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# Adapt and React:



Leveraging Flexible Labor  
Strategies to Manage Volatile Demand

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## Background

More so than ever, logistics providers are facing demand volatility and industry-wide uncertainty. Pinned between manufacturing production and retail activity, logistics providers must be able to scale their operations at a moment's notice. An inability to do so — or do so effectively — can threaten both service levels and profit margins. Logistics providers leverage a number of techniques to expand capacity and adapt to seasonal, promotional, or economic demand variances. Flexing the workforce through use of overtime, temporary workers, and flexible staffing are commonly deployed methods. If not properly planned or efficiently managed, however, flexing strategies can impact throughput, quality, labor and production costs, and customer service proficiencies. Operations are therefore tasked with balancing capacity needs with service and profitability goals.

The challenges related to and the best practices for staffing, managing, and optimizing a flexible workforce are evidenced in the findings from a recent market research study conducted by *Logistics Management* on behalf of Kronos Incorporated. Of the warehouse and logistics managers surveyed by Peerless Research Group, respondents are generally confident in their ability to expand capacity to meet demand peaks yet are in search of ways to more efficiently leverage their labor resources. And while others are able to spot and expeditiously reassign idle or underutilized workers, they also readily admit that doing so with manual processes encumbers their flexibility. Equally, successes in meeting demand in a cost-efficient manner are largely achieved through and attributed to greater efficiencies in monitoring, managing, and optimizing employee scheduling and using historical data to predict demand, plan capacity, and improve workforce-related decision-making.

The survey finds that many organizations struggle with a lack of visibility into the costs and performance implications of their flexing methods:

- 74% of the companies surveyed use overtime as a primary method of increasing workforce capacity, and more than 1/3 of organizations frequently exceed budgeted overtime.
- 60% of logistics providers want greater cost control over nonproductive or idle time, yet more than half are using manual processes that provide no real-time visibility into labor productivity.
- While the majority of organizations find they can successfully flex their workforces, roughly 3/4 of them struggle to identify and train workers who meet quality standards.

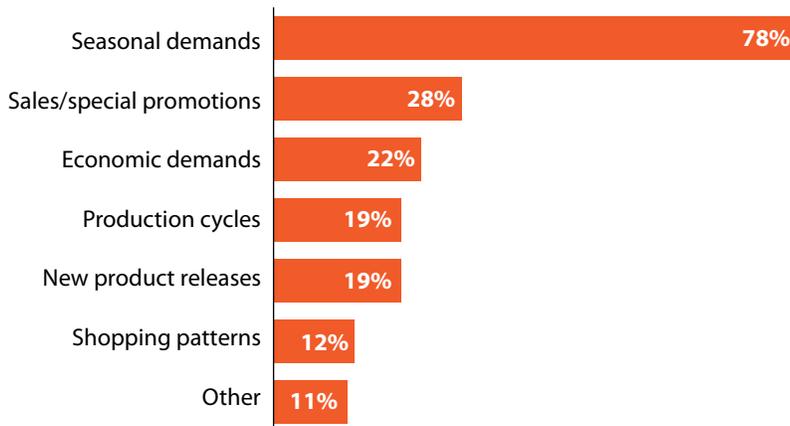
The following reveals strategies that logistics organizations are employing to handle demand variability and how they are leveraging their labor resources to deliver quality service and drive profitable operations throughout variable demand cycles.

### Scaling Labor Capacity to Meet Demand

Many businesses experience occasions when increases in demand force the need to expand and then reduce their workforce. Results from our study show that companies experience these variances an average of two to three times a year, surging upward of 39% above normal activity during these cycles.

