



Upgraded Management Operating System Helps Library Supply Company Book Epic Productivity Gains

Engagement Highlights

Industry

Library Supplies

Project Timeframe

25 weeks – New York facility
31 weeks – Wisconsin facility

Project Results

\$2.1 million in annual labor savings
(gains in standard-per-hour productivity)

Overall 20% improvement

Improvements by Area:

Customer Service
35% performance improvement

Manufacturing
15-20% performance improvement

Distribution Center
Reduced cost per transaction

A stagnant market, costly acquisition and declining sales prompted this library supplier to get a better read on operational issues and labor expenses in three core business areas. Margins were flat; the acquisition of a competitor did not deliver anticipated benefits; and labor costs were rising with no connection to outcomes. Following an encyclopedic assessment, The Powers Company transformed management operating systems, provided critical insight into needed resources, reset performance standards, and instilled a more proactive supervisory culture. The happy ending? An available \$2.1 million in annual labor savings, accurate planning, and improved customer service.

Our client is a provider of library and archival supplies, and library design services. Operating in a market that is shrinking, and seeing its core sales decline, the company acquired a competitor in 2010 expecting to boost revenues and economies of scale. Although the client experienced sales growth during 2010-2011, the acquisition and integration costs were high, and the acquisition added complexity.

The company brought in The Powers Company to examine and address its operational issues and labor expense at both of its facilities. Its leaders' chief concern: Labor costs remained constant while revenues were dropping. And, they lacked an effective Management Operating System that would allow them to achieve the performance potential of their operations.

An actionable assessment

The Powers Company conducted an in-depth analysis of the company's manufacturing, distribution and customer service operations, and its management operating system. We identified numerous deficiencies that were hampering productivity, driving up labor costs, and hiding opportunities for improvement:

Management tools were inadequate. Only one-third of basic management operating system elements existed or worked, of which 43 percent needed to be upgraded. Without the necessary tools and information, frontline supervisors could not effectively manage their people.

Supervisors were not managing the amount of work, and there was a lot of slack time. They did not realize that they spent 62 percent of their time on administrative tasks (mostly meetings), instead of actively supervising and problem-solving to meet schedule or satisfy customer needs.

An atmosphere of complacency countered any pressure to identify operational weaknesses, address problems, or improve.

Without critical visibility into variable work volumes or capacities, managers could not plan needed resources or work effectively.

Working together with management, we designed systems, tools and standards to help supervisors effectively manage the conditions required for productive work to take place. This included conducting supervisory workshops that addressed technical aspects of supervision and the tactical/interpersonal elements of managing their people.

Manufacturing improvements

Our assessment had identified issues in planning and scheduling, as well as establishing and tightening up standards. Although a forecast existed for the number of man-hours, there was no correlation to a volume of output related to those hours to produce a resource-planning tool. Tools for periodic follow-up were not present. They had no way or incentive to identify variances to performance and left operating problems uncovered.

Improvements Achieved:

Upgraded the Management Operating Systems

Cultivated more active, productive supervisory behaviors

Implemented cross-training to address peak volumes

Improved levels of customer service

Equipped supervisors with information needed to crew appropriately

Instituted proper daily production scheduling based on needs

Reduced amount of raw material at production workstations

Minimized amount of work in progress and overbuilding of finished goods

Reduced amount of labor required to move and shelve excess products
Improved sales effectiveness via a data-driven, proactive selling environment

Boosted efficiency of picking process, lowering cost per transaction

The biggest issue: Their time and labor standards did not reflect what was actually required to make products. We taught them how to develop and implement the correct standards, which created a significant improvement. Working with their IT department, we designed and implemented a real-time performance indicator that allows operators to see exactly how they are performing to standards during the run, rather than waiting till the end.

In addition, our consultants reorganized workstation layouts to reduce steps, handling and motion within work cells, creating a 15-20 percent performance improvement in certain high-volume workstations.

Customer service improvements

The managers of the customer call center operations couldn't plan appropriate staff resources because they lacked good information on call volumes, capabilities and capacities. The client had an abundance of great data, but no actionable information. To align capacity with volumes, we extracted and graphed existing call center data, and noted the trends. We determined the numbers and percentage of calls that came in, by day and by hour, and how long they lasted. We leveraged that data and used it to build an appropriate crewing model. By eliminating excess coverage, we created productivity gains.

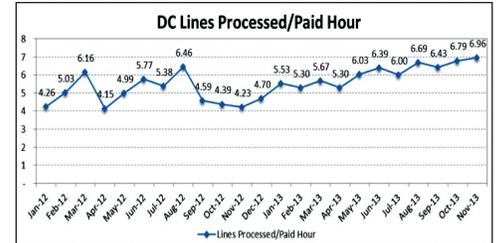
At one location, they did not keep enough people on hand to handle peak activity. Calls might drop at busy times if customers were put on hold, creating dissatisfaction. To handle higher call volumes, individuals in other departments were cross-trained in customer service. Instead of a call going on hold or dropping, it can be directed to backup staff in less-busy departments. This maintains a high level of service at lower crew levels.

Distribution center improvements

Products are stored, picked, packed and shipped at the DCs to fulfill customer orders. Management needed an understanding of pick volumes, the amount of labor required, and standards to crew appropriately. But with no visibility of volumes throughout the day or for upcoming days, they staffed to peak levels and kept people there whether or not they had enough to do.

We developed tools and systems so they could see peaks and valleys in volume. With the ability to predict volume based on history, seasonality and marketing promotions, they can crew accordingly. During slow periods, cross-trained members of the distribution workforce can shift to the manufacturing area. Being able to stagger staffing to level out the load has achieved a better allocation of resources.

The Powers Company also worked with the client to develop more efficient rack layouts for the DCs. Two consolidations of products freed up prime lower-level space for faster-moving material and catalogs, which were stored at a separate location. Rearranging inventory has made the picking process faster, more efficient and less labor-intensive, lowering the cost per transaction.



Writing the next chapter

The cumulative improvements identified and implemented in the manufacturing, distribution and customer service areas have delivered \$2.1 million in labor savings (volume to hours worked). These savings are made available through gains in standard-per-hour productivity.

The client is benefitting from its upgraded and enhanced management operating systems, including:

- Accurate planning guidelines*
- Determination of staffing requirements*
- Effective daily plans*
- Work assignment and follow-up*
- Departmental and individual productivity reporting*
- Lost time identification and documentation*

About The Powers Company

Founded in Atlanta by C-level executives with strong operational experience, The Powers Company is a results-based management consulting group. We focus on substantially improving operating performance – profitability, productivity, customer service and quality – in a positive, collaborative way with your team.

Contact Us

To explore how The Powers Company can transform your organization's performance, contact us at **770-540-4845** or send an email to info@ThePowersCompany.com

ThePowersCompany.com