program to Establish a Strong
Employee & Manager Team for
Productivity Improvement*

CULTURAL CHALLENGES

Acceptance & Morale Can Actually Go Up with the Proper Implementation of a Labor Management Program

- Employees get credit for the work they perform and know they will be objectively evaluated
- Managers get data to monitor their employees and a true picture of their operating effectiveness
- Both Employees and Managers can get incentive rewards that will further strengthen their support

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WHAT ARE THE 6 MOST IMPORTANT CONCEPTS IN LABOR MANAGEMENT?

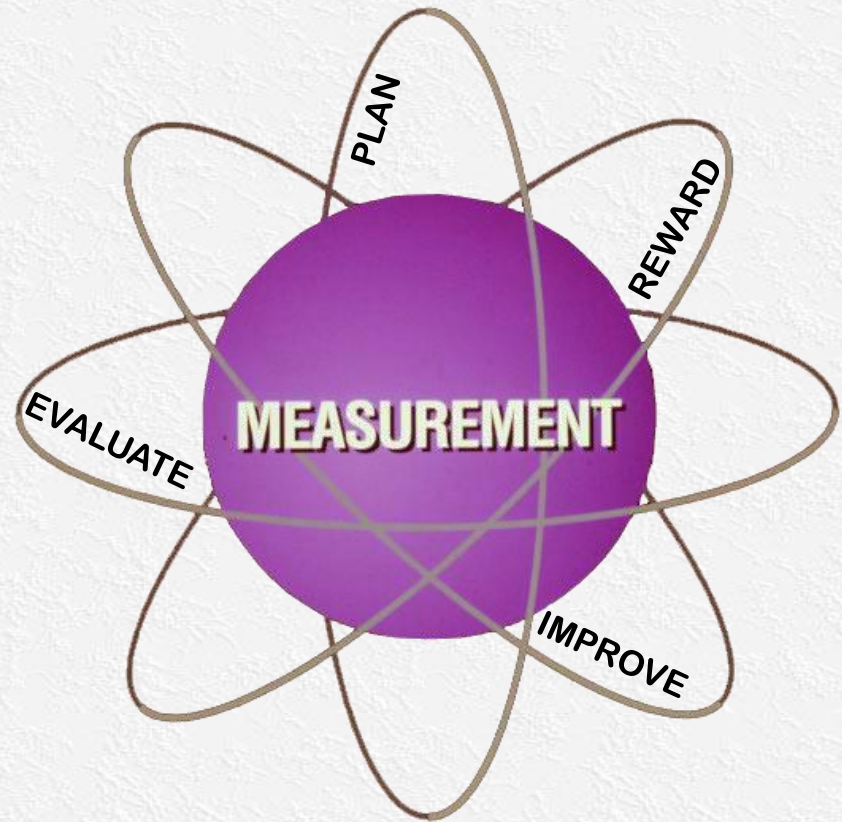
6 MOST IMPORTANT CONCEPTS

- 1 Work Measurement
- 2 Employee Feedback
- 3 Performance Quality
- 4 Employee Incentives
- 5 Staff Scheduling
- 6 Data Summarization

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WORK MEASUREMENT

*The
Nucleus*



1 WORK MEASUREMENT

*Avoid Micro-Managing, But Be Sure
to Cover All Employees*



**Balance the Level of Detail - More is Not
Necessarily Better and Less is Often Not Useful**

1

WORK MEASUREMENT

How Is A Productivity Index Calculated?

PRODUCTIVITY CALCULATION			
Task	Standard Minutes Per Unit	Units Completed Per Day	Total Standard Minutes
1. Cuff Pants	4 min. per cuff	20 cuffs	80
2. Shorten Jackets	30 min. per jacket	6 jackets	180
3. Line Sleeves	50 min. per sleeve	2 sleeves	100
A. Total Standard Minutes Per Day			360
B. Total Standard Hours Per Day (360/60).....			6
C. Total Hours Paid			8
D. Productivity Index (6/8).....			75%

