

How Under Armour accelerates and sustains omnichannel start-up success with performance management

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ABSTRACT

In the last decade, retail and distribution operations have experienced the ever-evolving omnichannel demand of their customers. For many supply chain organisations, solutions for the omnichannel shift were implemented in existing warehouse space. By taking to the oars, the marketplace has been able to meet their customers' omnichannel demand, but for how long? In many cases, operations have been retrofit beyond reasonable efficiency and without room for scale. Under Armour's

Baltimore distribution house experienced the same. The strategy for a distribution house start-up, designed with omnichannel in mind, became the clear path forward. Much like the omnichannel shift, facility start-ups have many unique challenges. As Under Armour prepared to open the doors of the omnichannel distribution house (ODH), a broader start-up strategy emerged. The distribution team elected to implement a holistic performance management programme, including leadership training, process improvements, engineered labour standards and labour management software tools. Performance management, while not commonly implemented at the beginning of a facility life cycle, would create a continuous improvement culture for the ODH team, establishing resilience to change and motivation to overcome obstacles common with warehouse start-ups. In this paper, we will share how Under Armour utilised this performance management strategy to overcome human and operational start-up challenges and accelerate success in their ODH.

Keywords

omnichannel, performance management, facility start-up, leadership development, teammate engagement, automation

BACKGROUND

Established in Baltimore in its infancy, the Under Armour supply chain network was anchored in a patchwork of four legacy facilities throughout the greater Baltimore area. Evolving over several decades, the fulfilment operation utilised creative solutioning across the interim years to meet business changes and growing customer demand. With each new distribution challenge, Under Armour leaders and teammates maintained a ‘find a way or make a way’ attitude.

Like other retailers, however, omnichannel demand proved a challenge too difficult to scale in the already segmented Baltimore network. In 2016, the operation began to face increasing stress in its attempt to meet decreasing lead times between customer engagement and product delivery. With significant growth across the e-commerce, retail and wholesale channels, the existing systems and processes would no longer be able to adapt. Under Armour moved to consolidate leader and teammate capabilities, operational design concepts and systems under one roof.

Design for the highly automated

omnichannel distribution house (ODH) began in late 2016. The ODH would incorporate best practices from across its existing facilities with new technology and operation solutions to meet today’s demand and prepare for tomorrow’s unknown.

CHALLENGE

The prospect of a facility start-up is challenge enough, able to stump even the most seasoned distribution professionals. Under Armour’s ODH start-up undertook additional layers of complexity by combining multiple distribution teams and operating solutions.

The ODH start-up challenges can be summarised into four categories:

1. *Culture*: While all part of the strong team-focused Under Armour culture, each Baltimore DH team maintained its own facility specific subculture. Like many aspects of culture, teams are not often aware of the subtleties of their subcultures until challenged to change or conform to another culture. This can be a difficult change to

overcome, even when it is perceived as positive by all team members;

2. *Systems and technology:* Across the Baltimore distribution network, a variety of systems were used to support facility operations. From warehouse management software to fulfilment logic to automation solutions, each of the four Baltimore DHs had a unique combination of system interfaces for leaders and teammates to complete their work;
3. *Operation design:* Scaling up and evolving over time, distribution operations were not integrated across the Baltimore network. Due to differences in equipment, automation, layout and other important design factors, standard operating procedures and best practices differed from facility to facility;
4. *Consumer expectation and demand:* In the years prior to the ODH start-up, the Baltimore network had transitioned to primarily fulfilling e-commerce and retail volume. As mentioned, omnichannel demand was growing across the US DH network, requiring fulfilment across less familiar channels and a complex matrix of customer expectations.

PERFORMANCE MANAGEMENT

Of these four challenges, systems upgrades and integration, engineered operational design and team member onboarding would address many of the complexities of a new single-facility distribution house. As important, and often overlooked in facility start-ups, was the need to ensure leaders and teammates from across the Baltimore network brought their individual capabilities together to achieve distribution success. To address this concern and increase the

ODH team's capacity to handle change, Under Armour leadership implemented an integrated performance management programme in year one of the ODH start-up.

The performance management implementation strategy was designed to complement the phased transition to the ODH from the Baltimore DH teams by:

1. Providing teammate coaching and mentoring to improve individual performance;
2. Developing leadership capabilities for understanding the omnichannel business, engaging teammates and driving results;
3. Validating and refining facility design and engineering models;
4. Implementing process improvements from team member feedback, obstacles and lessons learned;
5. Defining preferred methods for each direct labour function;
6. Developing engineered labour standards to accurately measure the effort required to complete each operation;
7. Implementing a labour management software and reporting toolkit.

This approach, focusing on leaders' and teammates' capacity to navigate change, proved to be an effective strategy for overcoming the usual obstacles of facility start-up (unriddling building flow, design defects, inventory transition), while forming a new facility culture for the broader Baltimore supply chain team.

