

# CONSULTANTS [corner]



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**Question:** Now that several supply chain execution software vendors are offering labor management systems (LMS) hooked to their warehouse management systems (WMS), what do I really need to know about creating an effective labor management (LM) program (the concept of streamlining operations, measuring/reporting labor performance, and providing feedback up to and including incentives) for my distribution, customer care, and field service operations?

**Jeff's Answer:** Operations executives deal with all kinds of business challenges today, from synchronizing global networks to applying the latest technology in distribution facilities. From what we hear, the concept of creating, implementing, and sustaining an LM program is the singular issue that garners the most questions and concerns.

Not surprisingly, with claims of spectacular performance improvement and stories of withering failures, a rational view of labor management is clouded with misconceptions. Understanding these misconceptions (listed below) will provide you with a clearer framework for how these programs work:

- 1. It's purely an elective decision.** When you open a new site or install a new enterprise resource planning (ERP) system, you have no choice but to continue using the new asset in order to operate the business. Not so with LM. A labor management program is optional the day it is conceived and every day thereafter. Thus—like maintaining a diet—without sustained commitment, the program becomes less effective, and worse, unfair.
- 2. It's not an engineering or systems solution.** Engineered labor standards have roots from the earliest days of industrial engineering and provide a solid backbone for creating fair performance goals. An integrated LMS can now simplify data collection and reporting needs. However, these two necessary but insufficient components can cause management to view LM as a technical initiative. Instead, it is both a people project and corporate strategy that has to be unwaveringly positioned as “the way we do things here.”
- 3. It's not only about labor productivity.** Unfortunately, the words “labor management” are somewhat misleading. To be sure, much interest in LM stems from a desire to achieve more with your existing labor force. But the benefits of having a more scientific way to plan, measure, coach, reward, and improve the business reaches further, and includes extending facility throughput, reducing equipment and capital requirements, imbuing a more disciplined use of systems, building supervisor bench strength, and creating a fair, positive, performance-focused culture.

Understanding LM's unique nature and how it is different from other initiatives is the first step towards benefiting your shareholders, customers, and employees alike.

**If you're a consultant, 'Supply Chain Comment' would like to feature you in an upcoming issue. Please send your contact information to [mholodnicki@cscmp.org](mailto:mholodnicki@cscmp.org).**

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