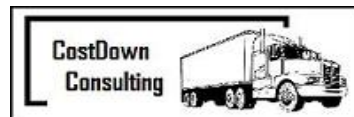


Bottom Line Improvement through Performance Management

“If we keep doing what we're doing, we're going to keep getting what we're getting”

-Stephen R Covey

Developed By:



CostDown Consulting

Programs and Training that Improve
Driver and Fleet Performance

Presentation Copyright: CostDown Consulting 2009

Industry analysts forecast that 2009 and 2010 are going to be tough years for trucking companies as lower freight levels and excess capacity continue through most, if not all, of the next two years.

In response, most truckers have already cut costs, reduced capital spending and captured all the technology efficiencies possible; but for many that will not be enough.

This presentation provides an overview of Performance Management – a program that uses goals, training and financial incentives to improve the performance of your employees - and thereby improve the performance of your bottom line.

Most truckers do not have in place an effective Performance Management Program. Many do not even have assigned performance goals for their employees. That is a huge opportunity lost.

Providing employees direction, training and financial reward for improved performance is the most effective action truckers can take to reduce costs, improve profitability and survive a difficult economy.

Presentation Overview:

- **Outline the 4 basic steps of developing an effective Performance Management Program that will improve bottom line results.**

Presentation Scope:

- **Discussion and examples deal primarily with Performance Management of Terminal Operations Management Personnel – Terminal Managers and Driver Managers – those employees that most influence and control Driver and Fleet Performance.**

Presentation Significance:

- **As you review this presentation, imagine the impact on your bottom line if every employee in your organization improved performance by just ½ to 1 percent. What would happen to profitability if Laden Mile, Driver Productivity, Maintenance Cost per Mile, etc... all improved by ½ to 1 percent? That's the mission of Performance Management – to elevate the performance of your employees in those areas that most impact profitability.**

Begin training...

Performance Management is a program that improves profitability through the establishing of goals and a plan for achieving them.

This training presentation will overview the four basic steps required to develop an effective Performance Management program:

1. Establishing KPIs (Performance Goals)
2. Defining the Activities required to make those Goals
3. Monitoring Reports & Mentoring
4. Providing Financial Incentives for Goal Achievement

Performance Management – Step 1

Establishing KPIs

“A man without a goal is like a ship without a rudder.”

- Thomas Carlyle

1. Establishing KPIs (Performance Goals)

The first step in developing your Performance Management Program is to define your KPIs (Performance Goals).

KPI is an acronym for Key Performance Indicators. KPIs are the performance areas most critical to your organization's financial success.

In trucking, examples of Operations KPIs include:

1. Driver Productivity
2. Laden Mile Performance
3. Injury Frequency
4. Accident Frequency
5. Maintenance Cost per Mile
6. Fleet Utilization
7. Idling Time
8. Driver Turnover
9. On Time Delivery

Select as your
Performance
Goals the KPIs
that most
influence your
financial
performance.

1. Establishing KPIs (Performance Goals)

KPIs need to be established for each employee type, with a focus on the areas of performance those employees control.

KPI Examples by Employee Type – Field Operations

Driver KPIs : Miles Driven / Hours Worked / On Time Deliveries / Accident Frequency / Damages / Idling Time

Driver Manager KPIs : (*For assigned Driver Group*) Laden Miles / Driver Retention / Average Miles Driven / On Time Performance / Average Hours Worked / Idling Time

Terminal Manager KPIs : (*For assigned Terminal*) Driver Manager Goal Performance / Laden Mile / Accident Frequency / Injury Frequency / Maintenance Cost per Mile / Driver Retention / Profitability

1. Establishing KPIs (Performance Goals)

Performance goals for each KPI are defined by starting with baseline performance and then adding an aggressive but obtainable increase

Average Miles Driven by all OTR Drivers: Chicago Terminal				
KPI Calculation: Terminal Manager	2008 Actual Performance			
	Q1	Q2	Q3	Q4
Baseline	93,221	95,442	94,904	96,839
Improvement Multiplier	1.5%	1.5%	1.5%	1.5%
2009 KPI by Quarter	94,619	96,874	96,328	98,292

Note: In the above example, we increased our Chicago Terminal Manager's Quarterly 2009 KPI for Driver Productivity by 1.5%

1. Establishing KPIs (Performance Goals)

Don't assign too many KPIs as you will dilute employee focus. Use at most 5 KPIs in your Performance Management Program.

