



PUTTING CULTURE TO WORK IN THE DISTRIBUTION CENTER:

MAKE CULTURE YOUR GREATEST ASSET WITH EIGHT DRIVERS

Each distribution center (DC) in your network is a unique place. Sure, the standard operating procedures are just that... standard. The warehouse management system probably looks and functions the same. The leadership structure, roles, and responsibilities are all most likely comparable across each DC. There may be some common operational challenges across buildings, such as space limitations or labor markets. Despite the commonalities, each building also has its fair share of unique challenges that stem from “how things are done around here.”

So, what makes each DC a unique place? Despite the heavy emphasis on standardized operational design and best practices, why do some buildings continuously outperform while others fall behind?

The answer is a difficult one not only to master but also to measure. It relates to your company’s attitudes and beliefs as reflected in ways of working and behaviors. It’s your **culture**.

HOW CULTURE WORKS IN THE DISTRIBUTION CENTER

Organizations readily accept Peter Drucker’s adage that “Culture eats strategy for breakfast.” With culture typically set at the corporate level, the C-suite’s cultural vision often does not come to life on the distribution floor. Instead of top-down mandates, organizations should harness each DC’s culture as a unique, competitive advantage. Why? For starters, culture drives nearly every aspect of how a DC operates, making or breaking success. It plays out in every level, every action on the floor, and in every communication from shift start-up to leadership reviews. Culture is a distinct entity and is innately challenging to standardize and improve. In turn, it’s not a box to check but rather a series of drivers that should be actively managed. In other words, culture’s inimitability is where its power and potential lies. As a leader, you can tap into your unique DC culture to drive your next competitive breakthrough.

With all this potential, DC leadership's imperative is clear: General managers and operations supervisors alike are responsible for identifying and managing DC culture.

MANAGING THE INTANGIBLE WITH EIGHT KEY DRIVERS

How can you manage the complexity of culture effectively? It starts by distilling culture into eight distinct drivers. In concert, these drivers illuminate the kind of culture you have and the cultural experience that your DC creates. Also, the drivers offer insight into opportunities for improvement, informing targeted interventions to drive desired outcomes.



In this perspective, we'll unpack each one and share a few questions that can help you wrap your arms around your DC's cultural opportunities.

VISION & VALUES

Strategic ambitions, grounded in shared beliefs that connect the work to the greater purpose of the organization

In many DCs, you'll be likely to find walls emblazoned with signage stating the company's mission statements, vision, and values. These messages, on paper, reinforce how employees should work. But in practice, do those values show up in daily activities? Vision and values play a meaningful (yet understated) role in culture. Often, they are the foundation for the most intangible competitive asset of all. A DC with solid alignment to vision and values is also one that has a clear focus. In turn, employees can readily determine the "right things to do" and prioritize work. Ensuring a strong connection between words and actions is a significant first step to strengthening vision and values.

Guiding questions:

- If you value continuous improvement and innovation, do your front-line leaders and team members feel that their recommendations are considered?
- If your vision is to serve your customers wherever they are and however they choose to shop, are you actively investing in the systems and support processes within the four walls of your DC?
- Can your teams clearly articulate the DC's goals, the key behaviors, and what "good" looks like for them?



CAPABILITY

The skills, expertise, and professional development of the organization and its employees

As a cultural driver, capability involves focusing on what employees can accomplish with their current skill set. It's also about leadership's commitment to continuous upskilling and developing employees to meet future needs.

From a leadership perspective, the capability of front-line leadership and team members ties closely to senior leadership. For instance, in a poor DC culture, senior leadership and executive teams often expect more from these two groups yet fail to consider the tools and expertise they need to get there. Conversely, in a great DC culture, leadership invests time and money in **three main areas**: leadership development and team-building, cross-training experience, and tools. In the next section, we'll share some important considerations for each.

1. Leadership development and team-building

Has your team ever held a book club? It's probably not something you'd expect to see in a DC. But, in our experience, we've witnessed high-performing front-line leadership teams hold weekly discussions on a chosen leadership book. Whether or not you decide to hold a book club or take another approach, successful leadership development is about creating an open forum for individual learning and group discussion.

Or, has your team taken part in any off-site team building? This tactic is one of the most impactful ways to strengthen the positive elements of your culture. By moving off-site, employees can focus entirely on improving themselves and their teams. A full day of leadership development topics and training, combined with hands-on group challenges, can build a team's abilities.

2. Cross-training experience

Teams that work together seamlessly set the stage for a stand-out culture. Beyond leadership development and team-building, practical cross-training gives employees experience across the business that can pay dividends later. Front-line leaders and team members will better understand the nature of the jobs or departments they interact with, and they'll be able to meet the expectations of other teams more consistently.

Cross-training provides both short-term and long-term engagement. It can be presented to employees as a new challenge or learning experience. Or, it may simply add some variety into the daily routine.

3. Tools

Despite having strong leadership skills and creating a diverse range of experiences for employees across the DC, some leaders are still incapable of serving their team to its full potential, most often due to a lack of tools. Going beyond training investments alone, consider how systems, reporting, coaching mechanisms, and more can create a more capable DC.



