

The Truth — Thanks to an Operations Audit

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Trucking company chief executive officers too often find themselves wondering why investments in technology never generate the return on investment originally forecast, or how nearly identical terminals consistently generate completely different operating results. CEOs are often greatly disappointed when post-implementation results are reviewed — and frustrated because they don't understand why.

Inability to meet forecast ROI and inconsistency in terminal performance often can be traced back to a common culprit — lack of a well-defined process. Here's a good example of the negative effect lack of process can have on a company's performance:

A carrier purchases routing software, which in its testing phase forecasts a total mile reduction of 3%. Based on average monthly miles run, that forecast equates to a savings of \$60,000 per month.

Once the software is purchased, terminal managers come to corporate headquarters for training. Field implementation takes three weeks. Expectations are that in the first month following implementation, 45% of anticipated savings will be achieved with the full \$60,000 monthly savings captured for each following month.

That was the forecast. In reality, the first month after implementation sees \$7,200 (12% of anticipated savings); the second month saves \$17,400 (29%); the third month saves \$14,400 (24%); and months four through six level out at about \$11,400 (19%).

The carrier's CEO sends an operations auditor to visit a terminal and determine what has gone wrong. The auditor finds:

Routes often are run based on driver convenience, not the stop sequence generated by the new program, and the terminal doesn't monitor the actual routes as run by the drivers. Managers have been sufficiently trained, but not the dispatchers who actually use the new software. When new dispatchers are hired, they usually are trained to build routes the old way.

When volumes are low, terminals bypass the new system altogether and build routes by hand to keep all the drivers working. Dispatchers are complaining about the new software, saying it's too time-consuming, and admit they've been using the old routing tool when lots of drivers are waiting. They also say the software doesn't work effectively when new customers are added.

Armed with these audit findings, the carrier finally is able to design processes to support the new routing technology. Based on these new processes, terminal personnel receive training and are required to use Global Positioning Systems and driver logs to spot-monitor actual driver routes on a rotating basis. To reinforce this, a route compliance policy memo from the CEO is posted at all terminals — with discipline for not complying with the new system's driver routes both defined and enforced.

For the next year, all dispatchers will be brought to corporate for

training on the new system emphasizing cost advantages and the non-negotiable requirement that the new routing program must be used.

Low-volume periods are addressed by a report that provides weekly volume forecasts and authorizes driver staffing levels to support them. Managers are responsible for maintaining only the level of drivers needed. Actual driver numbers are reviewed weekly by regional managers.

Terminals are told to start dispatchers using the new routing program earlier. The software's supplier is brought in to address the problems dispatchers have had adding new customers to routes.

Once the new process is in place and the new routing technology used properly, the carrier almost immediately begins to enjoy the monthly savings promised six months ago.

Clearly, lack of a well-defined process for using technology is a significant profit inhibitor for fleet-operating companies, and not just with recently introduced software. Any existing program that influences performance by employees and assets can wind up in trouble if it lacks a well-defined process for implementation.

Getting at the truth of how terminals are managed and identifying where lack of process is having a negative effect on performance is best accomplished with the tool used in our example — an operations audit. Such an audit is an objective, detailed analysis of the processes that influence and control performance by employees and assets.

The auditor's toolbox includes work observations, employee interviews, report analysis and policy compliance reviews. The professional auditor uses these tools to analyze all relevant aspects of the field operation, including driver productivity, fleet utilization, routing, capacity planning, fuel management and maintenance procedures.

Any process that affects productivity is observed, analyzed, critiqued and questioned. The job of an operations auditor is to define precisely how work is currently being performed and to identify any opportunity for "lack of process" to become a problem.

Once the significant findings of an operations audit are reviewed, new processes can be designed that can dramatically improve performance.

Analyzing terminal performance through monthly cost statements and operating reports only provides insight into what performance levels were during that period. To get at the truth about how employees and assets are being managed, the best option is an operations audit.

CostDown Consulting, Grayson, Ga., is dedicated to reducing the costs of fleet operating companies.



Opinion