



The Million Dollar Secret

Whether your business goals are to increase daily output, reduce costs, decrease the frequency of sanitation downtime, or implement extended runs, the pressure is on. The realities of today's competitive food manufacturing industry, along with pressure from stakeholders, require business leaders to be more aggressive and creative with cost reduction initiatives.

Capital improvements, such as building extra warehouse space or installing additional robotics, can be expensive, and your return on investment can take years. Alternatively, the untapped cost saving opportunities built into your current labor schedule can be captured in 90 days and total in the millions of dollars. If your business experiences significant production demand swings, downtime due to sanitation requirements, or any of the problems listed in chart #1 on the next page, you can capture 11% to 17% of your current labor costs as savings, year after year, with the right operations and labor deployment system.

The seasonal nature of consumer demand for food products can result in unnecessarily high costs. If labor schedules are poorly designed, monthly volume fluctuations result in excessive product inventory levels during ramp-up months. When freshness or allergens are involved, daily product changes can trigger additional time consuming changeovers. The wrong labor schedule limits production flexibility and also creates unnecessary idle time. Recently, a well known breakfast food company in the Midwest spent over \$200,000 in overtime pay, staffing the same employees six days each week. Employees received only one day off each week during the entire eight month busy season, including the production ramp-up months. Managers then spent the remaining four months in the slow season creating work for employees to prevent layoffs. Employees were frustrated, and the company was losing money. By implementing a scheduling system specifically built to meet varying production demands, Core Practice was able to help management reduce inventory levels and lower idle time labor costs. Months of inventory build-up turned into weeks, and employee morale improved with schedules that built-in two or three days off each week, while not limiting overtime opportunities.

Sometimes, there are opportunities for cost savings when processes have been altered but the scheduling system remains unchanged. Excessive overtime might be a result of changing a business process, without updating the scheduling system. Unlike overtime, which is easy to see, idle time, which is extremely expensive, can be difficult to measure and can remain a hidden cost for years. As an example, groups of employees, such as those on production lines, can be particularly susceptible to idle time, if the wrong scheduling system is in place.



Chart #1**MANAGING YOUR BUSINESS: POTENTIAL PROBLEMS**

- OVERTIME is high.
- EMPLOYEE STRATEGY is not fully developed for full time/part time/temporary shifts.
- SEASONAL WORKLOAD is badly matched to the schedule.
- SKILLS are uneven across shifts.
- IDLE TIME exists overall or in pockets.
- RECRUITMENT AND RETENTION of good employees is very difficult.
- HR POLICIES are outdated and no longer work in today's environment.
- PAST CHANGES have not achieved hoped for results.
- MAINTENANCE STAFFING is ineffective or inefficient. (High OT on weekends is a telltale sign.)
- MAINTENANCE is used as a fire crew, called when there is a problem.
- CURRENT CAPITAL is not maximized.
- STARTUPS AND SHUTDOWNS are inefficient and/or numerous.
- MACHINE DOWNTIME is high.
- PRODUCTIVITY POTENTIAL AND GOALS are not met.
- ABSENCES, unplanned and planned, are high.
- HEALTH AND SAFETY problems are continuing and/or increasing.
- CAPITAL EXPENDITURES are constant but do not result in big improvements in productivity. (There may be small tactical improvements but not broad strategic positive change.)
- STAFFING is a problem to implement efficiently for seasonal, monthly, weekly or daily demand changes.
- EMPLOYEE/MANAGEMENT MINDSET is Us versus Them.
- COMMUNICATIONS to evening and night shifts are problematic.
- VACATION, LUNCH OR BREAK STAFFING is inefficient.
- GREEN ROOM TIME is underutilized.

Production downtime during sanitation periods limits capital utilization and typically creates idle labor time. Although timely sanitation is required, management teams sanitize based on the schedule routine, rather than the full time-frame requirement. Often there are opportunities to reduce labor costs and increase uptime, even in situations when sanitation processes are considered "optimized".

Several years ago the business unit manager of a 400 employee food manufacturer implemented a system change, thinking he had fully optimized the sanitation process. He implemented extended runs to reduce the frequency of sanitation and cut the process to 4-hours. Unfortunately the production labor schedule was not changed. This meant the production, sanitation and maintenance schedules still were not synchronized. So, while the plant saved a little bit of money, they left an amount six times larger unclaimed (almost \$1,150,000 annually). The schedules that Core Practice eventually designed reduced production idle time and cut start-ups and shut-downs in half, while increasing capital utilization by almost 10%. In addition to all the cost savings for the company, employees had more days scheduled off each week and still maintained a 40-hour paycheck with overtime opportunities for those who loved overtime. Sounds too good to be true? Our ability to quickly identify problems coupled with our experience in implementing real world solutions makes this a reality.

As you reflect on the opportunities in your own facility, understand that even small labor schedule changes can be emotionally disruptive to employees. Employee buy-in is critical for long-term success, and with employees, you only get one shot at successfully transitioning to the right operations and labor deployment system. With millions of dollars on the line, you cannot afford to make a change without a well thought out plan. While the right system can save you millions of dollars year after year, implementing the wrong system can cost you even more money than you are spending today. For example, a



large snack-foods company called us after they implemented a schedule change on their own. They explained that their knee-jerk reaction to a forecasted increase in volume was to draft a new schedule quickly. Unfortunately, they did this without analyzing both immediate and long term business needs. Their current HR policies did not support the new labor schedule changes, resulting in more than \$650,000 in unnecessary labor expenses per year. Not only did the business suffer, employees were caught off-guard and felt they were taken advantage of with the new labor schedule changes, despite the unintended bump in pay.

Core Practice has more than 25 years of experience helping companies just like yours. Implemented cost savings typically range between 11% and 17% of current labor costs. Additionally, profit making opportunities can be much larger. Our proven methodology starts with a detailed review of your operations and labor system, including a thorough HR policy review. We gain employee buy-in throughout the process by communicating the right information at the right times. We also build in several opportunities for all employees to participate in the change process, creating an open and honest environment. Using our extensive database of shift worker survey responses we can pinpoint the issues that are truly important to your employees. In addition to our focus on business savings and employee buy-in, we use our expertise in health and safety to design the right schedule. We develop a detailed plan to ensure all members of the leadership team, including the HR team, understand the change and are able to communicate the details effectively. In the final step, we meet personally with employees to discuss all facets of individual new work schedules to facilitate the transition from old to new.

Core Practice LLC is the world's leader in Operation and Labor strategy, specializing in shift work and scheduling. If your organization operates outside the 9-5, Monday through Friday work week, contact John Frehse, Chief Strategist and Executive Coach at: JFrehse@Corepractice.com or call 1-212-534-0539

Executive Workshop

One can also learn about our free half day executive workshop on our website at: www.corepractice.com.