Driver Manager KPIs		2009 Performance Goals			
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
1	Driver Productivity (Avg Miles)	94,619	95,777	96,000	96,200
2	Laden Mile	85.0%	86.0%	86.0%	87.0%
3	Driver Turnover	34.0%	34.0%	34.0%	34.0%
4	Idling Time (Avg. Hrs./Week)	16.2	16.1	16.0	16.0
5	Injury Occurances	0	0	0	0

Note: Employees must believe that they have the ability and resources to influence (improve) their assigned KPIs or your Performance Management Program will lack credibility.

1. Establishing KPIs (Performance Goals)

REVIEW: Establishing KPIs

1. Establish KPIs for each employee type

KPI Examples by Employee Type – Field Operations	
Driver KPIs :	Miles Driven / Hours Worked / On Time Deliveries / Accident Frequency
Driver Manager KPIs :	- For assigned Driver Group - Laden Mile / Average Miles Driven / On Time Performance / Average Hours Worked
Terminal Manager KPIs :	- For assigned terminal - Driver Manager Goal Performance / Laden Mile / Accident Frequency / Injury Frequency / Maintenance Cost per Mile

Average Miles Driven by all OTR Drivers: ChicagoTerminal

KPI Calculation: Terminal Manager	2008 Actual Performance			
	Q1	Q2	Q3	Q4
Baseline	93,221	95,442	94,904	96,839
Improvement Multiplier	1.5%	1.5%	1.5%	1.5%
2009 KPI by Quarter	94,619	96,874	96,328	98,292

2. Define goals using baseline plus an aggressive but obtainable increase

3. Use at most 5 KPIs for each employee type

Driver Manager KPIs	2009 Performance Goals			
	Q1	Q2	Q3	Q4
1 Driver Productivity (Avg Miles)	94,619	95,777	96,000	96,200
2 Laden Mile	85.0%	86.0%	86.0%	87.0%
3 Driver Turnover	34.0%	34.0%	34.0%	34.0%
4 Idling Time (Avg. Hrs./Week)	16.2	16.1	16.0	16.0
5 Injury Occurances	0	0	0	0

1. Establishing KPIs (Performance Goals)

DISCUSSION: Establishing KPIs

Key Performance Indicators (KPIs) are those performance areas that are most critical to your company's financial success.

The first step in establishing a Performance Management Program is to select the 3 - 5 most appropriate KPIs for each employee group, keeping in mind that employees within those groups must be able to influence (improve) their assigned KPIs.

Assigning performance goals to each KPI involves adding an 'improvement multiplier' to each KPI baseline. Therefore, upon making their goals, employees deliver a higher level of performance and increased profitability to the organization.

Once KPIs are selected and calculated (baseline plus), the second step in development of your Performance Management Program is to define the Activities required to make each goal.

Performance Management – Step 2

Defining the Activities Required to Make Your Goals

“Setting a goal is not the main thing. It is deciding how you will go about achieving it and staying with that plan.”

- Tom Landry

2. Defining Activities to Make Goals

For each KPI, you should define the most effective **Activities** that will help employees from each group make their goals.

Often the best way to define these activities for field management employees is to brainstorm with each employee group, list all activities that might influence (improve) a particular KPI and then select the most effective ones.



When conducting the brainstorming session, use the following 3 step approach:

1. List all Activities currently used to manage each KPI and then have the group select the most effective Activities
2. Add to your list New Activities that could improve performance but currently lack supporting reports or technology
3. Select the best Activities and make Notes on needed approvals, reports and resources

2. Defining Activities to Make Goals

At the end of the brainstorming session, select and summarize the Activities to be used and include notes of supporting issues and resources that need to be resolved.

