

SMARTER PERSPECTIVE: OPERATIONAL EFFICIENCY

How to 'Read the Warehouse' to Succeed Across the Business

By Tom Schrader

For leaders within an organization seeking to better understand and evaluate the overall health of their business, purposeful visits to company and partner warehouses can serve as an important litmus test. Understanding how to effectively “read the warehouse,” however, is a critical skill that many leaders have not had the chance to fully develop over the course of their careers. The ability to decipher telltale signs of problems associated with inventory planning, people management, and information systems can save managers – particularly those entering a new environment or role – significant time and money. Here, we explore three operational symptoms of potential, underlying issues and how to read them.

FULL OR EMPTY WAREHOUSES

What You See:

- Pallets stacked at dock doors and in the aisles
- or
- Wide swaths of empty space

What it Could Mean:

In either case, check in on your Sales & Operations Process (S&OP), especially



demand forecasting & post-cycle reconciliation. Overly full warehouses typically indicate a breakdown in the planning process, and this shows up on the dock before it hits the balance sheet.

What You Should Ask:

1. Is the sales team forecasting demand to purchasing & logistics?

- 2.** Has a supplier been facing a capacity crunch?
- 3.** Does new business run the risk of becoming a catastrophic success?
- 4.** Does your inventory stockage criteria (cycle & safety stock) still make sense?
- 5.** How often are you shedding obsolete inventory?



OPERATIONAL RISK (AKA SAFETY)

What You See:

- People and forklifts in the same aisles
- Two-way traffic in congested aisles
- forklift drivers not stopping at doors / not sounding their horns.

What it Could Mean:

Your recruitment and training programs don't match your operational needs. Each of the below questions focuses on an area of opportunity that can help your people team to validate that front-line leaders are a good cultural fit, and have the necessary skills, to ensure safe operation.

What You Should Ask:

1. Is your team trying to achieve cost savings by hiring less expensive, inexperienced supervisors?
2. Does your onboarding process teach new employees what correct safety protocols looks like?
3. Do HR leaders participate in operational safety meetings?

INFORMATION SYSTEMS

What You See:

- Boxes have notes written in marker detailing contents, destination, or perishability
- Shop supervisors have clipboards with lots of handwritten notes
- Managers from multiple departments are regularly huddled together on shipping docks

What it Could Mean:

Your information system isn't robust or flexible enough for your business needs.

What You Should Ask:

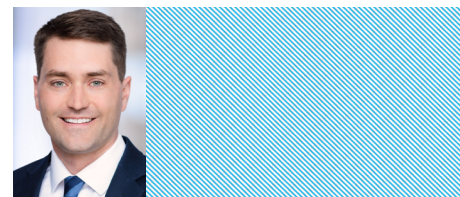
1. Do managers get the information in the system?
2. Do different systems show different quantities, measure in different units, or view different time periods?
3. Does an information system outage shut down your production line?

CONCLUSION

The warehouse is your business's shock absorber and a microcosm of your broader business operations. By carefully observing conditions and activities in the warehouse setting and knowing how to "read" and address potential signs that those operations may not be responding optimally to a variety of influences, can provide you and your business with a competitive advantage. If you see symptoms but need assistance in making a diagnosis, we encourage you to give our team at Hilco Performance solutions a call. As a recognized leader in connecting operational performance to EBITDA improvement, we are here to help.

Hilco Performance Solutions (HPS) is a management consulting company focused on middle market business transformation. We help companies simplify and streamline business processes and improve operational efficiency, enabling them to better compete and gain market share in an increasingly interconnected economy.

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He is an entrepreneurial and pragmatic thinker. He has had a variety of military and for-profit experience, including designing operational structure, performing resource analysis, and leading crisis management. Tom thrives on solving hard problems in hard places. He has a reputation for distilling difficult situations into their component pieces and implementing practical, easy to understand solutions. Tom earned his MBA at Michigan State Broad School of Business, concentrating in Supply Chain Management and Finance and holds a B.A. in Economics from UNC-Chapel Hill. He currently serves in the United States Marine Corps Reserve as a Logistics Officer, following seven years of active duty service. Contact Tom at tschrader@hilcoglobal.com or 704.737.4119.