

Effectively managing the business basics

Companies within the UK food sector supply chain face massive challenges. Processors are under increasing pressure to produce more options, meet volatile changes in demand, constantly improve quality while still keeping prices to a minimum. In such an environment effectively managing the workforce and keeping a tight rein on production costs is essential, especially the labour element that still tends to predominate in many food businesses. Lincolnshire based QV Foods is one producer that is now in a far better position to achieve this necessary control, having significantly enhanced its HR and cost control capability, through the implementation of the integrated 'Equator' HR solution from K3 Syspro (K3).



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At a glance

Company

QV Foods

Industry sector

Processing and Distribution
• Fresh prepared potatoes

SIC Code

10390
• Other processing and preserving of fruit and vegetables

Number of employees

520 +

The challenge

- Processers are under pressure to meet volatile changes in demand
- Constantly improve quality while still keeping prices to a minimum
- Tight margins so cost control is essential
- Spreadsheets used for job costing
- Time consuming to update a number of systems and potential for data entry errors

Solution & services

- K3 Syspro Human Resource Management

The benefits

- Single source of HR data and a seamless process for updating labour and cost information
- Time consuming administrative activities been eliminated
- Accurately captures all the work movements of both the workers who clock in and from hired gang members
- The system now enables the company to rapidly and accurately allocate payroll overhead to each line within each business, irrespective of workforce movement, on a daily basis.
- Operational management at QV Foods has been significantly enhanced due to accurate cost analysis as close to real time as possible.



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QV Foods Ltd is a leading supplier of fresh prepared potatoes for the major retailers, major food manufacturers and food service companies. With a turnover of around £42m per annum and a workforce of over 300, the company is no 'small fry' and is in fact the largest single site fresh potato packing operation in the UK. This enables the company to offer customers major advantages; from being a single port of call for all their fresh potato needs; any type of potato, any pack format, 52 weeks of the year, to economies of scale. In addition, to improve responsiveness it has established individual business units that each focus on a single customer.

However, the company's size does not make it immune from the volatility of demand that is typical within the food industry, and so its business efficiency is highly dependant on both workforce flexibility, and with margins very tight, cost control. Any unnecessary cost incurrence can prove painful.

Tina Knowles, Group Management Accountant, explains, "The production requirements on the different business units can change significantly on a daily basis and so managers have to constantly match demand with resources. This can mean moving people, even part way through a shift, between production lines within a unit.

"In this environment not only do managers need to be able to establish who is working where and when, but any movements have to be tracked to ensure labour costs, which is a key indicator, are allocated accurately, and that managers understand what costs they are incurring."

But, until a few years ago, this balancing act was often made extremely difficult due to the company's HR systems. As Mike Porter, IT manager, reports, "We previously used an independent T&A system that was loosely integrated to a Payroll package. Job costing was undertaken manually using a spreadsheet, with data transferred manually from payroll

This combination of independent and manual HR packages meant that not only was essential data stored in a variety of systems, and hard to extract quickly, but updating it was time consuming, and prone to re-keying errors. The whole system struggled to keep an accurate track of people movement, especially between business units, as it relied on bits of paper being passed about. As a result, key staffing and cost data was often only available to the business managers on a weekly basis, and this sometimes presented managers with 'nasty' shocks. Recognising the need to get managers much closer

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Mike Porter, IT Manager



to 'real time' staffing and cost information, the company turned to the Equator HR suite from K3. "After looking around at various products, we found that Equator was the only one at the time to not only offer fully integrated T&A, Payroll and Personnel modules, but could also provide Job Costing functionality," says Porter.

With Equator QV Foods has a single source of HR data and a seamless process for updating labour and cost information. Not only have time consuming administrative activities been eliminated, as data for all new workers only has to be entered once, but also the system now accurately captures all the work movements of both the workers who clock in and from hired gang members. Moreover, the system now enables the company to rapidly and accurately allocate payroll overhead to each line within each business, irrespective of workforce movement, on a daily basis



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Data is collated within the T&A module, and then automatically posted to the payroll module. Any exceptions, from people working on different shifts or mis-clockings, are then sorted by the business units first thing every morning and corrections are sent to the Accounts department. With the corrected data, the job-costing module is run. This primarily calculates the exact payroll cost for each unit for the previous day's production, taking into account each workers wage rate, break entitlement, any lateness, overtime, etc, and then produces a cost breakdown analysis report, detailing daily total cost for a unit and line and the labour cost per tonne.

At the end of each week another report compares cost analysis against actual payroll, and this helps filter out any minor discrepancies not picked up during the week.

"Now, not only are we extremely confident that the real cost are being absorbed by the right unit, but managers now have access to the accurate cost analysis as close to real time as possible. Up to date reports are ready for use by the management team during each morning's production meeting," states Knowles.

As a result, operational management at QV Foods has been significantly enhanced. She added: "The job costing data we now have enables each unit to closely monitor cost against budget, especially the labour cost per tonne, which is a main KPI, and quickly act on any production issues which cause any variances. Essentially, the data ensures any production problems, which can quickly eliminate margins, do not stay hidden for any length of time."

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