APPROACH

As business teams across the Baltimore network defined and implemented transition strategies for inventory and teammate consolidation to the ODH,

operations and project teams were working on-site at the new distribution house to manage day-to-day fulfilment operations. Frontline leaders and teammates were learning new operational processes, managing omnichannel product flow and tackling systematic complexity. The performance management implementation was completed in parallel with these activities, creating an outlet for change management and encouraging continuous improvement, through five phases (see Figure 1).

Phase 1: Improve

It is hard to imagine a newly automated facility having opportunities for process improvements. If you have participated in a facility start-up, however, you will have experienced this common reality of large-scale end-to-end operational design. Inevitably, when the designed operation goes live, defects, improved methods and opportunities are identified. If ignored, these can become long-term

obstacles in the operation. Instead, the operations and engineering teams should utilise teammate expertise (even in a new operation) to identify and remove bottlenecks, obstacles or inefficiencies.

In the ODH performance management implementation, the project team collected feedback from teammate expertise through brainstorming sessions. These 30-minute, off-the-floor focus group sessions provide an opportunity for teammates to share their ideas. After the sessions, operations leaders and engineers partnered together to explore feedback on the floor, in the operational context.

By partnering with warehouse teammates in this way, leaders and engineers gained the following:

1. *A hands-on knowledge of the most impactful operational opportunities for improvement:* These opportunities can be followed up with solutioning, testing and improvement implementation. Some of these opportunities



FIGURE 1: Facility start-up performance management implementation project phases: improve, align, measure, train and integrate

will provide ‘quick win’ improvements to the day-to-day operation. Quick wins increase employee engagement but will not remain the focus of the long-term programme. Larger process improvements will need to be addressed to sustain the year-over-year success and sustained performance management results;

2. *A sense of what is important to the teammate population:* If teammates talk to you for 25 minutes about the warehouse operation, they will inevitably spend 5 minutes sharing other concerns that are important to them (not enough microwaves, broken ice machines, the need for staggered breaks, etc.). Teammates will always share what is important to their quality of life at work if you exhibit a willingness to listen and follow up;
3. *Programme curiosity and initial adoption through quick wins:* When teammates see their ideas put into action and communicated back to them, the seeds of performance management programme adoption are planted.

Phase 2: Align

After implementing process improvements, operations, engineering and other key stakeholder groups aligned on a ‘one best way’ methodology for completing each warehouse operation. This alignment included each of the following steps:

1. *Agreement on operational preferred methods for all shifts:* There are few things more damaging to overall facility teamwork than an underlying feeling that one’s individual success is dependent on their shift or that another shift does not contribute to facility success. Obtaining agreement

on preferred methods across shifts will go a long way at start-up to ensuring team cohesion;

2. *Documentation and sign-off of preferred methods by senior sponsors and stakeholders:* After the operational preferred methods have been agreed, they should be documented and signed off by senior sponsors and key stakeholders;
3. *Teammate training and follow-up:* After alignment, teammates should be trained on any preferred methods that have changed. Training is an important step in preparation for the development of engineered labour standards as well as closing the loop on teammate brainstorming sessions and feedback;
4. *Commitment to maintaining preferred methods.* Operational consistency is key for an engineered labour standard and performance management environment. After aligning on preferred methods, both operations and engineering team members must be committed to using a robust change control strategy for future process adjustments. Later in the programme life cycle, this will ensure that standards are maintained and continue to accurately reflect operational effort in each job function.

Phase 3: Measure

In this phase of the implementation, the project team developed direct observation multi-variable engineered labour standards. Through on-the-floor time study data collection and analysis, the engineering team was able to overcome the common mistrust teammates feel toward operational rates and performance goals.

‘How was my rate determined?’; ‘How is my performance calculated?’;

‘Does this benchmark accurately reflect the effort required to complete my job?’ These, and many more questions, are addressed through on-the-floor standard development, embracing a ‘nothing to hide’ approach to performance. After standard development, teammates and leaders received a briefing to educate them on the results of the standard for their home department and functional areas.

After sign-off, the standards were configured in a labour management software (LMS) tool. The LMS tool provides leaders near real-time performance data for their teammates and functional departments, enabling regular interpretation and actionable decisions to be made throughout the course of the daily operation.

Phase 4: Train

Performance management, commonly referred to as labour management, is a leadership tool. As with any tool, proper training is important to the short and long-term adoption and effectiveness for those using it. In this phase of the programme implementation, the project team engaged with both frontline leaders and teammates to complete on-the-job training.

Leaders

Performance management training for leaders was completed through a combination of classroom training and on-the-job practical application. The project team partnered with leaders to implement the distribution leadership routines required to effectively utilise the investment of the performance management tools.

