

10 Metrics & KPIs To Manage Your Workforce For Operational Excellence

Fundamentals for managing cost, waste, and performance

We've partnered closely with hundreds of operations teams on their analytics strategies. Labor is the largest controllable cost center of any distribution or production business unit. Understanding what influences labor cost is key to setting operational goals, pricing products and services correctly, and running a profitable operation. From there, an operations leader is empowered to make improvements in workflow, facility, equipment, and teams. Digital transformation has made customer requirements complex and customized. Cost to Serve, or what it costs in labor to service a customer varies between customers, product types, and processes. Because of this complexity, productivity metrics in isolation no longer work. What's needed now is a model that breaks down labor cost and performance into standard metrics that account for workflow variance, and that capture 100% of team hours.

Today, operations leaders rely on Operations Financial Management (OpsFM) to operate with visibility, set targets and KPIs, manage progress, and plan. The core metric of the OpsFM model is the labor cost of every activity. Under an OpsFM model, operations teams are empowered to be financially accountable in environments where labor cost variables/variances exist. IT, Operations, and Finance share the same goals and language around labor cost and performance as it relates to delivering services and products to customers. The understanding of cost and waste enables organizations to evolve and improve activities and processes with high labor impact faster than traditional continuous improvement methods. This speed enables organizations to serve customers better, and profitably compete in the market.

Employee Labor Score (ELS)% = Labor Standard / Employee's Time on Process

Effectiveness %

Overtime %

Cost Per Unit by Process, Category, Tier

Cost to Serve: Overall Throughput by Facility

Distance Traveled Per Unit

Indirect Time

Missing Time

Customer Profitability / Cost to Serve

Labor as a % of Revenue

Labor and Workflow Metrics | Metrics measuring the performance of your employees.

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Employee Labor Score (ELS)% = Labor Standard / Employee's Time on Process

ELS is the employee-specific metric that compares each employee's time spent on a given process against the process labor standard.

How to Use:

- Identify employees in need of training or counseling to improve their productivity
- Drive a culture of accountability and outstanding performance
- Run fair and objective incentive pay programs

Questions it Answers:

- How are our employees performing against the labor standard?
- Which areas (shifts, departments, supervisors, employees, processes, and facilities) are performing above and below goal?

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Effectiveness %

Effectiveness % takes into account productivity and utilization. It is a measurement of the value generated by the workforce compared to what the company paid for.

How to Use:

- Detect and correct high missing or indirect time, even when productivity is meeting company goals
- Track the overall health and performance of each facility, team, and employee
- Verify time spent on direct tasks

Questions it Answers:

- How well are we managing each team, shift, facility?
- How much value was generated today, based on hours spent?

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Overtime %

This metric will help identify the effectiveness, volume, and distribution of overtime hours, and adjust scheduling accordingly.

How to Use:

- Augment your teams in high-overtime facilities
- Distribute overtime hours to high-performing employees
- Better manage temporary staffing

Questions it Answers:

- Are we running at an optimal staffing level for the workflow?
- Where are our overtime hours going? Are they going to our most productive employees?
- Would hiring more temps and reducing overtime reduce our costs for the same throughput?
- Are we burning out our employees with excessive overtime?

Cost Metrics | Metrics measuring your operating costs.

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Cost per unit by process, category, tier

Cost per unit allows you to compare against facilities, customers, and product types

How to Use:

- Identify discrepancies in unit costs between order and product types
- Identify inefficient processes and investigate why they cost more

Questions it Answers:

- Why does the unit cost vary by facility, process, order type, or equipment type?
- Where should we focus our Operational Excellence team to improve process flow?
- Where are there opportunities to reduce costs and improve conditions?

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Cost to Serve: Overall Throughput by Facility

This single metric exists to compare facilities. It's designed to compare similar processes in these different facilities in order to identify discrepancies in processes, management, or customer requirements.

How to Use:

- Compare the cost effectiveness of operating facilities in our network
- Develop an action plan to reign-in excessive costs across facilities
- Drill down to determine the root cause of any cost discrepancies (wage rate, productivity, utilization, OT, travel distance, etc.)

Questions it Answers:

- Why is Facility B reporting higher labor costs than Facility A on the same process?
- What specific processes, product types, or customer requirements represent the most discrepancies between facilities?

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Distance traveled per unit

This is an explanatory metric, designed to provide answers to questions that might be posed by the Cost to Serve by Facility metric.

How to Use:

- Calculate average travel distance per unit for each process by facility
- Analyze and compute the ROI for upgrades in layout, equipment, or slotting
- Shape budget and customer pricing according to facility limitations

Questions it Answers:

- How much money could be saved by improving the layout, slotting, or equipment utilization of the facility?
- How much labor is being spent on travel for different processes?
- How might we optimize the layout of our facilities, or invest in equipment, to minimize travel time?

Time Metrics | Metrics measuring the allocation and utilization of time to tasks and processes.