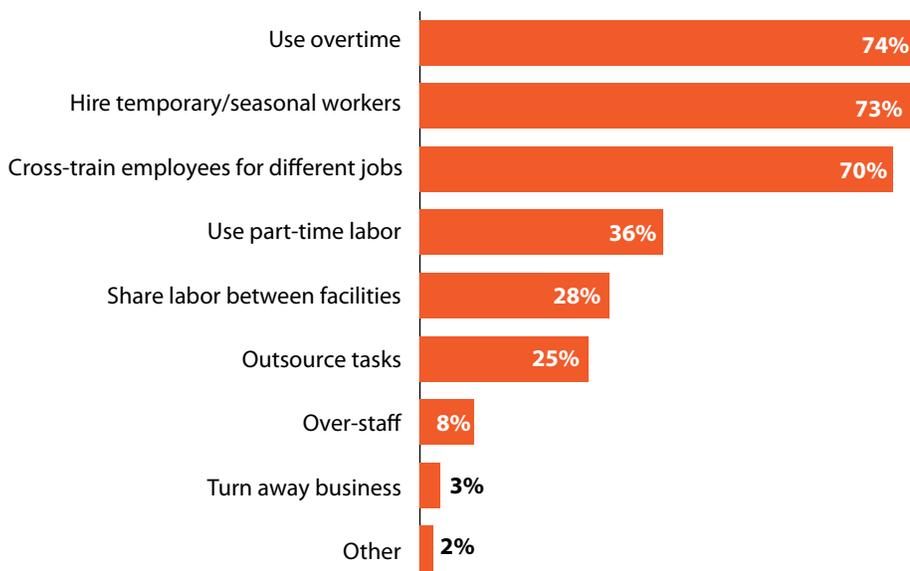
These buildups are largely caused by seasonal shifts (78%), but business-driven events such as special promotions, new product releases, and production upturns also initiate demand.

#### Reasons for Increasing Labor Capacity



To respond to these influxes, organizations are widely embracing a few main strategies to match labor capacity with demand. Tactics employed largely involve the use of overtime, hiring temporary or seasonal workers, and cross-training full-time employees to take on additional assignments.

#### Strategies to Match Capacity With Demand



*“Since it is a seasonal event, we have structured our operations to incorporate this workforce and business volume. We planned on the increase.”*

**Logistics Manager;  
Retail; <\$10M**

*“The increase comes from the one to three locations I oversee. I move manpower around based upon the needs of the whole department. This keeps the head count down to a minimum but leaves resources to handle all locations sufficiently.”*

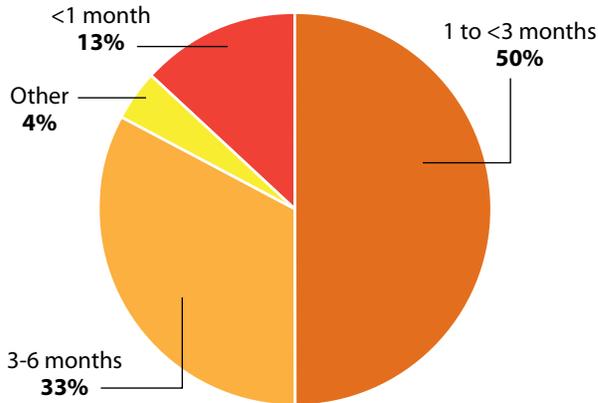
**Warehouse Manager;  
Electrical Equipment;  
\$500M - \$999.9M**

*“We use a combination of having a fully cross-trained full-time staff and supplementing with temporary employees. During peak surges in business most of our full-time employees can lead groups of temporary employees and demand is met.”*

**Warehouse Manager;  
Distribution Center;  
\$50M - \$99.9M**

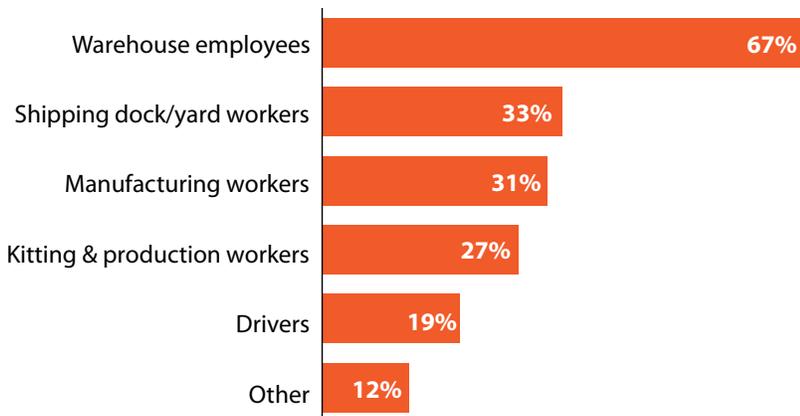
Businesses that temporarily expand labor capacity do so by an average of 31% to meet these seasonal or cyclical requirements. And expansion for these logistics organizations typically stretches over a period of 2.6 months, on average.

