By Joe White

Terminal Audits Can Reduce Trucking Costs

Trucking seems headed for more tough times this year as a slowing economy, rising fuel prices and continued driver and technician shortages converge upon the industry. Adding to the turbulence will be moves by shippers who are aggressively seeking rate reductions to offset declining sales.

Controlling costs is always a critical success factor in trucking, but the onset of declining revenue usually triggers the need to find additional cost reduction opportunities. The most effective way to identify those opportunities is through a thorough examination of field operations, also known as a terminal audit.

The purpose of the terminal audit is to define exactly how employees and assets in the field are being managed and to use that information to improve performance, thereby reducing costs.

To be effective, the chosen auditor must be thoroughly versed in operations management and cost control. When visiting the terminals, the auditor's toolbox consists of work observations, report analysis, reviewing established policy and employee interviews.

To illustrate the terminal audit process, take for example an audit of driver productivity. The auditor begins by observing the work of driver managers and documenting the specific activities they perform.

Collecting work observations provides significant insight into the strengths and weaknesses of an audited process. For example, understanding which driver activities are monitored by driver managers would reveal much about how they measure and manage productivity. As the observations build, the auditor gains an understanding of each driver manager's management practices.

Also observed would be how and when driver managers interact with their drivers. These observations center on manager communication techniques and frequency of communication. Of most importance would be how effectively goals and individual performance are communicated, the use of recognition or discipline where warranted, the degree of driver input solicited and joint development of next steps.

The auditor would review existing reports to identify driver productivity trends and to measure effectiveness of the overall program. For example, reports might show trends in company-level driver productivity, which managers have the best/worst performance, how long drivers remain unproductive, and so on. Additionally, the auditor would use information gained from work observations to determine if revised reporting would help the monitoring process and thereby improve productivity.

Policy relevant to driver productivity would also be reviewed. The auditor researches what guidelines, if any, are published and available for managers to follow. For example, there may be corporate policies for disciplining consistently unproductive drivers or an operating manual may detail required procedures for driver reviews.

During work observations, the auditor would constantly question managers on why specific activities are done — or not done. An auditor might ask: Why do you only look at the bottom 5 percent of underperforming drivers? Why don't you document attendance history? How come John Smith was on the underperforming drivers report for three consecutive months?

Managers would be interviewed concerning report usage and policy compliance. What do you use this report for? How often do you use it? What is company policy on disciplining drivers for consistent underperformance?

The interview tool is also used to solicit new ideas. What is wrong with existing reports? What type of report would be more effective? What do you do differently from the other driver managers that you think is effective?

Throughout the audit, an effective auditor is both thorough and aggressive, employing a 'get at the truth' approach and a 'show me' attitude. If responses to questions appear vague, the questions are reworded and asked again until a definitive response is received. If a manager makes a claim (example: to have disciplined a driver three weeks ago), the auditor asks to see documentation.

Driver productivity is just one narrow example. Terminal audits normally include all relevant areas of people and asset management including fleet utilization, fuel management and work schedules.

When the terminal audit is complete, the auditor will provide a results and recommendations report. The report will define specifically how the people and assets at a terminal are being managed and recommendations to improve performance and reduce costs.

The results and recommendations report should be jointly reviewed by the trucking company's executive group and the auditor. The report's improvement recommendations are then reviewed, revised and endorsed by top management, who then issue supporting policy and direct department heads to take appropriate actions.

These new policies and actions are immediately shared with other terminals so that the new processes and associated cost reductions can be quickly disseminated throughout the company's entire field operations.

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