The routines include daily habits such

as staff planning, report review, start-up meeting and teammate coaching. While you may have encountered these routines in your distribution experience, we find that most frontline leaders struggle to effectively and consistently deliver these routines to their teams, either through lack of training or the ‘tyranny of the urgent’.

After providing focused classroom training, our project team joined leaders in their work environment to practise effective routines. Leaders learn the routines through an observe–practise–lead training approach.

1. *Observe*: Leaders shadow a certified distribution leadership routines trainer, seeing each routine completed in their home department. Throughout this training session the leader can ask questions and the trainer will share not only the how-to behind each routine, but the fundamental ‘why’ that helps drive sustainable results in the leader’s business;
2. *Practise*: Trainers take a step back and allow leaders to practise each routine. In this phase, the trainer partners closely with the leader to ensure their questions are answered throughout the training session while still enabling them to ‘get their hands on’ the routine. Leaders receive effectiveness feedback as they go;
3. *Lead*: In this training session, a leader will complete their routine independently. Afterward, trainers will follow up to help with troubleshooting, answer questions and provide additional feedback.

After the project team completed on-the-job training for leaders, the programme began to mature. Like most change initiatives, departments in which

leaders quickly adopted these routines began to see results quickly, while areas with a slower adoption of daily and weekly routines experienced a lagging progression to success.

Some companies find it difficult to justify this level of leadership investment, fearing leadership turnover or lack of engagement will lower the return on investment for training efforts. To the contrary, we find that the investment in leadership development created a stronger overall facility culture for frontline leaders, equipping them to make actionable decisions, improving their quality of life at work and reducing job confusion or dissatisfaction. Leadership's adoption of the performance management programme became the turning point in improved facility performance and sustained business results.

Teammates

As programme go live, teammates in each operational department received one-on-one performance coaching. Through this focused, one-hour training session, leaders or project team members would partner with teammates to observe their methods, pace, overall utilisation and obstacles. At the end of each observation, teammates received personalised performance feedback from their coach, helping them maximise their performance achievement within the operation.

Throughout this training effort, performance became a two-way conversation for leaders and teammates. At this point in the project, early buy-in that was gained through teammate brainstorming sessions and inclusion in the standard development process paid dividends in overall programme trust. By partnering with teammates to identify and remove obstacles that prevent excellent

performance, leaders continued to gain valuable performance insights into their functional operations. As important, teammate engagement became foundationally strong in the overall performance culture of the facility.

Phase 5: Integrate

In this phase, the project team assisted Under Armour in integrating the project accomplishments into the day-to-day activities of the Under Armour ODH team. Effective integration of the programme into all aspects of the business (human resources [HR], information technology [IT], engineering, operations, budgeting, forecasting, etc.) allowed the programme to mature sustainably.

A key component of integration is a robust standard maintenance plan. As with any employee measurement tool, long-term trust in the metrics is critical for ongoing engagement and results. If standards are not maintained, leaders and teammates can (and will) find flaws in their performance data and, ultimately, stop using this valuable tool to inform business decisions. Standard maintenance became a core programme activity for the Under Armour engineering and operations teams, continuing even through today.

RESULTS

In the months that followed implementation, the ODH team achieved significant improvement across business key performance indicators (KPIs) as a result of overcoming their four primary start-up challenges:

1. *Culture*: The many teams of the Baltimore DH network became one,

committed to the Under Armour core value of 'fighting on together'. Leaders, teammates, shifts and departments partnered together to address start-up obstacles, identify and remove operational defects or inefficiencies and drive business results. The team's commitment to drive start-up success became the foundation for a new facility culture, motivating all team members toward continuous improvement and excellent performance;

2. *Systems and technology*: In contrast to their previous Baltimore DH network, the ODH utilised integrated systems and user interfaces to streamline ease of access and decision support for leaders. With the addition of an LMS, leaders were able to translate business decisions to overall team performance, learning how human decisions have an impact on business success. In particular, the introduction of automation and a waveless pick strategy proved to be a large obstacle for leaders. By working together across departments, leaders unriddled their new tools and achieved greater success together;
3. *Operation design*: Designed with omnichannel fulfilment in mind, the ODH operations were set up to prioritise work based on volume while still meeting demand across various channels. Using conveyance and goods-to-person workstations, the ODH team was able to move product through their operation successfully;
4. *Consumer expectation and demand*: Operating to meet a variety of customer service commitments with equal focus, the ODH team improved overall reporting for their service level agreements (SLAs) and tackled the complex matrix of customer demand across wholesale, retail and e-commerce channels.

By overcoming these challenges, individual teammate performance improved by an average of 32 per cent and on-standard utilisation raised by 13.5 per cent. In the first 12 months after implementation, Under Armour experienced greater than 70 per cent reduction in cost per unit at the ODH (see Figure 2). More importantly, these business results are being sustained even through year two by the established continuous improvement mindset and culture. Overall, the project methodology has been instrumental in overcoming start-up struggles and continues to produce dividends months after the official end date of the project.