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Indirect Time

Indirect time tracks how much team time is spent in meetings, maintenance, housekeeping, and other essential but non-productive activities

How to Use:

- Improve indirect processes and scheduling to reduce the amount of indirect time in your facilities
- Demonstrate and communicate the costs of indirect time to supervisors and facilities
- Empower supervisors and teammates to find ways to shift time from indirect processes to direct tasks

Questions it Answers:

- Which supervisors, facilities, and shifts are minimizing and optimizing indirect time?
- Are certain facilities spending too much time to perform an indirect task (e.g. Battery Changes)?
- Which indirect process can be improved or minimized?

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Missing Time

Missing time is time that is unaccounted for. It is a critical metric to identify unproductive areas of the operation and to drive out waste.

How to Use:

- Identify the amount of unaccounted for time for each employee, team, and facility
- Improve time tracking habits

Questions it Answers:

- If we have a significant amount of missing time, is it a tracking issue or a waste issue?
- Which Supervisors are actively managing their teams?
- Missing Time can also help us identify disparities between our disparate facilities-why does Location A have 10% more missing time than Location B?

3PL Metrics | Metrics designed for warehouse profit centers.

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Customer Profitability = Revenue - Cost to Serve

The difference between the revenue from a customer and the labor costs incurred to service customer requirements

How to Use:

- Identify unprofitable customers, or discrepancies in profitability per customer between facilities
- Identify and improve unprofitable processes
- Correct and renegotiate pricing for unprofitable customers

Questions it Answers:

- What customers, processes, or facilities are profitable or unprofitable?
- What is causing excessive labor costs for certain customers?

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Labor as a % of Revenue

The cost of labor as a % of the revenue billed for that labor. It exposes costs that you aren't billing enough for, and inefficient labor cost centers (facilities, processes, and product types) that need to be improved to run profitably.

How to Use:

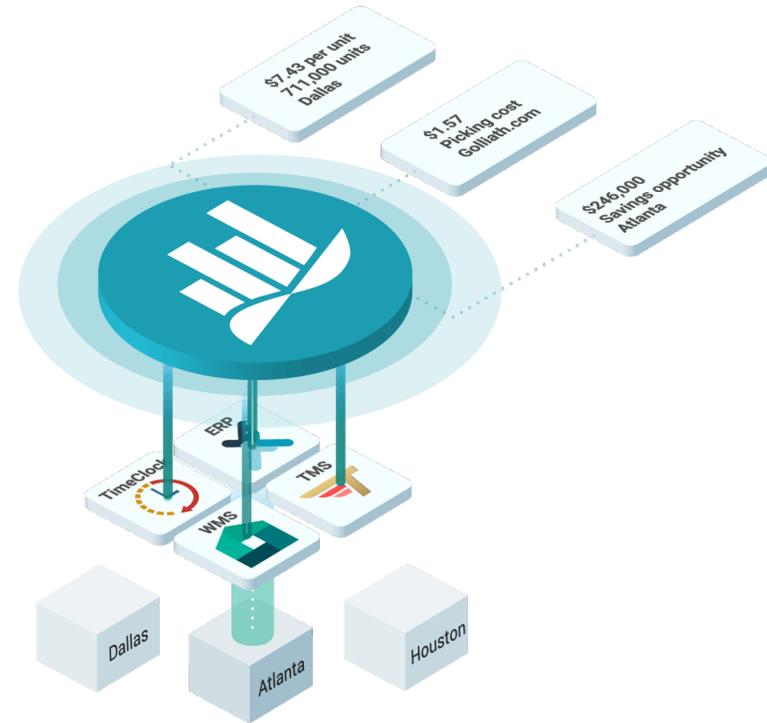
- Accurately manage and plan labor as a function of revenue generated
- Drive a culture of shared financial accountability
- Stop practices that burn labor at a loss, causing unprofitability that can only be worsened with more volume sold

Questions it Answers:

- Are you spending what you expected to spend on labor, based on revenue?
- Are you over/under plan in certain facilities, or for certain customers?

Easy Metrics network analytics give you metrics at a company level across all your facilities in one place. Our Operations Financial Management (OpsFM) solution integrates your WMS, scanners, and time clocks, ERP and even other LMS' into an easy-to-navigate set of dashboards and reports. Easy Metrics OpsFM solution and labor management technologies are trusted by the world's top retailers, wholesalers, 3PLs, and brands.

Our goal is to provide you with the tools you need to grow and manage your business by granting visibility into your labor costs, utilization, and management metrics. If you're interested in gaining visibility into these metrics at your operations, [please visit our website](#) to learn more and sign up for a demo with our team.



About Easy Metrics

Easy Metrics fuels operational excellence in distribution operations. Operations and finance leaders use Easy Metrics' API integration platform and machine learning to analyze, plan, and forecast their labor spend so they can drive operational speed and efficiency, price their products and services profitably, and drive employee engagement.

With Easy Metrics, they translate raw operations data from multiple data sources into their costs by: activity, process, facility, people, and equipment. They use actionable reports across their network to optimize labor spend, cut waste, plan facility investments, and drive labor strategies that ultimately fuel the growth of their business. Find out more at www.easymetrics.com.