### Length of Time Workforce Is Expanded



The types of jobs most commonly filled on a temporary basis are warehouse positions. Shipping dock, inventory, and manufacturing production workers are also needed during these high-demand periods.

### Types of Jobs Filled on a Temporary Basis

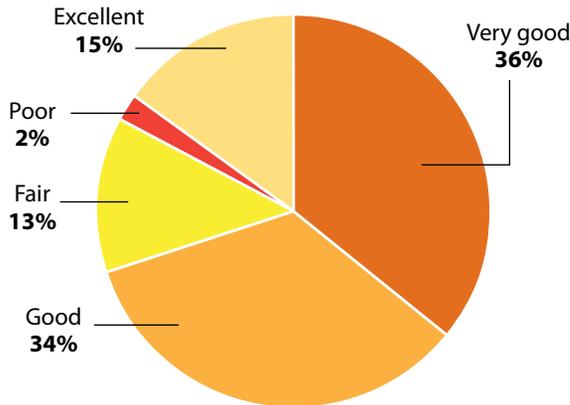


*“All plant personnel are cross-trained in multiple functions in our operation, and all are certified in multiple disciplines. This allows us to flex the entire plant toward key bottlenecks as they are defined.”*

Corporate Management;  
Electronics; \$10M - \$49.9M

In general, organizations believe their ability to flex the workforce is satisfactory, with one-half (51%) favorably rating their ability to expand capacity.

### Ability to Flex Their Workforce



The companies that are most successful in aligning labor capacity with escalating volumes do so by implementing programs to cross-train personnel, maintaining long-standing strong partnerships with workforce staffing agencies, and having sustained access to existing labor pools.

However, others claim flexing their workforce is more difficult. Some operations respond more reactively to demand swings where lackluster planning or poor decision-making may result in longer staffing lead times, drawn-out personnel background checks, or lengthier training periods. Others are forced to reallocate key resources to prevent the quality of work from slipping during these ramp-up phases, or they complain about the difficulties in finding qualified temporary workers, which is not only time-consuming but also a drain on resources. Managers expressed further concerns about reliability and absenteeism or that production quality, if not more closely monitored, can suffer.

### Challenges in Managing a Temporary Workforce



*“The lead time to obtain additional skills and resources is long; the need for additional resources is not forecasted.”*

Logistics Manager;  
Solar Panels; <\$10M

*“It takes 8-10 weeks from the moment we hire to get the employee to the required efficiency and quality level.”*

Supply Chain Manager;  
Pharmaceuticals;  
\$250M - \$499.9M

*“We experience skills shortages, which can result in lower productivity and accuracy in the DC.”*

Logistics Manager; Textiles;  
\$500M - \$999.9M

*“The problems are finding the time to train new employees properly and excessive overtime leading to increases in errors and loss of productivity.”*

