

# Recruiting, Retaining & Rewarding Your Supply Chain Workforce



Management Strategies for a Changing Labor Landscape

Having a Lean workforce has a downside as the economy moves to recovery and a labor deficit looms on the horizon.

## Meeting the Challenges of Attracting and Retaining Top-Level Labor

In the last five years we have been bombarded with dramatic changes in our business and economic environment...the implosion of the housing market in 2007, the crash of the stock market in 2008, double digit unemployment rates in 2009 and the Supreme Court ruling to uphold the overhaul to our health care laws...to name just a few.

Companies across all industries have faced the challenges of the recession, and the survivors have learned how to do more with less. But that approach has a downside as the economy moves toward recovery and as a labor deficit looms on the horizon.

As a business manager, you need to be aware of how shifts in the supply chain labor market will affect your business, and your workforce, in the next few years. To be successful in recruiting new employees, retaining top performers and improving overall labor performance levels, you must be able to respond to a new workplace reality:

- **Lower Quality in Available Labor Pool.** The quality of the available labor workforce has diminished as a result of companies releasing their unskilled or low producers during the economic crash in order to right size their business.
- **Reduction in Total Labor Pool.** While the unemployment rate is higher than historic norms, there is a gap between the retiring baby boomers and the entrants of new labor entering the labor pool.
- **Rising Health Care Costs.** The impending changes to health care regulations will introduce a new economic strain on businesses of all sizes. 49% of manufacturers and distributors expect benefit costs to rise by 4% to 9% in just the next 12 months.<sup>1</sup>
- **Decreased Employee Loyalty.** With wages being suppressed and two-income families becoming single income, the workforce will move at will for higher wages. Voluntary employee turnover rates continue to edge upward, and currently stand at over 14% for distribution/warehouse and manufacturing functions.<sup>2</sup>



Nearly half of manufacturers & distributors expect benefit costs to rise by 4% to 9% in the next 12 month

Since labor is typically the single largest line item on an operation's P&L, it can have the largest net effect on your overall cost to serve. Labor Management Programs have typically been utilized as a way to control or reduce this expense through the implementation of improved processes and engineered standards, and by giving management visibility to key performance indicators. These components are still important, but a labor productivity program can also address the unique labor challenges we are facing in the next few years.

It seems clear that Labor Management Programs will increasingly become a necessity for companies in all industries—not only to address the workforce issues businesses are facing today—but to forge ahead into the future. The name of the game is not just “How many people do I need” or “How well are my people doing?” but also “How do I attract and retain top-level talent?”

### Leverage Your Workforce with Effective Labor Management

Employees are your number one asset and without them little to nothing gets accomplished. But one-third of distributors do not consistently find the skilled employees they need.<sup>1</sup> Therefore, attracting and retaining top-level employees will be vital to running a competitive and cost-effective supply chain in the years to come.

How can you leverage a Labor Management Program to address these issues and make your company more attractive to prospective employees, while creating a better place to work for your existing employees?

How do you get top-level employees to want to work for your company? If you have mastered the “secret sauce” that gets top talent lined up outside your door, you are ahead of just about every other company. For those companies who are still working on mastering that recipe, it helps to understand what potential employees look for in their next employer.

When asked what they are looking for in a potential employer, the most common responses are:

- **Goals**
- **Training and Feedback**
- **A Voice**
- **Recognition**

Did you know that a Labor Management Program has all the necessary components to satisfy those desires—and that you can actively market your

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Labor Management Program to your advantage when interviewing candidates? Let's see how...

**Goals**

To instill a sense of purpose in your employees, you need to establish and implement well-defined goals. Reading further into this, employees want to know what will be expected of them and that the goals established are based upon fair and attainable expectations. The dynamic engineered standards developed within a labor management program are established with sound engineering techniques that take into consideration work content, environmental conditions, and human fatigue factors. In certain situations, the goal can be provided to the employee before the task is even performed.

Knowing specifically what is expected of me before I even begin a task is a luxury most of us can't say we have at our job. It doesn't get any better than that! Sharing this during a screening process is a great selling tool to candidates, especially those that may have been unfairly measured at their last job.

**Training and Feedback**

It's one thing to establish goals, but a prospective employee wants to know that they will be given the training, the tools and the roadmap to be able to achieve those goals. As part of your Labor Management Program, you establish best practices, preferred methods, and standard operating procedures that are shared with employees. These are not the typical screen-to-screen instruction manuals you might get with a software application, but are a step-by-step guide that covers all the pertinent information an employee needs to achieve their performance goals.

In addition to a supervisor or trainer, these help employees understand what is expected of them as well as shorten their ramp up time to achieve the desired goal. Don't be afraid to sell it to them. Additionally, the employee observation process established in a labor management program shows candidates that the company is committed to the success of each individual through on-going, continuous improvement training and one-on-one coaching.

What are your potential employees looking for in their next job?

- Well-defined goals
- Continuous Training & Coaching
- A Voice
- Recognition & Feedback

## **A Voice**

When you implement a Labor Management Program, it shouldn't be a one-time event. It's the beginning of a continuous improvement program that will become a new way of running and managing your business. Continuous improvement will need to be a part of your culture at all levels if you hope to address the dramatic workforce changes coming in the future.