KPI Activities: Driver Productivity	
<u>ACTIVITY</u>	<u>NOTES</u>
✓ <i>Set Performance Goals for Drivers</i>	NEED TERMINAL MANAGER TO DEFINE GOALS
✓ <i>Conduct Driver Performance Reviews</i>	BI-WEEKLY OR MONTHLY?
✓ <i>Use 'Weekly Mileage & Hours Worked Report' to monitor individual performance</i>	CURRENT REPORT NEEDS REFORMATING
✓ <i>Use Recognition Program</i>	DEVELOP RECOGNITION PROGRAM
✓ <i>Identify individual driver obstacles/patterns: Start Time, Home Early, Too Much Eqpt Shopping...</i>	CURRENTLY BEING DONE BY SEVERAL DRIVER MANAGERS - VERY EFFECTIVE
✓ <i>Check shop reports daily</i>	REPORTS CURRENTLY AVAILABLE
✓ <i>Use discipline where needed</i>	NEED FORMAL DISCIPLINE POLICY

2. Defining Activities to Make Goals

The next step is to Resolve the issues identified in the Notes from your brainstorming session.

<u>NOTES</u>	<u>ISSUE RESOLUTION</u>
<i>NEED TERMINAL MANAGER TO DEFINE GOALS</i>	Goals approved by COO: Local = 53 hrs On Duty/week. Road = 2008 avg miles/mo + 1.1%.
<i>BI-WEEKLY OR MONTHLY?</i>	Monthly per COO. Bi-Weekly would be too hard to schedule and negatively impact productivity.
<i>CURRENT REPORT NEEDS REFORMATING</i>	Format given to IT Department. New report will be ready 3/10.
<i>DEVELOP RECOGNITION PROGRAM</i>	HR Department has completed. Includes plaques and gift certificates (ordered) for top 7% of performers.
<i>CURRENTLY BEING DONE BY SEVERAL DRIVER MANAGERS - VERY EFFECTIVE</i>	Driver Manager Jim Bonnor wrote summary of his procedures and shared with others. His tracking spreadsheet will be used by all.
<i>REPORTS CURRENTLY AVAILABLE</i>	No Action needed.
<i>NEED FORMAL DISCIPLINE POLICY</i>	HR Department has completed. Policy already distributed and training scheduled for 3/7.

Note that the COO resolved Driver Goals and Meeting Frequency, and that the HR and IT Departments also are involved.

Corporate needs to guide development of the Performance Management Program to ensure speedy resolution to problems and consistency in goals and processes.

2. Defining Activities to Make Goals

Finally, summarize the Activities into a Standard Operations Procedures (SOPs) Manual for current and new hire Terminal Operations Employees.

Terminal Operations SOPs

for
Terminal Managers
&
Driver Managers

XYZ Trucking

Keep the SOP Manual Simple. Use outline format with at most one page per procedure.

Example:

How to Conduct a Driver Performance Review

FREQUENCY	Once/Month
PURPOSE	Review Current Performance & compare to goals. Issue necessary recognition, coaching or discipline.
ETC...	

2. Defining Activities to Make Goals

REVIEW: Defining Activities

1. Brainstorm Activities and Resource Needs with individual Employee Groups

NOTES	ISSUE RESOLUTION
NEED TERMINAL MANAGER TO DEFINE GOALS	Goals approved by COO: Local = 53 hrs On Duty/week. Road = 2008 avg miles/mo + 1.1%.
BI-WEEKLY OR MONTHLY?	Monthly per COO. Bi-Weekly would be too hard to schedule and negatively impact productivity.
CURRENT REPORT NEEDS REFORMATING	Format given to IT Department. New report will be ready 3/10.
DEVELOP RECOGNITION PROGRAM	HR Department has completed. Includes plaques and gift certificates (ordered) for top 7% of performers.
CURRENTLY BEING DONE BY SEVERAL DRIVER MANAGERS - VERY EFFECTIVE	Driver Manager Jim Bonnor wrote summary of his procedures and shared with others. His tracking spreadsheet will be used by all.
REPORTS CURRENTLY AVAILABLE	No Action needed.
NEED FORMAL DISCIPLINE POLICY	HR Department has completed. Policy already distributed and training scheduled for 3/7.