CONCLUSION

Performance management is a recognised and widely accepted tool across the distribution marketplace. Still, it is not commonly utilised in a facility start-up environment. Many companies view the investment of performance management as ideal for a 'steady state' operation and elect to wait for a solid performance baseline before layering in leadership skills training, engineered labour standards or LMS. We believe companies, like Under Armour, can utilise performance management to ensure leaders and teammates achieve greater start-up success, stronger resilience to change and a motivated commitment to continuous improvement.

Under Armour's Baltimore DH network was facing significant challenges in its facility start-up by blending a variety of teams, systems and operating concepts to meet the complexities of a growing omnichannel customer demand. The company expertly utilised the training structure and engineered metrics of performance management to overcome start-up roadblocks.

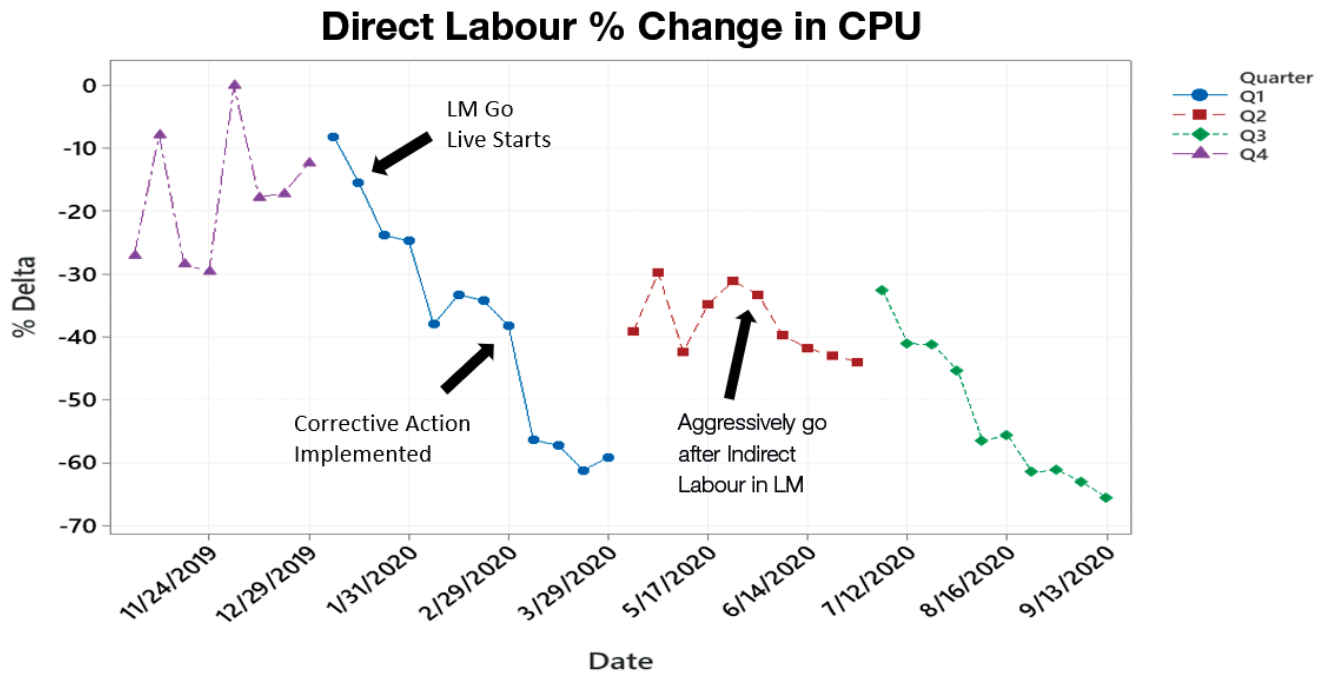


FIGURE 2: Performance improvements have positively affected ODH cost per unit across various phases of the programme implementation, including engineered standard go-live and training, corrective action implementation, and a focus on measured indirect labour hours. Overall cost per unit has benefited 70 per cent across facility operations

It is clear from this programme implementation that leadership development is the key to unlocking performance management results.

1. Leaders who adopted and utilised performance management routines on a daily and weekly basis found their start-up equilibrium more quickly;
2. The leader-to-teammate performance relationship was marked by two-way communication and partnership, leading to a stronger commitment to

individual and team success from all sides;

3. Leaders took more responsibility for department performance by directly controlling factors that would typically throttle department flow and slow start-up engagement.

As the ODH performance management programme matures, leadership commitment remains the greatest driver for teammate engagement and ongoing operational success, with continued business results being realised each day.