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EMPLOYEE FEEDBACK

Employee On-Screen Review

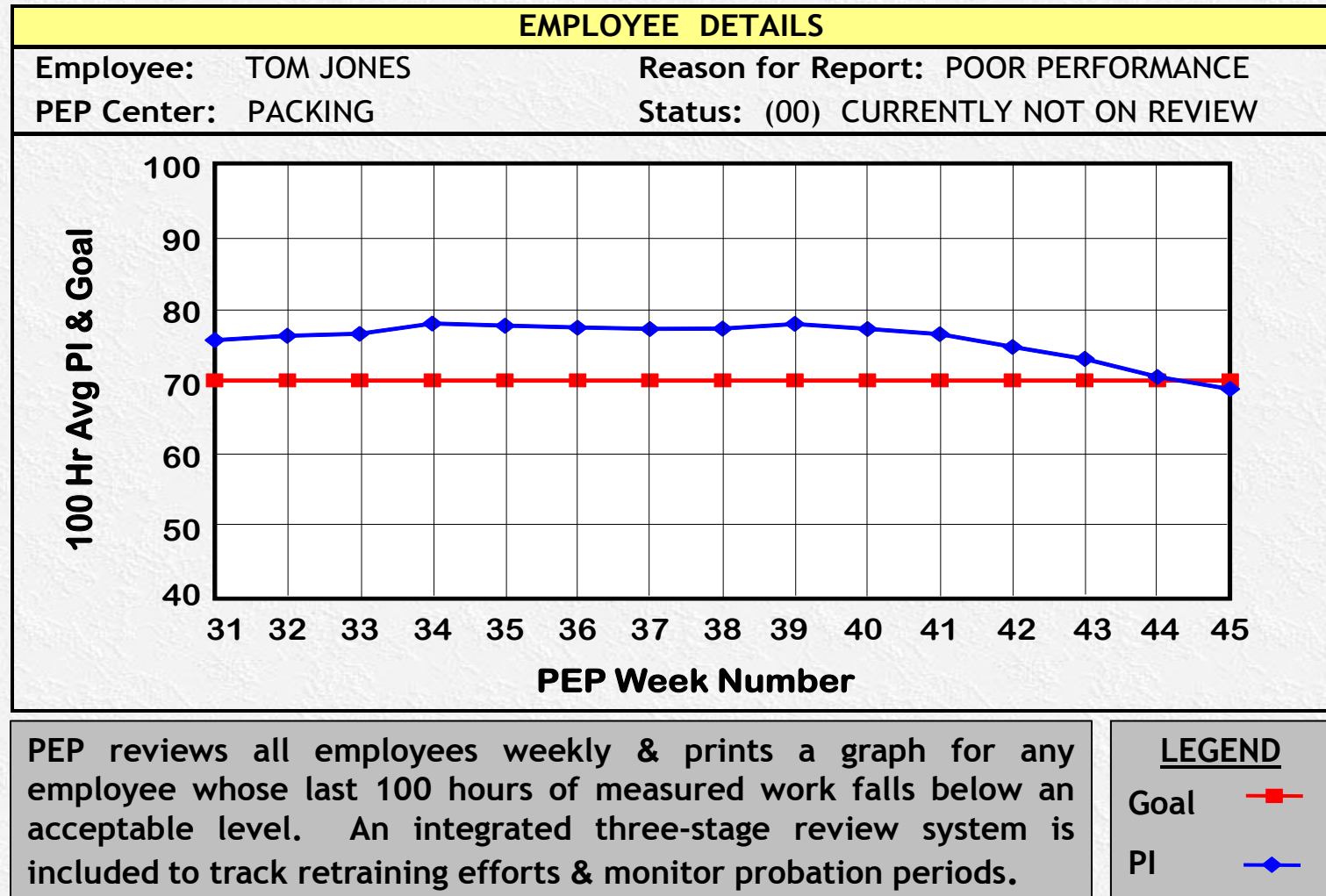
Viewing this daily network screen shows employees and managers how well they are performing and how the Productivity Index (%) is calculated. The current and previous week's data is available by day and totaled for the week. The screen clearly shows how work in multiple tasks is summarized by using Engineered Time Standards. The resulting Total Standard Hours credited to the employee, divided by the employee's Available Hours to perform the work, produces an accurate Productivity Index.

EMPLOYEE DETAILS								
Employee: MARY JONES		Current Productivity %		99	Last 100 Hr Productivity %		95	
Data Period: ENTIRE WEEK		PEP Center: PICKING		PEP Center Productivity %		92		
COMPLETED WORK						HOURLY DETAILS		
No	Task Name	Measure	Time Std	Units	Mins	Category	Hours	
01	Start Picking Cycle	Cycle	2.00	49	98	Total Payroll Hours	40.00	
02	Full Cases Picked	Case	0.31	1369	424	Minus Special Projects	2.00	
03	Partial Cases Picked	Piece	0.16	3264	522	Training (120 Min.)		
04	Loose Pieces Picked	Piece	0.10	4998	500	Minus Paid Relief	2.50	
05	Distance Traveled	Feet/100	0.48	630	302	Minus Hours Loaned Out	0.00	
06	Locations Visited	Location	0.05	5253	263	Plus Hours Borrowed In	0.00	
Standard Minutes					2109			
Total Standard Hours (Standard Min. ÷ 60)					35.16	Total Available Hours		35.50
PRODUCTIVITY INDEX CALCULATION								
STANDARD HOURS: 35.16 ÷ AVAILABLE HOURS: 35.50 = CURRENT PI %: 99								

