

Viewpoint

Performance Management and Retention

As distribution centers adopt the concept of engineering labor standards (ELS) to improve through put and financial performance, the key to success of such programs is striking the balance between providing employee feedback and discipline.

Engineered standards for various processes are based on calculating “cumulative average time” across elemental occurrences and relating these occurrences with different “key variable indicators” (KVIs) (i.e. number of units, number of pallets, number of purchase orders)

An Engineered Labor Standard (ELS)

is defined as an objective benchmark created to measure individual or team performance utilizing a scientific method, which involves using workload information to measure multiple-variable work functions and determine Standard Allowable Minutes (SAMs) required to perform a specific job function.

Standard Allowable Minutes (SAMs)

The time it should take a trained employee to perform the work associated with a particular unit of measure, at 100 percent performance, at a normal (average) pace, under normal working conditions.

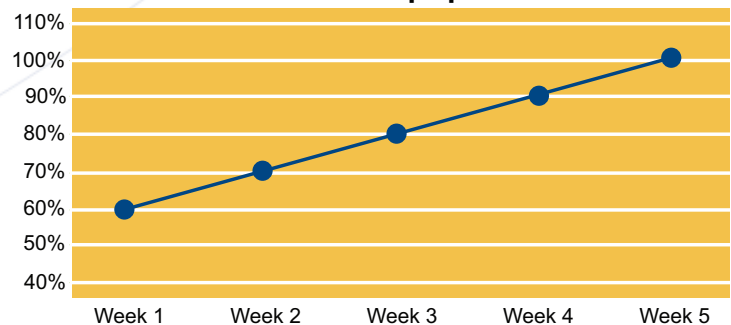
Before implementation of ELS, overall performance of any process is in the range of 60-70 percent. Once you have gone live with your Labor Management System (LMS), it should take about 4-6 weeks for associates to get up to speed and be able to meet the average expectations or performance requirements. A typical performance ramp-up plan is illustrated at right.

It is essential that associates receive regular feedback from managers and/or supervisors as to how they are performing. This could be either be on a daily or a weekly basis. Coaching can be done by performing observations on associates, to provide them with any positive feedback that is necessary for them to improve their methods, pace and quality of work.

Once the ramp-up phase is completed, associates should be held accountable to the average expectations set by the management team. If associates do not meet the performance expectations appropriate level of discipline is issued.

The time frame to issue discipline depends on a company’s policy. Keep in mind that a longer time frame for issuing disciplinary action reduces the amount of variation in the ELS. Variation is caused by presence of “frequencied” elements (e.g. throwing out trash, cutting shrink wrap, removing empty pallets) in the labor standard and certain unavoidable delays.

Associate Performance Ramp-up Plan



A performance management program adopted by any company should not lead to termination of associates. Rather the workforce should become more efficient in their work methods and hence be retained with the company to drive productivity. Retention not only boosts overall morale but aids in increasing productivity. It also creates the necessary associate “buy-in” for the labor standards.

We can look at two different scenarios, which compare an associate’s performance on a weekly and monthly basis.

The following assumptions can be made for both scenarios.

The different levels of discipline are followed in the given order -

- First level of discipline, e.g. Critical Incident Log (CIL)
- Written warning
- Final warning
- Termination

The minimum performance expectation for both scenarios is 100 percent.

Scenario 1 - An associate with typical performance results

Week #	Month #	Perf %	Weekly Accountability Issue	Weekly Level of Discipline	Monthly Accountability Issue	Monthly Level of Discipline
1		99%	Associate has not met performance for week 1	First level of discipline	Associate has not met performance for week 1	N/A
2		102%	Associate has met performance for week 2	N/A	Associate has met performance for week 2	N/A
3		98%	Associate has not met performance for week 3	Written warning	Associate has not met performance for week 3	N/A
4	1	98%	Associate has met performance for week 4	N/A	Associate has met performance for week 4	Average performance at the end of the month is 101 percent. No level of discipline has been issued.

From the above scenario, it can be clearly seen that when an associate is held accountable on a weekly basis, at the end of week 4, the associate is already on a written warning (2 levels away from being terminated). On the other hand, on a monthly basis, the same performance numbers account for an average performance of 101 percent and hence no level of discipline has been issued to the associate.



Scenario 2 - An associate who has missed performance for consecutive weeks (leading to termination)

Week #	Month #	Perf %	Weekly Accountability Issue	Level of Discipline	Monthly Accountability Issue	Level of Discipline
1		90%	Associate has not met performance for week 1	First level of discipline	Associate has not met performance for week 1	N/A
2		95%	Associate has not met performance for week 2	Written warning	Associate has not met performance for week 2	N/A
3		92%	Associate has not met performance for week 3	Final warning	Associate has not met performance for week 3	N/A
4	1	98%	Associate has not met performance for week 4	Termination	Associate has not met performance for week 4	Average performance at the end of the month is 94 percent. First level of discipline has been issued.

From the above case, when an associate does not meet performance expectations for consecutive weeks, the associate has been terminated for low performance scores, at the end of week 4, when held accountable on a weekly basis. However, the average score at the end of the month is below performance expectations and hence the first level of discipline is issued to the associate.

In Summary

The aforementioned scenarios require performance feedback on a weekly basis regardless of the time frame to issue disciplinary action, which has a significant impact on associate retention and morale.

Increasing the time frame (4 – 5 weeks), for performance expectations, to which an associate is held accountable, allows for a slight variation in performance when compared to a lower time frame (e.g. 1 day, 1 week, etc).

This softens the threat of performance management. Associates will automatically show a “buy-in” for the labor standard.

Increasing the time frame promotes a coaching environment for the management team since supervisors have more time on hand to train their associates and provide positive feedback which is necessary.

This definitely helps reduce turnover and hence increases morale among associates.

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