Your employees, the individuals who do the work every day, are in the best position to identify obstacles in the environment or suggest better ways to do the work. Sell the fact that you encourage and solicit feedback from all employees. Outline your suggestion box and open door policy and show them that the individual who generates a new idea gets the credit.

## **Recognition**

Recognition is such a simple thing to do, but it is often overlooked in the rush of day-to-day activity. All too often, feedback is provided after the fact or too late to be able to change behavior before the hammer comes down. With a Labor Management Program, you have the ability to provide accurate and detailed feedback on a daily basis, if not multiple times throughout the day.

Employees appreciate knowing where they stand and how they are progressing towards achieving the desired goal before the end of their review period. Assuming your labor management software is integrated with your other host systems, feedback can be provided "on demand" for each employee.

It's a very rare occasion that employee feedback and recognition can be provided as frequently and with as much accuracy as with a Labor Management Program. Flaunt that fact to your prospective employees.

## **Retaining Top Level Employees with Labor Management**

Once you've hired top-level employees, how do you make sure you retain them in the years ahead, especially when employees are gaining more bargaining power? To be prepared for the retention challenge, it is important to understand the typical reasons why employees leave their current job—and understand which are within your control. Two of the reasons most often cited are:

- **Management Relations**
- **Compensation**

Let's look at how you can use a Labor Management Program to actively address these issues and retain your employees.

What are you doing to make sure you retain your workforce in the years ahead, especially when employees are gaining more bargaining power?

Your front line management team is the cornerstone of the communications and culture in your operation.

### **Management Relations**

Relationships in the work place can make or break an organization's culture. One of the top reasons people leave a company is not because of the job itself, but because of the people they work with and, more specifically, the people they work for, particularly their direct supervisor. Knowing this should put a lot of attention on your front line management team, because they are the cornerstone of the communications and culture in your operation.

Managing in a high-performance, metric-driven environment is a challenging endeavor—and will only be more so in the future. With a Labor Management Program, your front line management team has access to the metrics and technology to monitor and measure employee performance results, as well as the skills needed to be effective leaders.

It is important that they utilize purposeful communication techniques, manage conflict, motivate their employees effectively, and use the appropriate leadership methods based upon the specific employee and situation. While monitoring the performance of front line employee is a recognized management responsibility, keeping those resources happy and working at your company should also be a key objective of your management team.

Given the sheer number of employees that supervisors and managers interact with and influence on a daily basis, you could argue that training this team is as important if not more important than training the front line employees. Don't skip over this step. Make sure they understand how to foster effective employee relations.

### **Compensation**

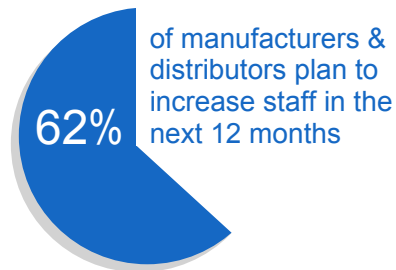
Hourly employees are very conscious of their wages and will not hesitate to jump ship if they are offered an additional five or ten cents an hour down the street. As employers, it goes against the grain to raise base hourly wages arbitrarily without wanting, or expecting, something in return. A Labor Management Program offers you the data and technology to build a pay for performance program that will allow employees to earn additional compensation, yet be fully self-funding.

Employees value the opportunity to earn additional money and will appreciate the added compensation more knowing they earned it. With the dynamic engineered standards built into a Labor Management Program, you can be sure that the additional dollars paid to the employees were not only earned, but are also keeping your employee happy and working for you rather than for the competition down the street.

## Recruit, Retain and Reward Supply Chain Talent

The competition for labor resources is heating up: 62% of manufacturers and distributors plan to increase employee levels in the next 12 months.<sup>1</sup> As an employer faced with reduced labor quantity, rising benefit costs and decreased loyalty, you may have less and less ability to define the workplace; rather, your current and prospective employees may be calling the shots.

If you aren't currently utilizing a Labor Management Program, it will be increasingly difficult to recruit, retain and reward the best supply chain talent. If you are using Labor Management today, you should expand how you're using it to enhance your value proposition for employees—and offer the defined goals, training, incentives and recognition required by tomorrow's workforce.



Use a Labor Management program to offer the defined goals, training, incentives and recognition required by tomorrow's workforce.

<sup>1</sup> 2012 Distribution Monitor Report, NAW Institute for Distribution Excellence.

<sup>2</sup> BenchmarkPro 2012, Compdata Surveys.

Note: Portions of the content of this white paper were originally published in DBM Journal, Volume 14.



TZA is a technology, consulting, and engineering company specializing in the optimization of labor performance and operational effectiveness across the entire supply chain, resulting in workforce productivity gains of 10% to 30% and logistics improvements of 6% to 15%. TZA solutions include:

- Labor Management
- Contract Workforce Services
- LEAN Transformation
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- Slotting Optimization
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