2

EMPLOYEE FEEDBACK

Employee Performance Review



3 PERFORMANCE QUALITY

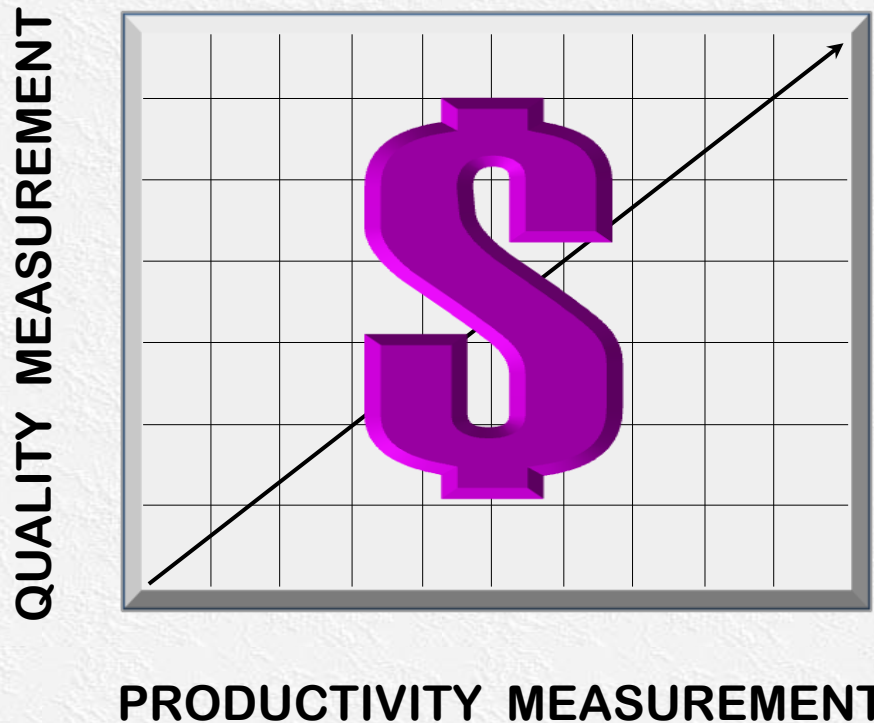


*Productivity Cannot be Increased at
the Expense of Quality*

4

EMPLOYEE INCENTIVES

Individual or Group - Monetary or Other



Share Productivity & Quality Gains with Employees

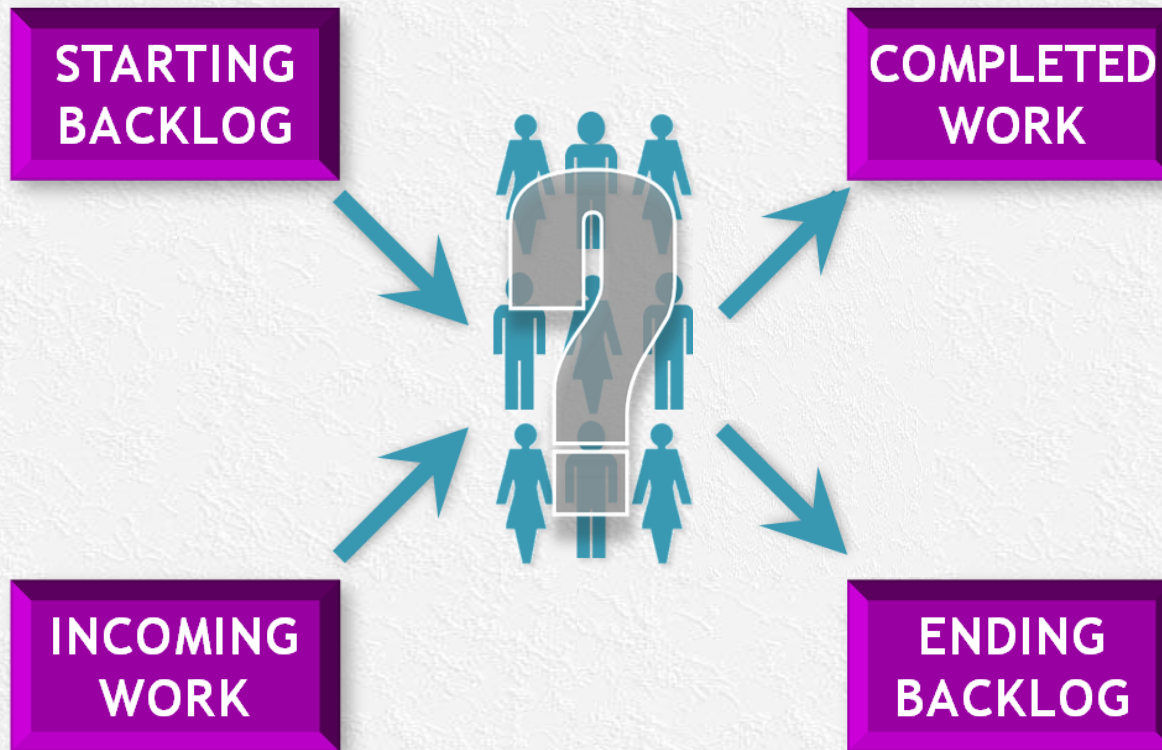
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EMPLOYEE INCENTIVES