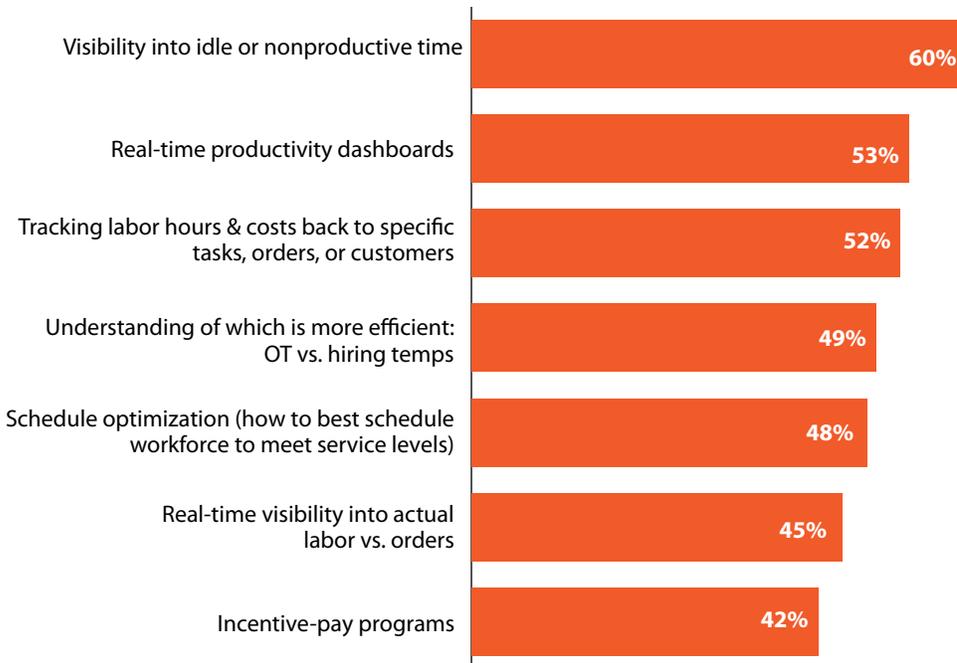
Warehouse Manager;  
Food and Beverage;  
\$50M - \$99.9M

### Strategies for Managing a Flexible Workforce

Many logistics providers still rely on manual (and less precise) methods for scheduling, tracking, and gauging temporary employees, and as a result they lack the desired level of visibility into actual labor costs and performance. In fact, 52% of organizations still depend on a manual spreadsheet approach to administer employee scheduling, gauge productivity, and track hours. Other methods include use of warehouse management systems, labor management systems, temporary agencies, and ERP systems.

Less than half (44%) of the organizations we studied are using a labor management system to manage their full-time employees. Of those using labor management to manage full-time employees, many have yet to leverage the system to its full extent. Managers surveyed would like to gain real-time visibility into hidden labor capacity, upgrade reporting capabilities, acquire greater insights into how to best utilize personnel, and improve tracking and cost analysis.

### Labor Management Functions Managers Want to Adopt or Improve



*“The usual problem is in tracking the costs, as a lot of the temporary help is for specific projects or orders, and we must keep track of the costs involved.”*

**Purchasing Manager; Metals;  
\$50M - \$99.9M**

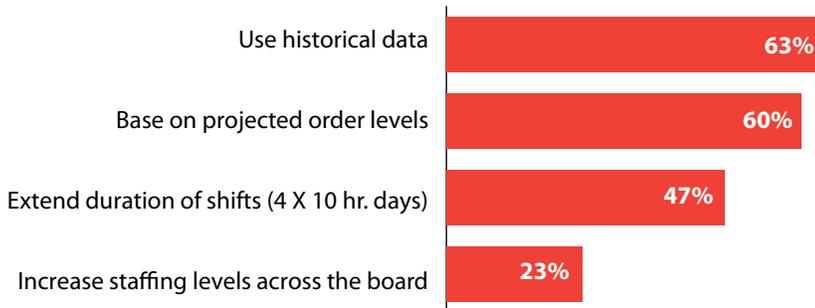
*“We want the ability to manage hours, overall as well as individually, and to be able to apply additional hours to employees who are not in an overtime situation.”*

**Operations Manager; Apparel;  
\$10M - \$49.9M**

## Staffing and Scheduling

Logistics providers are employing a few main strategies to align their labor capacity with demand. Many operations rely on historical data as well as sales projections to help determine and structure staffing requirements, scheduling assignments, and training programs. Yet nearly half of all respondents (48%) would like to leverage labor management to improve schedule optimization.

