



WHITEPAPER

Top 10 Reasons LMS Implementations Fail

Presented by Kurt Salmon Associates

The successful introduction of a Labor Management System (LMS) and performance management program can boost workforce productivity by 30% to 50% or more. A recent implementation performed by Kurt Salmon Associates (KSA) saved a large retailer more than \$80 million in the first three years of operation. Installations at smaller facilities can also have a significant impact on labor costs, and pay for themselves within months rather than years.

However, many companies struggle to capture these benefits or capitalize on their LMS investment. This article addresses 10 common factors that contribute to their challenges.

1) Lack of Support and Commitment from All Levels

Effective sponsorship and ownership of a LMS initiative is critical to its success. Sponsorship should start at a high level in the organization — often the vice president level — and cascade down to the front-line supervisors. Supervisors must believe in the program and encourage supportive behaviors and practices within their departments.

There is also significant benefit gained from participation at the associate level. One of the driving intents of any performance improvement program is to seek out more efficient, effective ways to perform various functions. Suggestions from associates can often form foundation for improvements – after all, they are the ones who perform the functions every day! A successful LMS implementation should solicit and encourage feedback from everyone involved.

2) Insufficient Focus on Change Management

Changing an organization from a production- or activity-based culture to one that focuses primarily on performance and ongoing improvement can be a challenge. Organizations often underestimate, or simply don't recognize, the impact of functional changes on individuals, departments, or facilities. A LMS installation also typically involves changes to the metrics used to define success. Sponsors must address resistance to change, simultaneously encouraging constructive and open feedback, while ensuring sufficient incentives are in place to persuade individuals to accept and ultimately embrace the change.

Individuals have a natural tendency to resist a performance management program and cling to the comfort zone. Successful project sponsors recognize this desire and ensure an appropriate level of coaching conveys the need to shift to a new frame of reference.

3) Viewing Implementation Solely as a Software Installation

While selecting a software package that aligns with business needs is an important step in any performance management program, successful companies view a LMS implementation as a program, not just another technology tool. An effective performance management program leverages data captured in a LMS — combined with engineered

standards — to more effectively drive performance and change throughout the organization.

Focusing on a “perfect” software installation can cause an organization to lose focus on the potential benefits of the overall program, resulting in information technology-related delays. For example, many organizations only consider implementing a LMS *after* investing in a Warehouse Management System (WMS) or Enterprise Resource Planning (ERP) solution. While these systems can help streamline data transfer to and from a LMS, they are not required to have a functional program. Best-of-breed LMS solutions offer the option to enter production and timekeeping data manually, interface the data automatically, or use a combination of both methods. Focus on automated time/data capture can delay and greatly increase the cost of implementation.

4) Inaccurate Standards

Engineered standards are the fundamental building blocks that define fair and reasonable expectations based on the steps required to perform a function. These standards become the basis for any incentive program and are used to analyze processes and potential capital investments.

There is no shortcut to developing an engineered standard. While some benefit can be derived from basing expectations on historical data or “book” standards, the full potential of a performance management program cannot be reached through these methods. Measurements that do not accurately reflect the operation can lead to improper expectations, poor decisions, and a general lack of faith in the program. Successful organizations are cautious not to develop standards for bad processes (i.e., paving the cow path). Proper methods and procedures are developed and implemented prior to engineering standards.

5) Imprecise Data Collection and Reporting

As the saying goes: “Garbage in, garbage out.” Efforts must be made to ensure the LMS is capturing the correct data to report meaningful metrics and measurements. Especially in installations that rely on manual data entry, data must be auditable to ensure accuracy, and understandable to everyone involved. Metrics should also align with behaviors the organization values. You can’t motivate if you can’t manage, and you can’t manage what you don’t measure.

6) Incompatible Software

A LMS package can be viewed as a toolbox for the management and engineering teams to build a successful performance management program. When selecting the LMS solution, organizations must ensure the right tools are included. Do reports align with useful information? Does the LMS calculate pay and incentives consistently with the performance management program? Can the LMS calculate performance based on the criteria necessary to build an acceptable engineered standard? Does the LMS provide flexible reporting that can be customized to meet individual needs? Can the LMS integrate configurable training curves and coaching modules? Successful companies address these questions when selecting a LMS package.

7) Ineffective Methods for Sharing Successes

While a LMS implementation can be a cost-cutting tool, it can also be viewed by associates as a “babysitter” or just another tool to enforce compliance. A LMS should allow a facility to recognize and reward individuals who perform their jobs in an exemplary fashion. Without effective performance measures, these associates are often ignored by supervisors who are focused on more vocal or “problem” employees. A LMS allows an organization to identify individuals who contribute to its success.

Companies often opt to share the financial benefits of a performance management program directly with associates through an incentive pay added to the hourly wage, or through non-monetary rewards. This arrangement directly ties the success of the facility to the individuals who make it happen. If done correctly, this will maximize the efficiency gains of the program.

When direct incentives are not possible, numerous other opportunities exist to motivate and reward high-performing individuals. Incentives can include anything from a "100% Club" T-shirt to extra days off or other benefits. Both incentive pay and non-monetary rewards can be assigned to individuals, teams, groups or departments, or an entire shift. When dealing with non-monetary rewards, it is especially important to constantly refresh the program so associates view it as a true benefit.

8) "Fuzzy" Policies and Expectations

For a performance management program to succeed, management, supervisors, administrators, and associates must be clear on the details of the program. Engineered standards often move away from a single variable unit measure (e.g., picks per hour) and use several variables to derive a performance percentage that is reflective of the true work content of a given task. All individuals involved should understand how performance is derived and how behaviors impact the resulting performance. The standards and expectations should be transparent, consistently communicated, and applied.

9) Discipline vs. Coach and Reward

A LMS implementation arms management with another tool to address underachieving individuals. However, performance alone should not be used as a source for disciplinary action. Instead, performance should be viewed as a reflection of underlying behaviors; it is a function of the pace of work, the methods followed, and time utilization. Coaching or disciplinary action should focus on these behaviors.

A performance management program, supported by a LMS, should enable supervisors to act as coaches. Their primary function is to enable the success of every individual in the department. The LMS tool provides more of a "carrot" than a "stick."

10) Short-Term Implementation vs. Long-Term Cultural Change

As stated above, a LMS conversion can be a major change to an organization. A successful project results in a cultural shift for the organization that empowers everyone involved to focus on continuous improvement (coaching, mentoring, and counseling) and always be looking for a better way to operate the business.

The LMS system can be embedded into new-hire and cross-training functions. Through the use of training curves, individuals who are new to a function can be held to a lower expectation, but still be tracked against a certain expectation of progress over time.

A performance management program cannot be viewed as a one-time event. Engineered standards are detailed analyses of processes and must be modified as conditions change (layout, product mix, material handling equipment, etc.). Incentives and goals must remain fresh and enticing to remain effective. Finally, an organization must make a long-term commitment to align the performance management program to the success of the individuals involved as well as the organization.

About KSA

Kurt Salmon Associates (KSA) is the premier global management consulting firm focused on supply chain management. We work closely with our clients to create accelerated value through our tailored solutions for business growth, margin management, inventory efficiency, productivity improvement, and technology effectiveness.

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