PEP Incentives are based on sharing the hours that employees save the organization when they perform at a higher level than the preset goal. The Hours Saved calculation not only includes measured work, but also includes Special Projects (non-measured work) such as helping train other employees. Individual Employee Incentives normally achieve the best results. However, if a job is structured as either a Team or Group process, PEP will base the incentives on the Team or Group Productivity.

FROM THE PRODUCTIVITY CALCULATION		VALUES SET BY THE CLIENT		
1. Productivity for the Current Week	99%	5. Productivity Incentive Goal	80%	
2. Productivity for the last 100 Hours	95%	6. Percent Savings Shared	50%	
3. Total Available Hours	35.50	7. Bonus Hourly Rate	\$20.00	
4. Special Project Hours	2.00			
CALCULATION DESCRIPTION		CALCULATION		RESULT
Hours Saved on Available Time				
8. Percent Improvement from Goal	(99% - 80%) ÷ 80%	=		23.8%
9. Hours Saved by exceeding Goal	35.50 x 23.8%	=		8.4
Hours Saved on Special Projects				
10. Percent Improvement from Goal	(95% - 80%) ÷ 80%	=		18.8%
11. Hours Saved by exceeding Goal	2.00 x 18.8%	=		0.4
Employee Weekly Bonus				
12. Total Labor Hours Saved	8.4 + 0.4	=		8.8
13. Hourly Savings Shared	8.8 x 50%	=		4.4
14. Employee Bonus	4.4 x \$20.00	=		\$88.00

5 STAFF SCHEDULING



*Staff Size Must be Matched to
Processing Volume*

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DATA SUMMARIZATION



6

DATA SUMMARIZATION

PICKING FLASH										
Line No	Key Index Name	Days in Week					This Week		Last Week	
		Mon	Tue	Wed	Thur	Fri	Avg	Cum	Avg	Cum
1	PRODUCTION SUMMARY									
2	Picking Productivity Index	88.9	94.1	80.3	91.0		89.1		90.2	
3	Total Pieces Picked	23328	21685	15480	23966		21115	84459	22788	91151
4	Staff Used (FTE's)	11.0	12.0	9.0	11.1		10.8		11.8	
5	Pieces Picked per Hour Used	264.5	225.4	215.0	271.1		245.0		242.2	
6	Work Complexity: Std Min./Piece	0.176	0.217	0.193	0.174		0.189		0.190	
7	VOLUME SUMMARY									
8	Pct of Pieces - Full Case	66	52	64	54		52		53	
9	Pct of Pieces - Broken Case	15	22	15	21		22		25	
10	Pct of Pieces - Loose	19	26	21	26		26		22	
11	Distance Traveled (Ft)/Location	9	10	11	8		9		9	
12	Pieces Picked per Location	3.8	4.1	4.0	3.9		3.9		4.1	
13	Reserve Cases Consolidated	20	142	64	18		61	244	0	0
14	PEP SUMMARY									
15	Productivity Index - Regular	100	97	83	97		94		98	
16	Productivity Index - Transfers	71	100	0	92		88		91	
17	Productivity Index - Agency	66	74	57	68		68		60	
18	Hours Loaned Out	8	0	0	8		4	16	6	24
19	Hours Borrowed In	16	16	0	16		12	49	16	64
20	Total Hours Used	88.2	96.2	72.0	88.4		86.2	344.8	94.1	376.5
21	Percent of Staff - Regular	63	67	89	63		70		66	
22	Percent of Staff - Transfers	18	17	0	19		14		17	
23	Percent of Staff - Agency	18	17	11	18		16		17	
24	Percent Time Available	87.2	86.8	86.1	86.3		86.6		85.0	
25	Percent Special Projects	6.5	6.9	7.6	7.4		7.1		8.7	

In addition to Employee History Reports, data is automatically summarized for each Department and the Building in Flash and Historical Reports. Flashes are produced daily as work progresses throughout the week and are customized to contain key statistics that evaluate operating effectiveness.

