



Logistics Association of Australia Ltd

MANAGEMENT ISSUES (Part 1)

In his third article, Bill Gobbe, winner of the 1995 LMA International Study Award, writes about practical aspects of management in some of the world's Best Practice distribution centres.

Organisation Structure

Typical organisation charts were evident in most of the companies. In some cases the organisation chart was displayed on noticeboards. At the AT&T facility in Rocklin, a large wall was covered in a display of the organisation chart with names and accompanying staff photographs.

All the companies visited had been involved in restructuring to some extent. Regular restructuring has become a part of life in large corporations.

In some cases restructuring has led to downsizing. AT&T downsized to remain competitive with companies it had sold due to anti-monopoly government regulations. Xerox has reduced staff by 10% over the last few years, again to remain competitive.

Hewlett Packard had been forced to restructure as the computer market changed dramatically over the last decade. Computers have gone from being sold and installed by specialist dealers to 'plug and play' PCs now being available off the shelf. This change has forced the dealers out of business and led to HP distributing to a wider, less specialist market. Restructuring has followed.

Self-managed work teams were not observed at all.

On raising this subject, I met with general scepticism with such comments as managers, skilled and technical staff can and do traditionally work unsupervised and therefore effectively are in a self managed team environment. However, it was felt that shop floor workers need the supervision.

Supervisors have borne the brunt of some downsizing actions of the last decade, causing burnout because of increasing floor worker/supervisor ratios. Increasing the number of supervisors was an action being taken to address this problem at Xerox to relieve pressure at that level.

Management Style

Each facility I visited had a distinct management style, even though most of them were part of huge corporations. United States companies in particular had a more open style with an apparent belief that management practices were the secret to Best Practices success.

Some east coast facilities are bordering on a casual approach having casual dress on Fridays, while the west coast facilities visited all have an 'open collar' policy.

The Hewlett Packard facility in Roseville, California, houses some four thousand staff members wearing smart casual clothes, the only ties and suits are worn by some of the visitors.

Their approach to their internal and external customers is evident, in such terms as 'nothing's impossible' and 'no barriers'. The manager of the 300 staff manufacturing and distribution centre sits in an 'office' consisting of a one and half metre high workstation bordered on one side by mesh-backed eight metre high pallet racks.

The manager of the 3M Ontario California facility sends a card to each staff member for their birthday and start anniversary. At the fifteen and twenty year anniversary mark, they hold a banquet for those staff members and spouses. The manager also sends out three or four letters each month to staff who have done something outstanding, such as a dispatch clerk who picked up a mistake in an order which seemed unusually large and phoned the internal customer to check. He did this on three occasions and received a letter from the manager.

Xerox has a term '*Team Work '95 - It's the way to do business*'. November 15, 1995 was the Xerox Team Work Day '95, an annual event which recognises teams using the Leadership Through Quality/Employee Involvement tools and processes. Teams representing every part of the corporation share their successes with guests, co-workers, customers and suppliers in a festival-like atmosphere complete with booths and interactive displays. Teams are encouraged to participate to show their problem solving techniques in aiming for improved customer satisfaction, employee satisfaction and business results. Posters advertising the event were on display throughout the facility.

The work teams at AT&T meet daily to discuss workloads, and the union is involved with setting measurements. The belief here is that flexibility to changing customer needs is the way to keep business. A friendly, relaxed and co-operative environment is encouraged as a part of their '*WorkPlace of the Future*', a management style fostered from above via training programmes involving all managers throughout the organisation.

Monthly meetings involving all staff were common. The agenda typically started with discussion of 'Metrics' such as Productivity, Customer Satisfaction and Safety, and reviewing goals.

Graphs of these key performance indicators were freely available to staff.

They were also on display throughout the office areas and had highest profile on noticeboards. In some cases, staff were encouraged to collect their own statistics and have them produced in graph form for discussion at their team meetings. By contrast, the Swiss Sandoz management style was much more centralised and traditional.

Recruitment

The comment of one manager I spoke to summed up the observation I had throughout the tour. That is that we are not a 'sweat shop'.

The larger corporations generally have a higher standard of staffing and management training for their internal operations.

