



Engineered Labor Standards A True Speed-to-Value Approach

A Retail Workforce Management White Paper

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A True Speed-to-Value Approach

This white paper discusses why activity based Workforce Management is a more accurate way to determine day to day demand for labor. It also considers the differences between predetermined time systems (PDTs) and time studies, and the benefits of PDTs when building accurate and cost effective labor standards for workforce management. The white paper also explores the use of PDTs in the use of modeling “what if” scenarios to make business improvements.

The Challenge

“Speed-to-value” is a saying heard in many circles. The phrase is never truer than today in the retail workforce management (WFM) space. With retailers scrambling for small chunks of profit margin, all the while trying to walk the customer service tightrope, today is filled with the charge to obtain high value for every dollar spent - and as quickly as possible.

When it comes to gaining store labor efficiencies through process improvements and accurate labor forecasting / scheduling, there are a few common approaches seen throughout the retail vertical. Using the ole faithful sales per labor hour (SPLH) method has been around for eons and provides some retailers with the simplicity and comfort they are familiar with on a day-to-day basis. After all, retailers indeed know their sales, just as they know that ole Joe across town runs a darn good store operation. So, what could be better than basing every store’s operational metrics upon Joe’s own labor hour performance compared to his sales?

The answer, of course, is that an activity-based workforce management system provides a more accurate view of the real day-to-day labor demand for each individual store across the chain. Joe may indeed run a fantastic store, but he also does not have to deal with some of the significant process, equipment, facility, item mix, customer demographic, or store location nuances that other store managers in the company are forced to handle. Then, there is the financial quandary inherent with SPLH. Why would a retailer want to subject his accuracy in forecasting labor need to inflation and/or deflation brought about by a SPLH approach?

Dig into the details

OK, you say, but wherein lies the value in such a system? They aren’t exactly free and sometimes require a lengthy investment of time and resources. With today’s web-based WFM systems, the value (and the profit) lies in the details. A thorough bottom-to-top analysis of the operation, the associates’ availability and roles, and accurate data inputs

provide a “can’t miss” opportunity to improve both the store’s operational performance and its level of customer service.

To get the most value for such an undertaking, all of these significant details must be studied and questioned. When it comes to store labor, which, by the way, is the highest controllable expense for most retailers, they all know how much they spend on labor, but only a few know how much they should be spending on labor! That’s where the activity-based WFM system and its in-grown benefits come into play. These systems need good data in order to provide the value promised. Store data, obtainable from POS systems, receiving/shipping invoices, pricing and pharmacy systems, etc., provide one of the three key data inputs. HR and payroll systems provide the associate data, which is the second. Finally, the third data set is provided through accurate activity-based labor standards and customer service labor requirements.

By far, a more accurate labor predictor than SPLH, labor standards have been embraced by 19 of the Top 30 US retailers (63%). Not only do they provide an expected, reasonable time per task, but they foster new ways of thinking, since analyzing the details of an operation identifies many forms of waste.

Focusing now on labor standards, there are primarily two different approaches utilized to develop them: (i) using a predetermined time system (PDTs) and (ii) time study. Newer to retail, but long valued by manufacturers, a PDTs epitomizes the “speed-to-value” philosophy. These systems use standard data, developed through thousands of time and motion studies conducted during the 20th century, to reflect a predetermined time for an average worker, working at an average pace, and in an average environment to perform manual work tasks. The final result is a solid, engineered labor standard that will withstand subject matter expert scrutiny and provide value to the organization in many ways.

PDTs are a WFM Best Practice

An advantage of the PDTs standard data concept is that a user does not have to build everything from scratch; no wheel reinvention required! Micro-level data, like obtaining a small object within reach, walking one step, bending at the waist, pushing a button, writing a word, etc. is used to build higher level data elements. These elements of work, such as opening a cardboard case with a box cutter, scanning a small item, removing shrink wrap from a pallet of cases, affixing a label to an object, transporting a pallet using a pallet jack or forklift, stocking a shelf or peg item, or removing & replacing a trash can liner can all be used over and over again in the application, bringing great speed and unmatched consistency to the

labor standards process.

Higher level work standards, like stocking one case of hard fruit, making and serving a deli sandwich, par-bake and stocking a dozen donuts, cutting, processing & wrapping cuts of meat, scanning and bagging items at the checkstand, tendering a credit card transaction, and mopping one sq.ft. of tile flooring are built, element-by-element within the system.

Another advantage is speed of implementation, since only one properly performed sample is needed to be observed (thru direct observation or from videotape), the standard can be developed rapidly. Unlike proper time study, the user does not have to pace "rate" the employee, removing much subjectivity, while consistently producing a more accurate standard than time study. Maintenance of the system is also accomplished swiftly, as updates and edits are quick and easy to perform. Learning the application is simple and easy, with a mere three-day training course to get up to speed. Oh, and you don't have to be a degreed industrial engineer either; it's not that complicated.

On the technical side, the labor standards reside in a relational database, which can easily be linked to other systems or databases. Within the system itself, all of the detail, or "method steps," are visible, which provides simplicity when reviewing contents - a person can "see" everything that makes up the standard, thus it shows what is and what is not included.

Leverage your investment via process improvements

In addition to these inherent advantages of a PDTS, the scrutiny of detail facilitates other uses - process review, evaluation & improvement, modeling of future processes ("what if?" analyses), easy-to-calculate ROI analyses - it is a predictive or proactive tool in this case. Whereas time study only covers what is actually seen during the study and it can only be done properly in an environment where the process has been previously perfected. PDTS measures the amount of time that should be used to perform a task, as opposed to the amount of time that is currently being used. Do you want to know what you do, or what you should do?

Some of today's PDTS provide for the inclusion of work instructions or other written information which can be electronically linked or integrated within each standard and included in the onscreen display. Video clips of the task can also be integrated and attached to the corresponding standard if desired. Pie charts and "value-added" vs. "non-value-added" work analyses can be quickly performed and displayed in these systems.

"Well, I've never heard of such a system!" you exclaim. "What's wrong with the old fashioned time study approach?" If you're talking about a bona fide time study that desires to be statistically valid, then you will need many sample measurements (100's at times), making this a time consuming and costly approach (low speed, low tech, and low value). Time study only produces a total time for the process, losing much of the detailed method steps that make up the process itself. This hampers process improvement / best practices efforts. As for maintenance, many companies have found it difficult to maintain time study standards and keep them current. Often, a complete re-do of the standard is required as processes change. As previously mentioned, if the study is executed

properly, "rating" of the operator is required, which is very subjective and increases the margin of error (labor unions tend to frown upon this). Furthermore, time study cannot be used proactively, as in developing forward-looking models or "what-if" analysis. It can only be done accurately after a process has been perfected; measuring "what was seen," it cannot take into account an occurrence that may happen infrequently during a task. When a time studier claims "it's all in there," what they really mean is that "everything they saw is in there." I have found that over time, companies lose track of what time study standards represent, what is included in them, and basically lose faith in them, resulting in loss of credibility in labor measurement. Of course, there is no magic bullet. A license fee is attached to a PDTS, but the overall cost to fully implement is less than a statistically valid time study approach. Customer service and sales labor needs cannot be measured with a PDTS, since a predetermined time for speaking, customer engagement / communication and selling effort does not exist. However, there are other "speed-to-value" methods for accurately and scientifically capturing this very important component of the labor model puzzle. That topic will be discussed in another paper!

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