6

DATA SUMMARIZATION

TOTAL BUILDING PROFILE (Average Per Week Values)											
Line No	Key Index Name	Weekly Data				Month to Date			Year to Date		
		This Week	Last Week	Last Year	Pct Diff	This Month	Last Year	Pct Diff	This Year	Last Year	Pct Diff
1	PRODUCTION SUMMARY										
2	Productivity Index	89.8	88.0	87.2	3	89.2	88.0	1	90.7	83.7	8
3	Total Pieces Processed	165826	178346	168980	-2	171366	165040	4	167250	163952	2
4	Total Hours Used	4757	4460	4103	16	4635	4204	10	4374	4182	5
5	Total Labor Dollars	72164	68015	60519	19	70545	62345	13	66004	61852	7
6	Pieces Processed per Hour Used	34.9	40.0	41.2	-15	37.0	39.3	-6	38.2	39.2	-2
7	Labor Cost per Piece Processed	0.435	0.381	0.358	22	0.412	0.378	9	0.395	0.377	5
8	Work Complexity: Std Min./Piece	1.377	1.150	1.093	26	1.275	1.154	10	1.229	1.094	12
9	VOLUME SUMMARY										
10	Total Pieces Received	176717	66340	122877	44	162121	151367	7	158882	152887	4
11	Total Pieces Shipped	153009	184682	140205	9	158812	156792	1	155414	150984	3
12	Pct of Pieces - Hanging	24	18	14	76	22	16	38	20	17	17
13	Pct of Pieces - Marked	31	25	15	98	26	15	74	24	17	42
14	Average Pieces per Carton	18.9	20.8	21.1	-10	19.3	21.2	-9	19.6	20.9	-6
15	PEP SUMMARY										
16	Productivity Index - Regular	98	95	93	6	97	94	3	99	89	11
17	Productivity Index - Agency	67	61	66	0	63	61	4	65	62	5
18	Percent of Staff - Regular	64	70	74	-13	66	73	-10	67	71	-6
19	Percent of Staff - Agency	22	16	13	66	19	12	53	17	14	23
20	Percent Special Projects	4.7	6.7	7.7	-39	5.7	7.7	-26	7.7	8.7	-11
21	Percent Quality	99	97	95	4	97	93	4	98	94	4
22	Merchandise Turn (Days)	1.4	1.3	1.7	-17.6	1.5	1.6	-6.3	1.4	1.8	-22
23	INCENTIVE SUMMARY										
24	Total Incentive Dollars	2762	2593	2139	29	2670	2309	16	2389	2096	14
25	% of Empl's Earning Incentives	72	68	62	16	70	64	9	66	61	8
26	Average Incentive per Employee	41.25	40.56	38.77	6	40.57	39.22	3	40.22	38.17	5