3. Outline Activities into a SOP Manual for Existing and New Employees

KPI Activities: Driver Productivity	
ACTIVITY	NOTES
✓ Set Performance Goals for Drivers	NEED TERMINAL MANAGER TO DEFINE GOALS
✓ Conduct Performance Reviews	BI-WEEKLY OR MONTHLY?
✓ Use Weekly Mileage & Hours Worked Report to monitor individual performance	CURRENT REPORT NEEDS REFORMATING
✓ Use Recognition Program	DEVELOP RECOGNITION PROGRAM
✓ Identify individual obstacles/patterns. Too Much Eqt Shipping...	CURRENTLY BEING DONE BY SEVERAL DRIVER MANAGERS - VERY EFFECTIVE
✓ Check shop reports daily	REPORTS CURRENTLY AVAILABLE
✓ Use discipline where needed	NEED FORMAL DISCIPLINE POLICY

2. Assign Responsibility & Resolve Resource Needs (Corporate Oversight required)

Terminal Operations SOPs

for
Terminal Managers
&
Driver Managers

XYZ Trucking

2. Defining Activities to Make Goals

DISCUSSION: Defining Activities to Make Goals

Once your employees know where they are going (Performance Goals) they need to know the best way to get there (Activities).

Define Activities for every KPI within each employee group. For example, Driver Managers might need activities defined that improve Driver Productivity while Terminal Managers might need activities that improve Terminal Laden Mile Performance.

Corporate must be involved in every step of developing the Performance Management Program. Regarding Activity Development, Corporate's role is to ensure that the most effective Activities for each KPI are captured and published in the SOP Manual, and that all supporting resources are provided.

Your Field management team runs your daily operations and manages a significant amount of your costs. You want to provide them with the best possible processes and reports to support their efforts to improve their KPIs and your bottom line.

Performance Management – Step 3

Monitoring and Mentoring

**“ Where performance is measured, performance improves.
Where performance is measured and reported, the rate of
improvement accelerates. ”**

- Thomas S Munson

Progress towards meeting KPIs must be constantly **Monitored and Mentored**. The ability to quickly identify who in the organization is having problems making goals so that you can provide support and coaching is critical to program success.

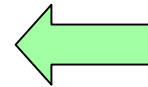
Each level of management needs to monitor the performance of both the employees they manage and their own individual progress towards meeting goals.

Monitoring reports should have the following characteristics:

1. Frequently Updated – at least once per month
2. Displays goals and progress towards goals
3. Compares individual performance to other employees from the same employee group
4. Compares 'roll-up' terminal performance to all other terminals in the company

3. Monitoring & Mentoring

Nashville: Driver Performance by Driver Manager Report - Feb 08				
Driver Manager: Jill Stankowitz				
Assigned Drivers	Jan	Feb	Mar	QTD
Arbuckel, J				
Driving Hrs/Month				
Goal	234	236	236	235
Actual	235	237		236
Variance	1	1		2
Idling Hrs/Month				
Goal	69	68	67	68
Actual	68	68		68
Variance	1	0		1
Barnes, T				
Goal	212	214	214	213
Actual	214	214		214
Variance	2	0		2
Idling Hrs/Month				
Goal	55	54	53	54
Actual	56	54		55
Variance	-1	0		-1
Etc...				



Monitoring Reports need to be designed to allow employees to monitor the performance of the employees they supervise.

February 2008 KPIs - Nashville							
Driver Manager	Driver Productivity				Laden Mile		
	Jan	Feb	Mar	QTD	Jan	Feb	Mar
J Stankowitz							
Goal	234	236	236	235	86.3%	86.7%	87.0%
Actual	235	237		236	86.2%	86.6%	
Variance	1	1		2	-0.1%	-0.1%	
K Albrecht							
Goal	244	245	246	245	86.3%	86.7%	87.0%
Actual	243	244		244	86.6%	86.6%	
Variance	-1	-1		-2	0.3%	-0.1%	
M Astor							
Goal	227	229	231	229	77.5%	77.7%	77.9%
Actual	229	228		229	78.0%	77.9%	
Variance	2	-1		1	0.5%	0.2%	
Terminal							
Goal	230	231	233	236	84.9%	85.0%	85.2%
Actual	231	232		232	84.9%	85.1%	
Variance	1	1		2	0.0%	0.1%	
Company							
Goal	235	237	238	237	85.9%	86.0%	86.2%
Actual	235	238		237	85.9%	86.1%	
Variance	0	1		1	0.0%	0.1%	

Monitoring Reports also should allow employees to see how they are performing relative to others in the same group and how their terminal and company are performing.



3. Monitoring & Mentoring

Each level of the organization Monitors and Mentors their assigned areas.

