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If Experience and Training in Distribution centers is so bad, why don't

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A new hotel employee was asked to clean the elevators and report back to the supervisor when the task was completed. When the employee failed to appear at the end of the day the supervisor assumed that like many others he had simply not liked the job and left. However, after four days the supervisor bumped into the new employee. He was cleaning in one of the elevators. "You surely haven't been cleaning these elevators for four days, have you?" asked the supervisor, accusingly. "Yes sir," said the employee, "This is a big job and I've not finished yet - do you realize there are over forty of them, two on each floor, and sometimes they are not even there..."

The story may be familiar to some. Nonetheless the underlining message is proper training in an unfamiliar environment is essential. Warehouses and distribution centers focus a lot of attention on management training they look for the brightest, talented, and most experienced person available. Yet when it comes to hiring the staff of people who are actually going to do the work they obtain someone with minimal education and work experience. Most companies hire hourly workers who may have been to several companies in past and assimilate them into their organization immediately and getting familiar with operation as they go along or in some cases not at all.

The problem with this method is that the company gets maybe a few months of productivity from the employee before the effects from a lack of proper training and experience starts to appear. If the situation persists it can result in a lot of challenges from inventory accuracy to audits not to mention a loss of revenue for the company and the cycle repeated by terminating the employee and making the same mistake again with a new hire.

The majority of new employees in the warehouse come from other organizations or temporary services and after a few days on the job practice former company habits in receiving, storing, picking, and moving products. But all companies are not the same and although you may want them to perform in a different manner if you haven't trained them in your company culture and processes or worst they come with a lack of experience then they usually learn from others which may not be the right way if you want to have a quality workforce.

Deficiency in Training and Experience

Deficient training and experience can have an adverse affect on your organization. In travelling the world I've noted many excuses as to why organizations can't train their hourly workers properly. Some were for example "if I train them they will leave and take the training

elsewhere." Or "we don't have the budget for company training." But the question is can you afford not to train them? According to recent statistics the average company experiences a minimum of 1.6 hours of downtime per week (i.e. reduced production, delays in maintenance, shutdowns, and inaccurate data collection). To put it in a more proper perspective a distribution center with 50 employees who are paid $29 per hour ($15 per hour salary + $14 per hour in benefits) the downtime cost of such a company would be $9280 weekly which translates into more than $110,000 yearly.

This under the assumption that all workers in the company will be forced to stop all production during a downtime scenario which may not happen but just a few key distribution workers on the docks could create a severe impact on the operation. But before you can assess your downtime cost you need to determine its origin. The best way to accomplish this is to do a downtime threat analysis. Some threats that could cause downtime,

1. Internal and external sources
    - Technological
    - Accidental versus intentional
    - Controllable risk or those beyond the organization's control
    - Events with prior warning versus those with no warning
    - Employee sick leave
    - Absenteeism
    - Qualified versus non-qualified workers
2. Three questions that should be focused on when doing a threat analysis.
    - Identify the relevant compliance issues
    - Establish a cost associated with each compliance issue
    - Develop processes to reexamine downtime threats on a continuous basis

The Benefits of Training and Experience

Having skilled and dedicated workers at the lower levels is good business practice and makes good sense. Empirical evidence shows significant correlation between experience and compensation (see Robert Willis 1986 and Theresa Devine and Nicholas Kiefer 1991 for surveys). Moreover, on-the-job-training, apprenticeships and internships provide experience at significant costs to both individuals and organizations: Sherwin Rosen (1972: p327) states, "(w)workers demand learning opportunities and are willing to pay for them since their marketable skill or knowledge and subsequent income are increased."

The importance of experience and training your employees can provide more than just compensation it can save time for the organization; workers have a more positive feeling about the organization, they get off to a good start and, they know what they are doing.

Experience and training adds value to your organization and employers acknowledge that the values these employees bring translate to;

- Increased profits
- Decreased costs
- Increased quality, and
- Increased customer satisfaction

Heymann and Barrera (2010) exemplified the values of employees in their study where they interviewed employees at all levels, from the lowest-paid to those in top management positions including CEOs, CFOs, and COOs in nine different countries. Companies ranged in size from 27 to 126,000 employees and included those in the public and private sector of the automobile, financial services, personal goods, technology hardware and equipment, pharmaceutical, food production, construction materials, and industrial metals industries.

They concluded that companies such as Costco and Great Little Box Company because of the incentives they offered from the lowest level employee to senior management had happier, more productive employees and a lower turnover ratio than their competitors in the same industry. They also found for Costco treating workers well was important it led to increased motivation and a higher quality of service. This combination along with good wages and the knowledge that there were opportunities for advancement were important incentives for employees to work hard. The high quality of service by motivated and engaged employees at Costco, coupled with the low prices, meant that customers returned, and were willing to pay the membership fees.

Great Little Box Company practiced an open-book management strategy (holding monthly meetings discussing the organizations, finances, production, and sales performance with staff members at every level) this gave employees a sense of ownership in the company yet in or to be more effective the organizations leadership incorporated profit sharing. The Great Little Box Company also encouraged employees to come up with cost saving ideas. One such idea resulted in cross-departmental use a particular piece of equipment used exclusively in the labeling department but now shared with the department charged with printing folding cartons which resulted in a cost savings of 12% a task sourced out to a printing company in the past.

Ideas and strategies of employee involvement is nothing new we've seen programs like TQM, Quality Circles, and Agile all stress the same thing but unlike The Great Little Box Company that actually implemented and followed through; it was just another fashionable idea that died out when the next great wave of pop management techniques came along.

The open-book management strategy has served The great Little Box Company well in terms of substantial gains and profits. The last decade their sales have doubled from 17m to 35m and in the past seven years the company's success has enabled it to purchase the assets of six companies.

Zenger, Folkman & Edinger (2010) concluded in their study of companies that were profitable. They identified five areas that were common among the companies with substantial growth.

1. Employee satisfaction/commitment
2. Employee turnover
3. Percent of employees who think about quitting
4. Satisfaction with pay
5. High commitment

Zenger, Folkman & Edinger (2010) study although not inclusive makes a strong case that experience, training, and employee involvement is essential for growth and profitability of a company. Costco and the Great Little Box Company are two good examples of companies succeeding with experience, training, and company involvement at every level but it's not the exact rule of thumb. Incentives and involvement are factors worth noting but in order to have great ideas to save organizations money there needs to be a certain amount of experience and training among the staff at each level.

Achieving the type of success that Costco and The Great Little Box Company has obtained; companies need to find what works for them and how it relates to company goals. Don't follow other organizations or emulate their systems of operation because each company is different and doesn't necessarily translate into success for your company.

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