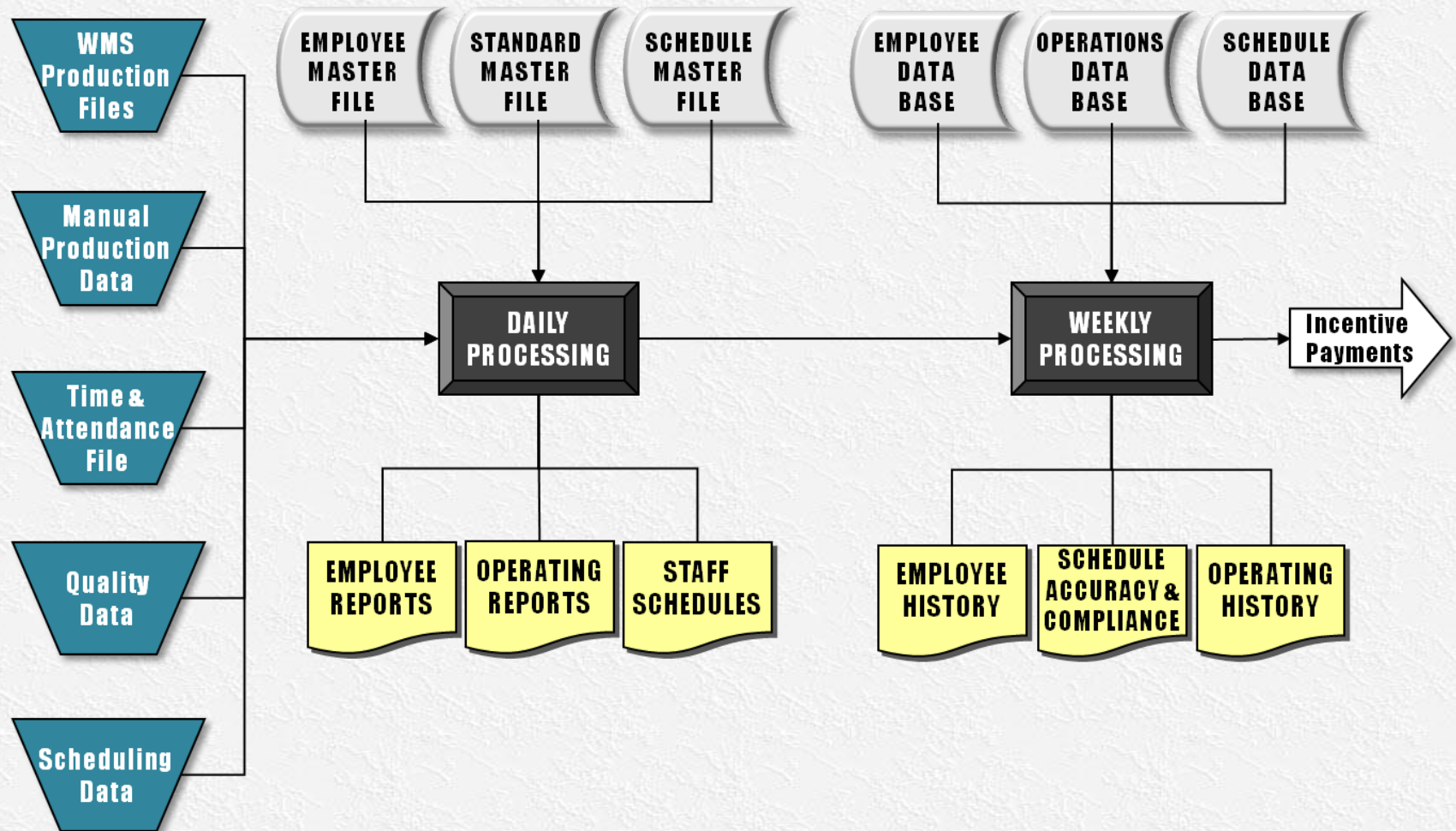
Profile Reports, showing historical comparisons, are created each week. In addition to the Daily Flash data, they normally contain Labor Costs and Incentive Statistics. This information shows the ***"True Operating Picture"***.

6

HOW ABOUT LABOR MANAGEMENT SOFTWARE?

LABOR MANAGEMENT SOFTWARE

Data Integration



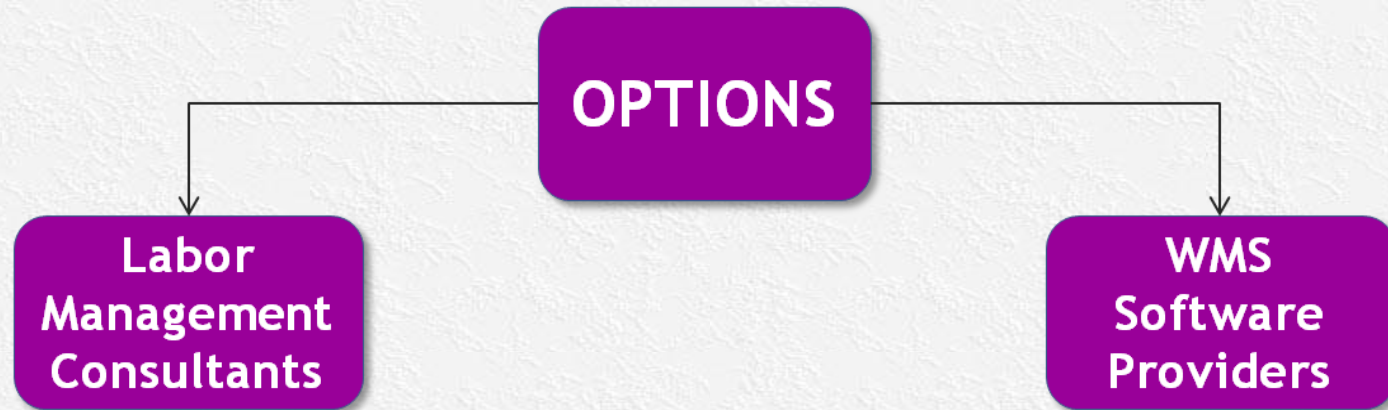
LABOR MANAGEMENT SOFTWARE

*No Software Customization is Necessary with a
Wide Variety of User-Defined Options*

