Why Trucking Companies Fail

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Increasingly, trucking company owners and CEOs are establishing truck driver pay-for-performance programs comprising defined performance goals and bonus pay when goals are met.

However, pay for performance (P4P) is part, and only part, of a bigger program called "performance management," and truck drivers are part, and only part, of a trucking company's total employees.

When a performance management program, or PMP, is incomplete in terms of content, employee scope or both, a trucking company has a much greater chance of failure.

The four cornerstones of a successful PMP are:

- Value-focused job descriptions
- Performance goals
- Financial rewards based on goal achievement
- Best activities training

Because truck driver P4P has received most of the recent press in this area, let's explore instead the profitability opportunity trucking companies can receive from a PMP for management personnel using a vice president of sales position as our employee example.

A traditional job description for a VP of sales has as its main focus revenue growth (after all, the word "sales" is in his or her title). But is that the best focus? Is revenue growth the greatest value opportunity of the VP of sales position? Consider this:

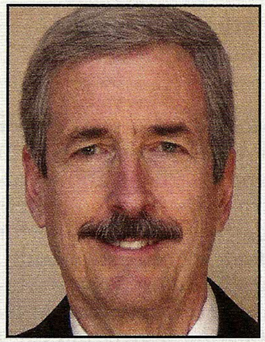
Freight networks are dynamic and full of costly inefficiencies such as empty lanes, underrated freight and frequent delays. Moreover, a network's customer portfolio can be dangerously overweighted, allowing a handful of large shippers to dictate unprofitable pricing and operating conditions. The geographic reach of the network is also important, as it affects home time, hiring regions and driver productivity.

Revenue growth by itself will not fix these issues. Unfortunately, the top sales employee in many trucking companies often is not assigned specific responsibility and goals for addressing similar network cost concerns, even though that position has the greatest influence with the customer base.

An effective PMP begins with developing job descriptions that clearly define the responsibilities that provide the greatest value for specific positions within the organization. Even a job title by itself can suggest (and possibly misdirect) a focus of responsibility. If our VP of sales instead was titled "vice president of network optimization" and assigned responsibility for addressing specific network issues and revenue growth, might not he or she add more value?

The revised job description and performance goals for our retitled vice president of network optimization could include eliminating deadhead miles (sales for empty lanes), reducing driver detention, improving customer balance, increasing revenue, etc.

When value-based job descriptions and responsibilities are defined, the trucking company owner or CEO then would assign performance targets for those responsibilities and define the P4P bonus opportunity.



The final cornerstone of an effective PMP is "best activities." A common industry example can be found on the driver side, where many trucking companies have no-idling policies and teach fuel-sipping driving techniques to support miles-per-gallon goals.

A best activities example for our vice president of network optimization might include working with the finance department to identify costliest detention points and developing cost summary business cases to bring to the customers.

Another example could be securing driver manager approval before bidding on new traffic lanes, to ensure network fit.

A PMP's goal is to provide significant bottom-line opportunity by narrowing the performance gap between current and optimal employee performance. This is just as important for the executive group as it is for truck drivers. By redirecting a department head's responsibilities to increase the value he or she adds to the bottom line, you are, in effect, redirecting the efforts of all the employees assigned to that executive. That provides a powerful opportunity for improved profitability.

PMPs also should be developed for many middle managers, especially those who have a significant influence on cost and profitability. The terminal manager and driver manager employee groups are of particular importance because of their influence on driver performance.

Any employee that manages 20 to 50 drivers and makes literally hundreds of decisions a week that affect variable costs and profitability should be on a well-designed performance management program.

A PMP that lacks content will lack results. You can establish a performance goal of 2,300 miles a week for drivers and offer quarterly bonuses when it's met, but without driver training and coaching on how to improve productivity, i.e., best practices, results will fall short of expectations.

Likewise, a PMP that lacks employee scope also will lack results. Truck drivers may have very specific performance goals, but if driver managers are not provided with their own PMP with goals and financial incentives aligned with driver performance success, results will fall short of expectations.

Perhaps the most fundamental success factor of any organization is that the higher the employee performance, the more likely the company will succeed. This holds true regardless of the size or type of an operation.

Trucking companies that place serious effort into optimizing employee performance through use of a well-designed performance management program will be the most likely to succeed. Those that don't — won't.

Based in Grayson, Ga., CostDown Consulting provides trucking companies with performance management, driver retention, driver manager training and operations audit services.