### Strategies to Align Capacity With Demand



*“We have the ability to get staff in fairly quickly, and because we already know what have been our historically busy times, we request staff ahead of time and are able to have time to train them.”*

**Operations Manager;  
Food and Beverage; <\$10M**

*“We flex shift hours, shift days, and use temporary workers to fill slots of personnel who are out. We were able to flex during 2008. Now with any slow-downs we are able to ensure at least 40-hour weeks for full-time employees without any layoffs.”*

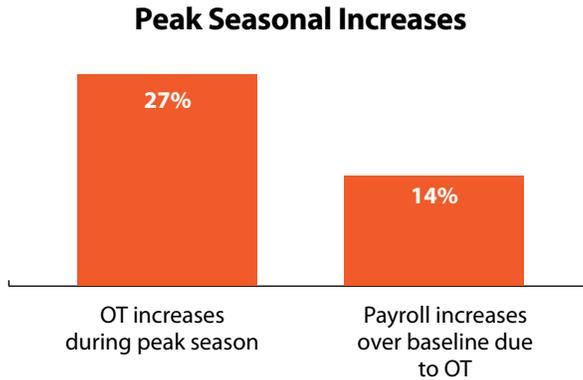
**Plant Manager;  
Food and Beverage;  
\$100M —\$249.9M**

*“Order-filling job requirements are based on engineered standards that give us a good measure of expectations and ongoing capacity.”*

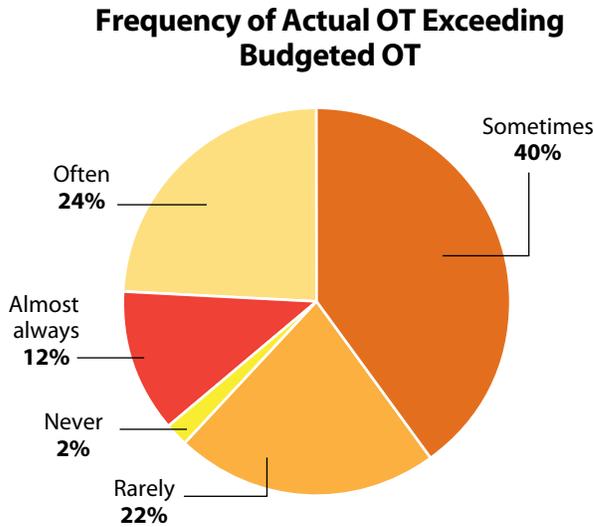
**Operations Manager;  
Paper and Printing; \$2.5B+**

### Use of Overtime

As previously stated, three-fourths (74%) employ overtime as a way of expanding capacity to meet increased demand. During peak season, these additional hours are likely to rise by 27%. As a consequence, payroll also leaps and increases over nonseasonal levels by 14%.



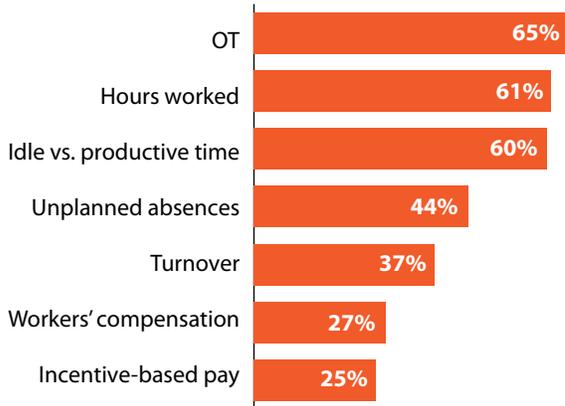
For more than one-third of these organizations (36%), overtime pay regularly exceeds the amount budgeted for OT during these demand cycles. Nearly half of all organizations surveyed would like to use labor management to better understand the cost implications of using overtime versus temporary employees.



### Key Advantages in Using a Labor Management Solution to Manage a Flexible Workforce

Lacking sufficient visibility generates a number of cost issues that logistics organizations are looking to improve: administration of overtime, regulation of hours worked, and visibility into idle versus productive time. Turnover and absenteeism are also challenges.