**This means, Users can Customize their Labor
Management System Without any Need
to Change the Software Program**

LABOR MANAGEMENT SOFTWARE

Software Sources



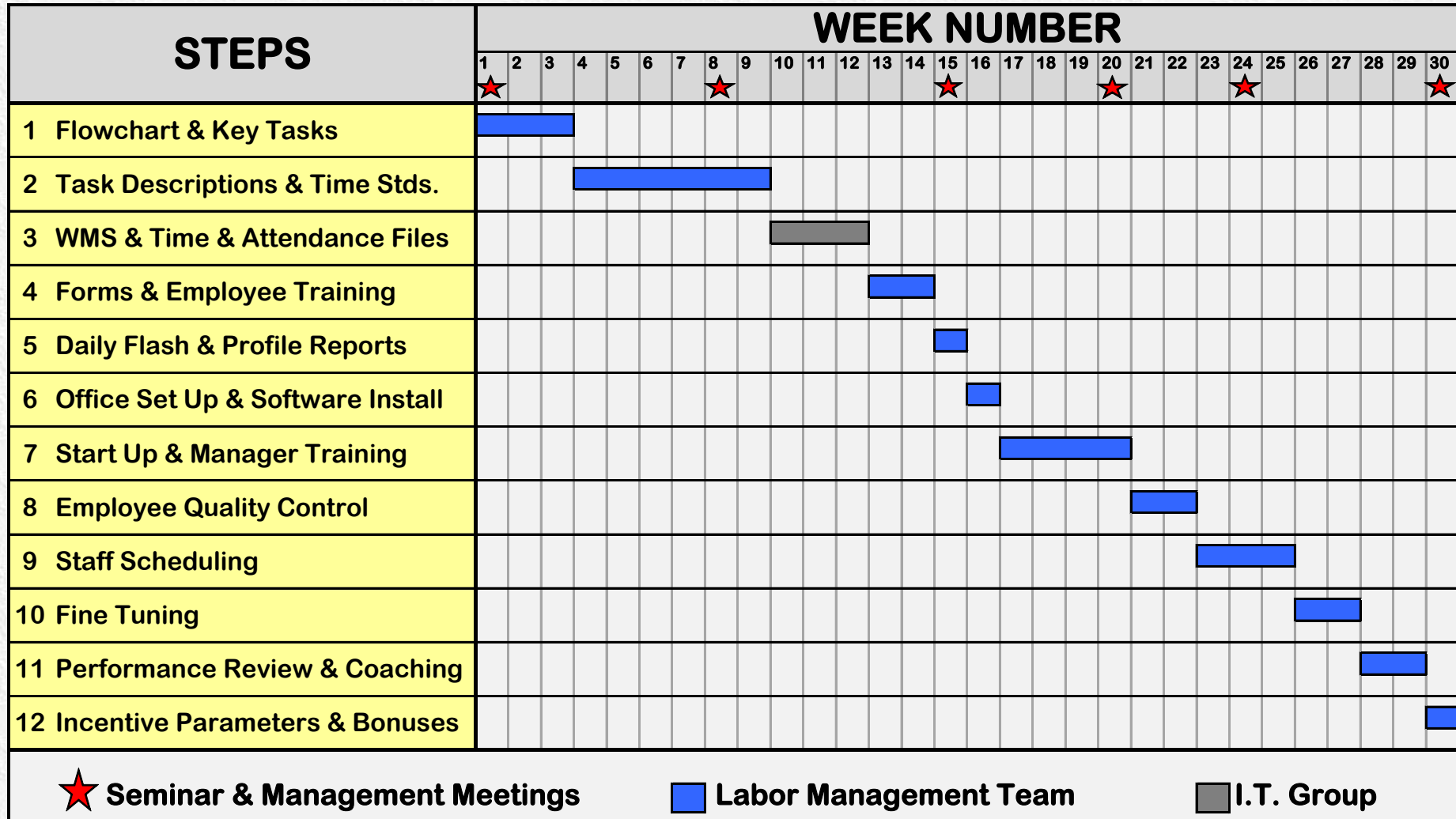
- Specialize in designing and implementing Labor Management Programs
- Software accepts a wide variety of legacy and WMS, WCS and T&A files
- The Labor Management module is purchased as part of WMS software
- Production files are built-in to avoid any file integration issues

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WHAT ARE THE IMPLEMENTATION TIME & COSTS?