LEADERSHIP

Management styles, decision-making approaches, and governance that guide the organization

Leadership is central to any DC's success. Strong leadership across all levels, from General Manager to shift leader, connects vision, mission, and values to the work that gets done on the floor. Leaders must enable teams to reach their goals, demonstrate care for team well-being, and create a consistent employee experience. In distribution settings, many leaders have skills that reflect the on-the-job learning of years in the environment. Yet, we often find soft-skill gaps that prevent our clients from realizing the total value of DC leadership. Establish programs that address these gaps. In turn, you'll strengthen leadership abilities and continue to evolve the journey of employees and leaders alike.

In developing these programs, consider both classroom and on-the-floor training. Classroom training typically focuses on essential soft skills and people-management competencies, including motivating teams, holding accountability conversations, and setting clear performance expectations. On-the-floor training typically involves mentoring for new front-line leader hires and regular job shadowing. The best teams understand that great front-line leaders have earned trust from their team by making the right decisions over time. So, how do DCs give new leaders a chance to start practicing effective decision-making? Successful ones often use a job-shadowing program for supervisors, where supervisors match with counterparts who operate functions up or downstream from their home department. With job shadowing, as part of a more extensive leadership development program, front-line leaders can practice making strategic choices for the team-at-large, garnering trust from their peers and team members.

To make all this training as practical as possible, we recommend creating a SMART goal system for your front-line team. By tracking weekly and monthly goals around communication, performance management, and other topics, leaders can put learnings from training into action.



TEAMWORK

The structure and interactions of an organization, its people, and how they enable or inhibit collaboration

DCs require teamwork to meet their goals. Particularly in DC operations, comprised of a complex system of interdependent actions, teams must learn how to partner together and leverage each other's strengths. From shift hand-offs to understanding concepts like "clean-as-you-go," teamwork helps DCs break down silos for maximum performance. DCs that struggle with collaboration often see highly variable performance metrics and misalignment across different operation areas. For example, a solid inbound team may move through tasks quickly but fail to acknowledge the build-up of work they are creating in the put-away area. The team may also disregard the outbound team's needs and its role in helping that group meet its goals.

You can't build teamwork overnight—not to mention the typical DC deals with above-average turnover in the supervisor ranks relative to other industries. Up against these factors, how can DCs foster productive teaming and collaboration? The key is to create situations outside of the normal day-to-day activities where the group can solve problems without the stress their actual job may create. Consider the opportunities below to foster an environment that practices teamwork in everyday behaviors.

1. Team-building events. Often, the notion of “team-building” conjures up images of a day off-site at a ropes course, but that’s just one example. Even a weekly meeting or daily operations huddle can make a difference. In just 30 minutes, DC leaders can design a low-cost, effective team-building exercise.

2. Problems are projects. Often, experienced or high-performing managers receive the task of solving the warehouse’s problems. Instead, be open to creating small project teams (i.e., two or three leaders) to tackle persistent issues, complete with a report-out to senior management. We’ve found these report-outs work best when structured in DMAIC form (Define, Measure, Analyze, Improve, and Control) and help set the foundation for a process-improvement culture.



COMMUNICATION

Content (language, voice, messaging, substance) and how it’s delivered (formal/informal, medium, channel, frequency)

Communication is likely one of the most visible and well-addressed cultural drivers in your DC. From table-toppers and digital signage to meeting discussions, the ever-present need to share information permeates all we do. Despite communication’s prevalence, we’ve found that DC communication channels and styles can become stagnant or single-focused, using what’s worked in the past to get to the future.

Sites that manage communication actively and effectively continuously think about ways to communicate key messages and ensure that leadership can quickly pivot and respond to employee feedback. It’s about sharing and receiving information to address employee needs while driving towards the tasks required. When it comes to enhancing communication as a culture driver, consider questions like:

- **How can you keep your communication fresh?** Refresh your content, visuals, and messaging weekly to uphold engagement. Avoid repetitive updates, as employees will be more likely to tune out.
- **How can you meet employees where they are?** Beyond traditional forums such as shift starts, consider diversifying your mix of channels, including table-topper or bulletin-board communications. That way, you’ll stay in front of employees throughout their day.
- **How can you foster a more robust two-way dialogue?** Look for opportunities where General Managers or other senior leaders provide business updates directly to supervisors, rather than hearing it second-hand from their shift manager. While the open-door policy is excellent for fostering communication, senior leadership should also step outside its office and address teams more proactively. This small action demonstrates a commitment to transparency and collecting employee feedback.



ENVIRONMENT

The functional (physical layout, décor, amenities, etc.) and emotional (mood, atmosphere, spirit) setting of an organization

Sometimes we walk into a DC and get the “hospital feeling.” Think of white walls and a feeling of discomfort. High-performing DCs acknowledge that the right kind of environments can genuinely improve performance. Why? In part, it’s because your DC’s physical and emotional environment serves as a channel for communicating your values. Rather than the “daily communication,” it is the “daily experience” your team receives.

