Opinion

Investing in Bottom-Line Results

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Margins are razor thin, even in a strong economy — and this is not a strong economy. Financial survival literally depends on four critical success factors: productivity, cost control, employee retention and customer service.

Let's say you have purchased a service business that has 30 employees, each of whom generates about $150,000 in revenue. That means gross annual revenue for your company is approximately $4.5 million.

The business is both capital- and labor-intensive, requiring $2 million of capital annually for the assets your employees need to generate revenue. It requires another $2.3 million to pay for labor, operating and fixed costs.

You want to hire one person to run the entire $4.5 million business and be responsible for day-to-day operations, employee performance, assets and those four critical success factors.

What will the new employee's job title be? What qualifications, skills and training are needed? What will the salary be?

Here's where it gets interesting. Outside the trucking industry, the answers to those questions frequently are:

- Job title — general manager, director, vice president of operations or chief operating officer.
- Qualifications — at a minimum, bachelor of arts in business plus five years of management experience.
- Training and skills — performance management, cost statement analysis, tactical planning, employee relations.
- Pay — $90,000 or more, with significant performance-based bonus opportunities.

Within the trucking industry, the answers are significantly different:

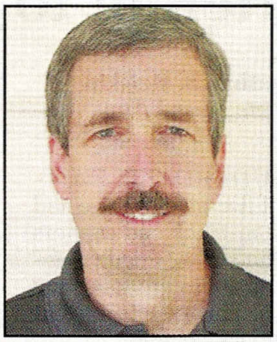
- Job title — driver manager, fleet manager, dispatcher.
- Qualifications — high-school graduate, one to two years of general experience (ex-drivers welcome).
- Training and skills — on-the-job experience, ability to dispatch loads.
- Pay — $38,000 to $55,000, with small bonus opportunities if the company is profitable.

The comparison is valid. Driver managers run multimillion-dollar businesses and have more influence on those four critical success factors than any other group. They make hundreds of decisions a week that define each mile's revenue and cost performance, including dispatches, home time, driver-performance management, backhaul assignments, breakdown resolution, preventive maintenance scheduling, delay claims and more.

Most trucking companies do not fully appreciate the bottom-line improvement opportunity available by investing in their driver managers. Instead, carriers have a history of providing more training, more pay and definitely more respect to the employees the driver managers supervise than they do to the driver managers themselves.

How does the trucking industry view this position? Qualifications for driver manager candidates differ greatly between carriers. They can range from promoting existing drivers and administrative personnel to recruiting new graduates with bachelor degrees and no industry experience — or a combination of both.

However, carrier practices become more universal once the driver manager is hired. Training, a key component to driver manager effectiveness regardless of qualifications, is usually informal; often provided by the terminal of hire and focused primarily on the mechanics of assigning loads, using the computer and documenting calls and problems.



Over time, same-terminal training results in generations of driver managers running their driver group — their $4.5 million business — using the same inherent procedures as all the other driver managers, complete with the same built-in paradigms and limitations.

Trucking executives can assess the effectiveness of their own driver-manager training by objectively answering a few simple questions:

- Do our driver managers know how their decisions affect costs?
- Do they fully understand the technology in place and how to capture the savings it should provide?
- Are they trained in performance management and driver retention?
- Do they have strong tactical planning skills?

Outside the trucking industry, a "no" answer to any of those questions would be unacceptable from any manager responsible for that level of revenue and cost.

As with training, driver-manager compensation also is lacking. Admittedly, trucking margins don't allow for base salaries comparable to driver-manager counterparts outside our industry. However, performance-based bonuses provide opportunity for individual performance to generate financial rewards more than offset by increased profitability.

For example, if a driver manager exceeds performance goals and improves his driver group's profitability by $55,000, a 15% to 20% bonus would be a reasonable incentive to encourage more of the same.

Trucking executives invest large sums in technology, using return-on-investment and payback period analysis to choose which investments would most improve financial results. Investment choices typically target a specific, single benefit. For example, auxiliary power units reduce fuel costs, while trailer-racking software reduces total capital needs for trailers.

However, using the same ROI and payback analysis for driver-manager development would show that investing in professional training for the employees who manage your daily operations provides a much broader scope of benefit and considerably higher return potential at a capital cost significantly lower than any technology choices.

It also is immensely cheaper than any technology choice. Per-employee training costs approximate what many carriers pay a driver in annual bonuses. In effect, financial incentives for driver managers are self-funding, as only performance that delivers increased profitability is rewarded.

When deciding on investment options to improve profitability, what better choice could you possibly make than elevating the performance capabilities and motivation of those employees who manage your daily operations?

CostDown Consulting, Grayson, Ga., provides programs and training focused on improving driver, driver manager and fleet performance.