

Warehouse Coach

Improving warehouse performance

Change, where to start - Part 2

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A warehouse is a complex work environment. From a distance the basic activities appear simple, yet the everyday operations usually are full of challenges. And as I have described in earlier columns, (for example [Thinking differently about problem solving](#)) managers not only have many issues to address, AND there is always more than one way to improve the performance of daily operations. With all these issues to address, the first question usually is, “Where to start?”

In my prior column ([Where to start – Part 1](#)) I suggested that an effective place to start is with measurement, and offered suggestions for deciding what to measure, how to display the results, and where display the results. In this column, I will expand on the three areas I find most fruitful in initial measurement work.

The first area to measure is productivity. In an earlier column [Easy Productivity Measurement](#), I described a simple method we developed that works quite well. Specifically we added the total cartons received to the total cartons shipped (including repack) each day and divided that number by the total person hours worked on that day. The manager then posted the results daily on a graph near the time clock. We discovered that this process works because in each of several different warehouses, the labor productivity improved more than 10% in less than a month. More specifically this measurement works because daily posting demonstrates that productivity is a priority, that anyone that reads the graph can relate the posted results to their own personal performance, and the measurement of group productivity rather than individual productivity recognizes that while everyone is expected to contribute to the results, and we are primarily concerned about how the staff works together as a team. You can invest time and effort in measuring individual productivity and at some point in your process of improving productivity you will want to do that, however, I recommend that you start with measuring group productivity.

The second area to measure is quality. Quality performance is the critical balance to people productivity, and initially is more difficult to measure. For example, recently I have been working on a project where we are trying to understand more about the productivity and quality performance of a particular work group. Interesting issues are developing as we inquire about where the quality data comes from, including the appropriate categories for recording the reason for a return, who handles and enters the data into the computer system, why this data shows up

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between 2 and 40 days after the shipment, etc. Data about quality is just as important as data about productivity, but does require more work to get right.

In recording and displaying quality data we have found equal value in two graphs. One graph shows just the performance, the raw data, i.e., number of returns, or cost of returns per day, etc. The second shows the number of returns during a period of time as a percentage of the total shipments over the same time (e.g., a week or month), either as the error percentage (normally a very small number, e.g. less than 1%) or the total accuracy (normally a very large number, e.g., greater than 99%). Some people will comment that the errors might not have all be caused during exactly the same time period, but over several months, that will prove to be an interesting but often not very important fact. Posting the results on graph and displaying the graph in a high traffic location will demonstrate how important quality is to you.

The third area to measure is operating costs. This one often needs the most work to be effective, and also can have the greatest impact. This measurement starts with the method provided by your company CFO with the Chart of Accounts, that is, the categories in which the accounting department records the expenses in your area of responsibility. The set of cost categories for other functions of the company can be quite detailed, and yet the set for the warehouse often is not. Of course as you expand the cost categories in the chart so that you can control them better, you will also increase the level of detail for recordkeeping and data entry. But, I find that working with the conventional cost accounting Chart of Accounts is a powerful approach because it is organized, visible by all, gets others involved (initially the CFO), shows results directly to the bottom line, and demonstrates your contribution to the success of the entire company. For all these reasons it is worth the effort.

I suggest that your Chart of Accounts include some if not all of the following categories and particularly any category in which 5% of your total expenses is allocated. And as you get started I am sure you will find other categories that will show you additional places to improve your operations.

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Account	Last Year Total Actual	This Year Budget	Actual To Date (YTD)	YTD Actual % of the Total
Salaries				
Overtime				
Part-time				
Salary Continuation				
Moving Allowance				
Moving Expense				
Travel				
Meals & Entertainment				
Tuition				
Training				
Incentives				
Physical Exams				
Outside Services				
Consultant Fees				
Meetings				
Contributions				
Telephone				
Fax				
Software				
Computer Expense				
Maintenance & Supplies				
Rent – Land & Building				
Property Taxes				
Insurance – Workers Comp				
Insurance – Property Damage				
Hardware Maintenance				
Depreciation				
Repair – Office				
Dues and Subscriptions				
Messenger				
Office Supplies				
Postage				

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Account	Last year Actual	This Year Budget	This Year to Date (YTD)	YTD Actual % of the Total
Copies and Printing				
Fuel				
Storage				
Sundry Expense				
Freight – Customer Returns				
Reconditioning				
Laundry & Uniforms				
Stretch Wrap				
Pallets				
Slipsheets				
Fringe Benefits				
Transferred Expense				
Hourly Payroll – Straight				
Hourly Vacation & Holiday				
Illness/Accident Benefits				
Hourly Payroll – Misc.				
Repairs – Materials				
Repairs – Labor				
Painting Supplies				
Water				
Electricity				
Gas, Propane				
Detention				
Misc. Tools and Supplies				
Car Preparation				
Cleaning Supplies				
Maintenance – Grounds				
Demurrage				
Fumigants				
Plant Protection				
Employee Activities				
Miscellaneous				
Total				

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Send me your story. I know we can all learn from each others successes. You can reach me at coach@warehousecoach.com.