



Distribution Center MANAGEMENT

Managing people, materials and costs in the warehouse or DC

Trends

Lean warehousing is all about tapping your workforce to identify areas for improvement

Just about every manager has heard of “lean warehousing” by now, but what is it exactly, and how will it help you improve your operations?

At Menlo Worldwide, a third-party logistics provider, lean practices are helping streamline operations, reduce inventory, and drive out costs for its clients. Joe Sommer, facility manager for Menlo’s Brownstown, Mich., facility, discussed the key principles of lean warehousing with *DCM*.

“At a high level, lean is a business philosophy in which functional teams or small workgroups within the facility analyze and discover opportunities to eliminate waste in the operating environment through continuous improvement,” says Sommer. In other words, the improvements are driven by the workforce, not management.

Sommer explains that there are three core values to lean at Menlo.

1. Customers first. Lean “starts and ends with customer focused quality,” says Sommer. “The customer is our overriding priority and we need to do what is best for the customer.” But it’s more than just focusing on the end customer. Essential to the lean philosophy is understanding that there are both internal and external customers, and each employee should not only be focused on the end customer, but also on the next customer in the process. So for example, the picker’s direct customer would be the sorter. And

the sorter’s customer would be the loader, whose customer in turn would be the truck driver.

2. Respect for people. This refers to people both within and outside the facility. From the customer-first perspective, it means respecting customers by getting the product to them with the highest quality, the lowest cost, and the shortest lead time. But it also means recognizing the value of your employees as your biggest asset and understanding that improvements are only sustainable through them.

3. Continuous improvement. This is the part where the improvements are really made. It is the process of discovering and eliminating waste, and is the responsibility of everyone in the DC.

But before you can eliminate waste, you have to learn how to recognize it. Menlo identifies seven categories of waste: Motion, waiting, over-processing, material movement, excess inventory, rework, and over-production.

Over-production is when you produce more than your customer can handle, and it “is usu-

Lean principles:

- Allow your staff to learn and take control.
- Continually improve via Kaizen events.
- Develop a closed-loop process.

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ally considered the worst of the seven, because it hides the other six,” says Sommer. Keeping in mind the concept of internal customers, over-production would occur, for instance, when a picker is picking more than the sorter can handle. It’s an indicator that the processes and flow of materials are not balanced. If they were in balance, the picker would only produce what is needed when it is needed. Over-production is often identified by bottlenecks.

Small, incremental improvements

When Sommer’s employees identify waste, they look for opportunities to streamline and improve the process. This leads to one of the key components of the lean process, called Kaizan events. Kaizan is a Japanese term meaning small, incremental improvement, says Sommer — i.e., continual improvement.

It’s important to keep these events small in scope so they are easy to monitor, says Sommer.

One of the key aspects of Kaizan events is the development of SMART targets. SMART stands for Specific, Measurable, Attainable, Relevant, and Trackable (or Time-based). This helps keep the events focused.

When developing a SMART goal, you need to ask four questions: Do what, to what, by how much, and by when. The “do what” is usually to improve, decrease, or eliminate. So for example, a SMART goal might be to improve picking by 10 percent within two weeks.

The time frame is important. “You don’t want to have too short of a time because you’re not going to get good data, but you don’t want the Kaizan event to go way too long because people get discouraged and frustrated because you haven’t completed it,” explains Sommer.

Take these action steps to a lean DC

When it comes to a lean DC, “you can be the prime mover in trimming the fat in your warehouse operation,” says logistics expert Ken Ackerman in Lean Warehousing. He offers several action steps to help you get started, including:

- Take a close look at both receiving and shipping. What steps can you take to reduce the time involved in receiving and converting that cargo into items that are ready to ship? Where are you wasting time in the process? Do the same with receiving.
- Look up at the ceiling. Is the space at the top of the DC fully utilized? If not, look for ways to better utilize this and all the space available in your facility.
- Look at every place where product is staged, and then ask why this is being done. Create a flowchart to show how many times each pallet is picked up and put down between receiving and storage or storage and shipping.
- When you see an employee waiting, ask why it is necessary to wait.

Lean Warehousing is available from the Distribution Group, 800-232-4317, www.DistributionGroup.com.

Immediate feedback

Another vital aspect of Menlo’s lean program is immediate feedback. The company has a “closed-loop process,” so that employees receive immediate feedback on their efforts. For example, if a customer requires that labels be placed on the cartons in a certain way and an employee put those labels on incorrectly, he would receive immediate feedback on the error from the next customer in the process.

Implementing lean

So how do you move from a traditional DC to a lean environment? Sommer outlines five phases:

1. Awareness. DC leadership must have an interest in lean practices, and it must understand the necessity of good metrics, education, and training.

2. Basics. At this step, you garner commitment, organize the workplace, roll out standard work processes, and develop simple reporting documents.

3. Stabilization. This step is merely stabilizing the prior stages. Lean is a big change, so you'll need to make sure that everyone is on board and following lean principles. With common processes throughout the facility, you'll be able to more easily identify weaknesses and waste.

4. Growth. Here you are teaching new people in the DC or outside the facility to be leaders and trainers. Lean is a never-ending process that

will build on itself, says Sommer. There is no "end" to the process.

5. Maturity phase. At this point, the processes drive everything in the facility, and continuous improvement drives performance.

One of the biggest challenges to successfully implementing lean is letting the workforce learn and take control of the processes. For a warehouse manager used to controlling every aspect of the operation, this can be a difficult step, but one well worth taking. **DCM**

Over-production is the worst type of waste, because it hides the others.

Distribution Center Management

712 Main Street — Suite 187B, Boonton, NJ 07005-1450

Telephone: (973) 265-2300 • Fax: (973) 402-6056 • Email: info@DistributionGroup.com • Website: www.DistributionGroup.com

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