IMPLEMENTATION TIME & COSTS

Project Workplan



IMPLEMENTATION TIME & COSTS

1 Facility - 6 Operating Areas - 100 Employees

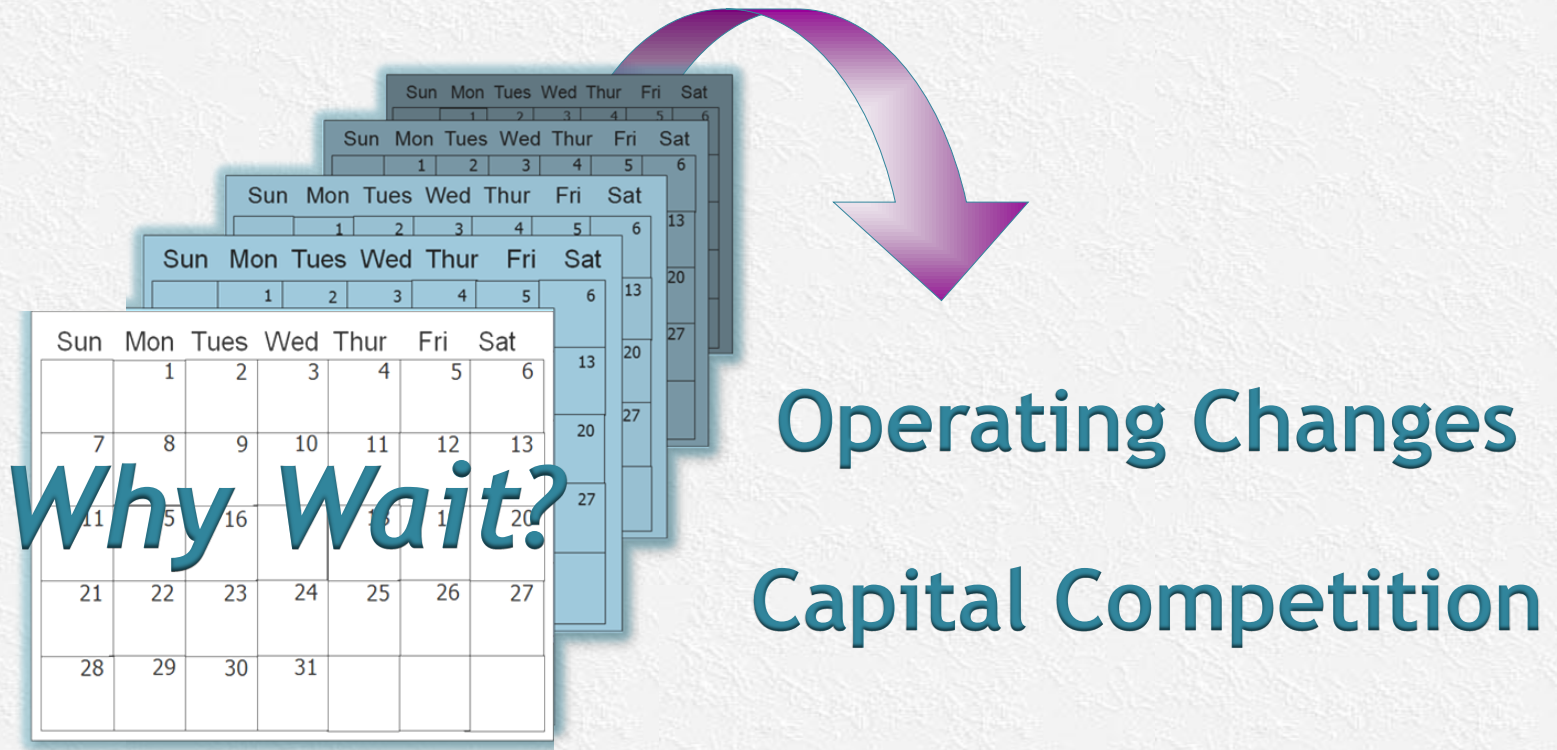
- **Time:** 20-30 Calendar Weeks
- **Consulting Cost:** \$150,000-\$200,000
- **Software License & Support:** \$150-\$200/Wk
- **Ongoing Expenses (for every 100 employees):**
 - ½ Clerical
 - ¼ Industrial Engineer
- **Hardware:** 1 PC & Printer + Network Space

8

WHY DO COMPANIES WAIT?

WHY DO COMPANIES WAIT?

Some Companies have already Implemented Effective Labor Management Programs



WHY DO COMPANIES WAIT?

Reasons for Delaying Implementation

- **OPERATIONAL CHANGES:** Waiting until changes are completed is not a valid reason - productivity improvement is a continuous process
- **CAPITAL COMPETITION:** Difficult to compete for capital with more “glamorous” physical changes, even though labor management ROI might be higher

WHY DO COMPANIES WAIT?

Initial Steps to Get on the Road to Better Labor Management

- Evaluate the Need
- Contact a Labor Management Consultant
- Have the Consultant Visit Your Facility
- Obtain a Detailed Proposal
- Check References & Visit a Site
- Verify Funds & ROI, and If They Look Good...

Make the Right Decision!

WHAT HAVEN'T I COVERED?

Questions and Answers

- **www.thepepblog.com** - To Interact with many of our Clients, visit our Blog
- **www.cookpep.com** - To review our Labor Management Philosophy, our Client list, and Sample Reports, visit our Website
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