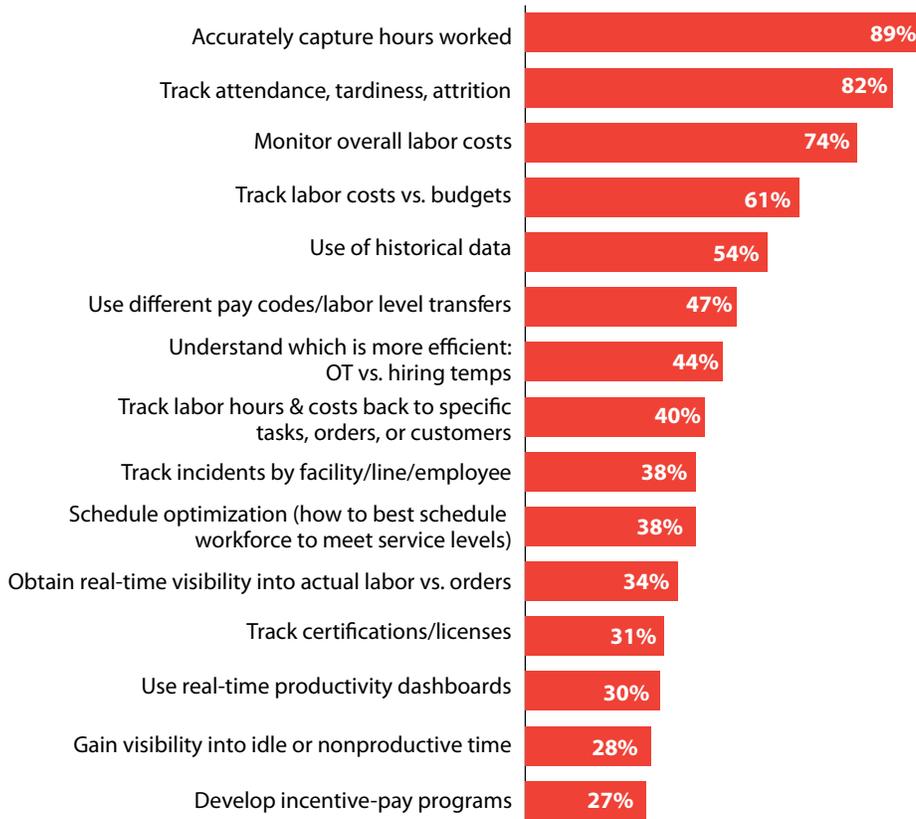
### Cost Control Issues to Improve



With labor management, managers were able to improve their ability to track and control hours and overtime, optimize scheduling and productivity, and filter through a greater number of job candidates, as well as improve job costing and billing accuracies.

More specifically, labor management solutions are effectively being used to more precisely calculate hours being worked; track attendance, tardiness, and attrition; monitor overall labor costs; provide the ability to correlate costs against budgets; and leverage labor data to direct workforce planning.

### Use of Labor Management Functions



## Methodology

This research was conducted by Peerless Research Group on behalf of *Logistics Management* for **Kronos Incorporated**. This study was executed in February 2012 and was administered over the Internet among subscribers to *Logistics Management* magazine.

Respondents were prequalified by working at companies that encounter the need to boost labor capacity at some point during the year and have cause to either hire temporary workers and/or increase overtime. Respondents were further screened for being personally involved in the hiring of or managing temporary workers and for being involved in decisions related to increasing labor capacity for their operation.

The findings are based on information collected from 329 top transportation and logistics managers. Respondents are predominantly in Operations Management (20%), Logistics Management (18%), Vice Presidents/General Management (16%), Warehouse/DC Management (15%), or Corporate/Division Management (12%).

A range of company sizes is represented: 28% work in companies with fewer than 100 employees, 35% are with companies employing 100 – 499, 8% are with businesses with 500 – 999 employees, and 29% work at large companies (1,000+ employees). Among the manufacturing industries surveyed are food and beverage, metals, textiles and apparel, and paper and printing, etc. Non-manufacturing businesses consist of wholesale and retail trade and transportation and warehousing services.

## About Kronos Incorporated

How do you maximize available capacity? Gain a competitive advantage? Achieve true operational efficiency? Kronos helps organizations of all sizes unlock opportunities — hidden within their workforce processes — to drive profitability and deliver exceptional customer service. Our easy-to-own time and attendance, scheduling, absence management, hiring, activity tracking, and labor analytics solutions provide complete automation and high-quality information so you can improve workforce productivity, control labor costs, and uncover hidden capacity in your organization.

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