CEO/President	
Monitors:	Company Performance
Mentors:	Regional VPs
Regional VP	
Monitors:	Regional Performance
Mentors:	Terminal Managers
Terminal Manager	
Monitors:	Terminal Performance
Mentors:	Driver Managers
Driver Manager	
Monitors:	Assigned Driver Performance
Mentors:	Drivers

If, for example, if a Regional VP notices that one of his terminals is consistently not making assigned goals, he is responsible for Mentoring that location’s Terminal Manager, identifying the issues and implementing solutions that will improve performance.

3. Monitoring & Mentoring

REVIEW: Monitoring & Mentoring

1. Monitoring Reports allow employees to monitor the performance of the people they manage

February 2008 KPIs - Nashville								
Driver Manager	Driver Productivity				Laden Mile			
	Jan	Feb	Mar	QTD	Jan	Feb	Mar	
J Stankowitz								
Goal	234	236	236	235	86.3%	86.7%	87.0%	
Actual	235	237		236	86.2%	86.6%		
Variance	1	1		2	-0.1%	-0.1%		
K Albrecht								
Goal	244	245	246	245	86.3%	86.7%	87.0%	
Actual	243	244		244	86.6%	86.6%		
Variance	-1	-1		-2	0.3%	-0.1%		
M Astor								
Goal	227	229	231	229	77.5%	77.7%	77.9%	
Actual	229	228		229	78.0%	77.9%		
Variance	2	-1		1	0.5%	0.2%		
Terminal								
Goal	230	231	233	236	84.9%	85.0%	85.2%	
Actual	231	232		232	84.9%	85.1%		
Variance	1	1		2	0.0%	0.1%		
Company								
Goal	235	237	238	237	85.9%	86.0%	86.2%	
Actual	235	238		237	85.9%	86.1%		
Variance	0	1		1	0.0%	0.1%		

Nashville: Driver Performance by Driver Manager Report - Feb 08				
Driver Manager: Jill Stankowitz				
Assigned Drivers	Jan	Feb	Mar	QTD
Arbuckel, J				
Driving Hrs/Month				
Goal	234	236	236	235
Actual	235	237		236
Variance	1	1		2
Idling Hrs/Month				
Goal	69	68	67	68
Actual	68	68		68
Variance	1	0		1
Barnes, T				
Goal	212	214	214	213
Actual	214	214		214
Variance	2	0		2
Idling Hrs/Month				
Goal	55	54	53	54
Actual	56	54		55
Variance	-1	0		-1
Etc...				

2. Monitoring Reports allow employees to monitor their own performance

CEO/President	
Monitors:	Company Performance
Mentors:	Regional VPs
Regional VP	
Monitors:	Regional Performance
Mentors:	Terminal Managers
Terminal Manager	
Monitors:	Terminal Performance
Mentors:	Driver Managers
Driver Manager	
Monitors:	Assigned Driver Performance
Mentors:	Drivers

3. Each level in the organization Monitors and Mentors their assigned areas

Discussion: Monitoring & Mentoring

Diligence and consistency in Monitoring and Mentoring are critical to improving the performance of your employees.

React quickly to help under performing employees. Their immediate manager should visit with them to observe their techniques, identify their obstacles, review SOPs and provide the necessary coaching and training.

Conversely, recognition plays a large part in the Mentoring process. Corporate should recognize outstanding performance frequently and publically so that employees understand that outstanding performance is monitored and appreciated at the highest levels.

Finally, providing Monitoring Reports that rank employee performance to others in his/her group is an effective way to use competition to further encourage increased performance.

Performance Management – Step 4

Providing Financial Incentives

... when you think about motivation, you need to think about money first.

- Jack Welch

4. Providing Financial Incentive

Providing **Financial Incentive** for employee goal achievement is an important part of your Performance Management Program.

Employees with the opportunity to earn a significant bonus when obtaining their goals are much more motivated.