With the right environment, values go beyond being seen and heard by team members to being felt and embodied. Environment often manifests in the physical layout and mood of the DC. For instance, DCs often address critical topics such as cleanliness and safety, but the real challenge is whether the environment creates a space for teams to care about and act upon these values. For instance, how does the team continuously rally around safety as a value? In great DC cultures with a positive environment, safety is *felt* everywhere, not just seen or heard. The same goes for performance and other team values.

COVID-19 underscored the stark contrast between DCs that merely communicated and those that cared. This contrast primarily comes down to the environment. For example, many DCs had all the appropriate signage and messaging about cleanliness during start-ups. But, if you were to go out on the floor or in the cafeteria, a lack of cleanliness called into question whether the team cared. Conversely, some DCs had supervisors on sanitizing shifts, visibly cleaning the cafeteria, entryways, and other high-touch areas throughout the day. By demonstrating their messaging through actions, these DCs created a more positive environment.



MEASUREMENT

Key performance indicators, how they are measured, and their impact on accountability

Measurement addresses whether team member expectations are understood, fair, and accurate. When we build performance programs, we often host a training discussion about everyone's worst job, and why. Setting aside the "bad boss" responses, one of the most common factors is a lack of recognition (or accountability). These complaints often stem from a failure to measure the work done fairly. If you don't trust the metrics, it isn't easy to hold people accountable or recognize those who went above and beyond.

DCs with stand-out cultures recognize the importance of measurement at the individual, team-member, and facility levels. They create performance programs that measure not just *how much* was completed but also *the level of difficulty*. DCs typically advance their measurement capabilities by evolving reasonable expectations to engineered labor standards and using a labor-management system to track activity and individual performance.

Another feature of a robust measurement system is *alignment*. The General Manager cascades goals to front-line leaders and team members, so they have complete control over their results, and those results directly impact the higher-level goals.

While a great measurement system offers performance data that can be trusted and easily understood, it's unlikely to change behavior without the proper performance management routines, such as coaching, feedback, accountability, and recognition. These practices ensure the meaningful use of data.



RECOGNITION

The feedback and review process, and rewards for employee and organizational performance

The most common recognition system doesn't involve any recognition at all. It's the pass-or-fail performance structure.

If your performance program only consists of a "meeting expectations" evaluation, you're missing out on getting the most of your top performers and middle-of-the-pack team members. These programs ("pass or fail") only reward a team member for doing "just enough." As a team member, it's easy to figure this out. Looking for a quick fix, DC leaders may raise expectations, making a passing score more challenging to hit. In the near term, this approach can help shift behavior. Long term, employees will lose trust that the expectation is fair and accurate. In turn, team members and front-line leadership are more likely to challenge the pass-or-fail approach's legitimacy and thought process. Employees will be more inclined to ask, "What's in it for me?" Without a compelling answer, team members are likely to look elsewhere for job opportunities.

In the best DC cultures, performance programs put an equal focus on both recognition and accountability. And it's not just recognizing the "best of the best," but recognizing anyone who shows consistent improvement.

Instead of grouping team members into "Pass" or "Fail," a recognition-based program uses the following evaluation categories:

1. Recognize
2. Coach
3. Hold Accountable

When it comes to performance management, all three evaluation categories are essential for a more robust workforce. If you fail to recognize, top performers will realize their efforts aren't worth it. Failure to coach leads to regression, rather than progression, for middle-of-the-pack team members—this group is typically the largest segment in a DC. Finally, a sole focus on accountability turns management into a game of "whack-a-mole"—a destructive, exhausting method that inevitably builds a culture around fear of failure.

Culture is inherently complex and intangible. But by assessing your DC culture through these eight drivers, you're sure to pinpoint opportunities for refinement and improvement. By focusing on these opportunities, you'll capture the power of culture as your next strategic advantage.

**LET'S
CONTINUE THE
CONVERSATION:**

BRIAN SKERRY,
Expert Practitioner, Supply Chain
Brian.Skerry@northhighland.com

Brian has over 10 years of retail supply chain industry experience, in roles including team member, senior operations leader, industrial engineer, and supply chain strategy consulting. His expertise includes labor management, reward program design, new process design, and process improvement.



DR. KELLI KLINDTWORTH, ED.D.,
Transformation Strategist and Culture Expert
Kelli.Klindtworth@northhighland.com

Kelli is a transformation strategist at North Highland. She has over 17 years of professional experience across all sectors. Her consulting experience includes a focus on cultural transformation, employee engagement, change management, and organizational effectiveness. She is an accomplished project manager, a master communicator/facilitator, and a certified change manager.



ABOUT NORTH HIGHLAND

North Highland makes change happen, helping businesses transform by placing people at the heart of every decision. It's how lasting progress is made. With our blend of workforce, customer and operational expertise, we're the world's leading transformation consultancy. We break new ground today, so tomorrow is easier to navigate.

Founded in 1992, North Highland is an employee-owned firm—regularly named one of the best places to work. We have more than 5,000 consultants worldwide and 65+ offices around the globe. Meanwhile, we're a proud member of Cordence Worldwide (www.cordence.com), an international consulting alliance. For more information, visit northhighland.com and connect with us on [LinkedIn](#), [Twitter](#) and [Facebook](#).

Copyright ©2021 The North Highland Company. All Rights Reserved.