However, observing a lower standard in their outsource providers was interesting.

I observed a consistent trend towards using contract staff employed by employment agencies such as Manpower to cover the peak workload periods instead of directly employing casuals.

Hewlett Packard is moving towards transaction-based payment of these contract workers and includes them in TQC productivity improvement-based project teams.

Internal promotion and inter-department staff movements are encouraged in some corporations, but in others there was no evidence of communication between departments for staff to be aware of opportunities.

In two of the sites, all staff working in the warehouse are trained forklift drivers, a mandatory qualification for employment in that area whether regular users of the equipment or not.

All new permanent staff at the AT&T facility are tested for drugs. This is a compulsory test undertaken at the premises of the company's doctor.

Overtime is used at the same AT&T facility to assess the appropriate level of permanent staffing. The aim is an overtime level of 7%, a measurement checked monthly by the manager of the facility. A level of higher than 13% shows the need to employ additional permanent staff and 5% or lower shows

the need to put staff off. Working shifts is a common practice, a sixteen-hour day being typical, particularly in order processing.

Remuneration

This is an area of inconsistency between companies. Some companies such as 3M have a standard payment system. All staff are expected to work in any area if required to do so and receive a similar basic wage. Incentive is given to existing staff by way of first choice of shifts.

Xerox, on the other hand, paid a higher hourly rate to those on more influential processes or equipment. Also, an incentive scheme applies to all staff. The status of the scheme is communicated weekly by way of the many large TV screens mounted high on columns throughout the facility. Payment is monthly, based on how the four 'Gain Sharing' measures are tracking to their targets.

The bonus system measures in the distribution centre are cycle time, safety, back orders and accuracy. As improvement is made, all staff in the relevant area receive the same incentive bonus.

International Thomson at Andover in England has the usual annual bonuses for managers with a variation in that they are calculated monthly. All warehouse operatives are on a standard GBP Stg250 per week plus weekly productivity bonuses. All staff receive the same bonus to encourage team performance.

However, individual performance is measured and available for management and staff scrutiny weekly.

AT&T has a recently introduced incentive scheme which allows staff to earn an additional 20% maximum based on productivity measures set by engineers at the corporate level.

The manager I spoke to prefers the '*Staff Member of the Month*' award of a \$75 restaurant voucher which, along with a certificate and plaque, are presented at the monthly meetings.

The award is chosen by peers with minimum criteria being a perfect safety and ISO9000 quality record.

The Thomson Distribution Centre in Kentucky, USA has a 'Distribution Incentive' scheme based on customer satisfaction.

This is paid to all employees, depending on the level of satisfaction.

The incentive has two minimum criteria. Incentive bonuses are paid if the error rate is less than 0.1 % of shippable order lines and if at least 95% of customers were satisfied with Service Turnaround.

The Customer Service measure is paid quarterly and is based on returned customer feedback cards which are randomly inserted into cartons.

Staff members can receive \$20 if the customers' response is 80% satisfaction and as high as \$100 if the measure is 84%. Besides this, if 98% of customers are satisfied with the Service Turnaround, an additional \$100 is paid. Supervisors receive double these amounts.

A productivity incentive is paid at the end of the year if the processing cost per line is below a target value.

Training

All AT&T staff are required to attend forty hours training per annum in company time and at company expense. They are also considering specialist internal training for newer supervisors. Each new staff member receives ten weeks training to bring them 'up to speed'.

Hewlett Packard spends US\$250 million a year on education for its 80,000 employees, mainly at supervisor level and above.

It also encourages staff to use its Career Resource Centres for updating resumes and skills assessments.

3M put all staff through a one day Tom Peters' course '*Leadership is Everybody's Business*'. There are follow up sessions to reinforce the concept.

Sandoz has an internal basic management programme which includes languages and leadership. Staff exchange programmes are provided between divisions.

Other companies had training programmes for informal induction for new staff and externally run courses, mainly for managers.

Further management issues will be covered next month.

Bill Gobbe was the winner of the 1995 International Study Award, sponsored by Chep Australia and Qantas Freight.

Each month he reports on a particular aspect of his tour, which included attending the CLM Conference in the USA and visiting a number of the world's best practice distribution centres.