Your Financial Incentive Program should have the following characteristics:

1. Financial Incentives are funded by Savings realized from Goal Obtainment
2. Payout Opportunities are Significant – at least 10% of Salary
 - Incentives are Paid out regardless of Profitability
3. Incentives are Paid at least Quarterly to Reinforce desired performance

4. Providing Financial Incentive

2008 Laden Mile			
<u>Total Miles</u>	<u>Loaded Miles</u>	<u>Empty Miles</u>	<u>Laden Mile%</u>
40,500,000	34,020,000	6,480,000	84.0%
2009 Target Laden Mile = 85%			
<u>Total Miles</u>	<u>Loaded Miles</u>	<u>Empty Miles</u>	<u>Laden Mile%</u>
40,500,000	34,425,000	6,075,000	85.0%
	Miles Eliminated	405,000	
	Cost @ \$1.62	\$656,100	

Financial Incentives are funded by Savings from Goal Obtainment.

EXAMPLE

Top Box: Increasing Company Laden Mile Performance from 84% to 85% generates \$656,100 in savings.

Bottom Box: 85% of the savings is retained by the company while 15% is allocated to reward employees that make their performance goals.

Money saved if Goal Made	\$656,100	
85% Allocation to Bottom Line	<u>\$557,685</u>	
15% Allocation to Employees that make goal	\$131,220	
Payout if Goal Met:		
	<u>Each</u>	<u>Total</u>
2 Regional VPs	\$13,122	\$26,244
6 Terminal Managers	\$7,655	\$45,927
11 Driver Managers	\$5,368	<u>\$59,049</u>
		\$131,220

4. Providing Financial Incentive

Payout Opportunities are significant - at least 10% of Salary - and are paid out regardless of company profitability.

DRIVER MANAGER OPPORTUNITY AS % OF SALARY	Annual Opportunity
Driver Retention	\$3,000
Laden Mile	\$5,000
Driver Hours Worked	<u>\$5,000</u>
Total Opportunity if ALL goals met:	\$13,000
Driver Manager Salary Range:	37,500 - \$54,000
KPI Opportunity as % of Salary	35% - 24%

Why pay employees when profitability is down?

If employees make their goals and are not rewarded due to poor company financial performance, they will lose their motivation for increased performance anytime they feel volumes or revenue is down.

Keep in mind, the employees that made their goals did improve bottom line performance. Without their efforts, results would have been worse.

4. Providing Financial Incentive

Incentives are paid at least Quarterly to Reinforce Desired Behavior.

Employees need to be able to view progress to goals at least monthly and receive payments at least quarterly.

Note that J Stankowitz made 7 out of 9 possible goals during the 1st Quarter.

Each time a goal is made, an employee performs above baseline & thereby adds money to the bottom line.

J Stankowitz - 1st Quarter 2009 KPI Payout				
KPI: Driver Productivity				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Q1</u>
Goal	234	236	236	235
Actual	235	234	237	235
Opportunity	\$425	\$425	\$425	\$1,275
Earned	\$425	\$0	\$425	\$850
KPI: Idling Hours per Month				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Q1</u>
Goal	65	64	62	64
Actual	65	63	63	64
Opportunity	\$375	\$375	\$375	\$1,125
Earned	\$375	\$375	\$0	\$750
KPI: Laden Miles				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Q1</u>
Goal	86%	87%	87%	87%
Actual	87%	87%	87%	87%
Opportunity	\$400	\$400	\$400	\$1,200
Earned	\$400	\$400	\$400	\$1,200
Payout Calculation:				
Driver Productivity				\$850
Idling Hours				\$750
Laden Miles				\$1,200
TOTAL PAYOUT: 2009 - 1ST QUARTER				\$2,800

4. Providing Financial Incentive

REVIEW: Providing Financial Incentive

1. Financial Incentives are funded by Savings from Goal Obtainment

DRIVER MANAGER OPPORTUNITY AS % OF SALARY	Annual Opportunity
Driver Retention	\$3,000
Laden Mile	\$5,000
Driver Hours Worked	\$5,000
Total Opportunity if ALL goals met:	\$13,000
Driver Manager Salary Range:	37,500 - \$54,000
KPI Opportunity as % of Salary	35% - 24%

2. Payout Opportunities are Significant – at least 10% of Salary

2008 Laden Mile			
Total Miles	Loaded Miles	Empty Miles	Laden Mile%
40,500,000	34,020,000	6,480,000	84.0%
2009 Target Laden Mile = 85%			
Total Miles	Loaded Miles	Empty Miles	Laden Mile%
40,500,000	34,425,000	6,075,000	85.0%
Miles Eliminated		405,000	
Cost @ \$1.62		\$656,100	

J Stankowitz - 1st Quarter 2009 KPI Payout				
KPI: Driver Productivity				
	Jan	Feb	Mar	Q1
Goal	234	236	236	235
Actual	235	234	237	235
Opportunity	\$425	\$425	\$425	\$1,275
Earned	\$425	\$0	\$425	\$850
KPI: Idling Hours per Month				
	Jan	Feb	Mar	Q1
Goal	65	64	62	64
Actual	65	63	63	64
Opportunity	\$375	\$375	\$375	\$1,125
Earned	\$375	\$375	\$0	\$750
KPI: Laden Miles				
	Jan	Feb	Mar	Q1
Goal	86%	87%	87%	87%
Actual	87%	87%	87%	87%
Opportunity	\$400	\$400	\$400	\$1,200
Earned	\$400	\$400	\$400	\$1,200
Payout Calculation:				
Driver Productivity				\$850
Idling Hours				\$750
Laden Miles				\$1,200
TOTAL PAYOUT: 2009 - 1ST QUARTER				\$2,800

3. Incentives are paid at least Quarterly to Reinforce desired Behavior

4. Providing Financial Incentives

Discussion: Providing Financial Incentives

Goal obtainment means an employee exceeded prior period baseline performance, thereby improving your bottom line. That is the mission of Performance Management – to elevate the performance of your employees in those areas that most impact company profitability.

KPI financial incentives are funded from a small portion of the increased profits generated by employees making their goals. Therefore, it is critical that they receive significant and frequent incentive payouts to reinforce continued high levels of performance and profitability.

Pay for Performance is a universally recognized motivator, however providing bonuses simply as a result of having a ‘good year’ does not encourage the specific activities from individual employees that consistently drives increased profitability. Financial incentives for goal obtainment does.



Joe White
CEO
CostDown Consulting

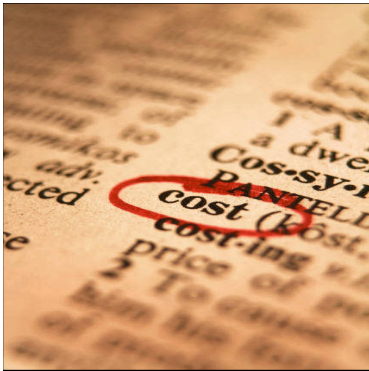
CEOs of large companies, regardless of industry, usually have employment contracts that provide significant bonus opportunities for meeting specific goals. The success of linking financial reward to goal obtainment to increase profitability has long been recognized and embraced by the business community.

These same companies usually integrate a Performance Management Program into their Business Plan by defining employee KPIs and making assumptions about what percentages of those goals will be met.

Surprisingly, most trucking companies have not established a Performance Management Program. I say surprisingly because as an industry we are quick to embrace technology and provide driver training to increase performance and reduce costs but somehow have failed to recognize the huge bottom line potential of providing field management employees pay for performance opportunities.

Our day-to-day operations are run by Terminal Managers and Driver Managers. Each one of them makes literally hundreds of decisions every week that impacts the cost and profitability of our organization. Doesn't it make sense to provide the employees that actually manage our business the goals, direction, resource support and financial incentive to help and encourage them to excel?

Developing a Performance Management Program is not difficult or expensive. If you would like professional help developing your program, there is no better choice than CostDown Consulting. Our [TerminalBoost Program](#) was developed exclusively for Trucking and is the most comprehensive Performance Management program available in our Industry. To learn more or to request a free consultation, our contact information is on the next slide.



Bottom Line Improvement through Performance Management

CONTACT INFORMATION

Joe White

CostDown Consulting

770.995.6071 – Home Office

404.542.3761 – Mobile

JoeWhite@CostDownConsulting.com

www.CostDownConsulting.com

Ask about our TerminalBoost Program

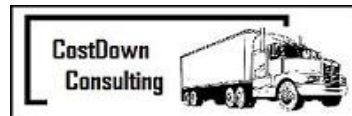
“If we keep doing what we're doing, we're going to keep getting what we're getting”

-Stephen R Covey

Developed By:

CostDown Consulting

Programs and Training that Improve
Driver and Fleet Performance



Presentation Copyright: CostDown Consulting 2009