



Creating High Performance Trucking Companies

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Challenges of Trucking

- ◆ Shrinking labor pool for quality drivers
- ◆ Increase of 25-100% in motor carrier insurance premiums
- ◆ Increase cost per collision / claim
- ◆ Demands for better customer service at lower cost

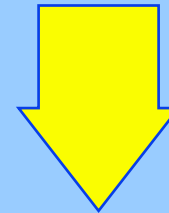
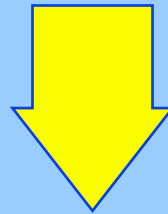
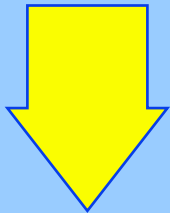


Approach is based on . . .

Joe Scanlon and Carl Frost
developed and tested concept
in organizations since 1940s

Research sponsored by National
Science Foundation, Virginia,
and affiliation of companies

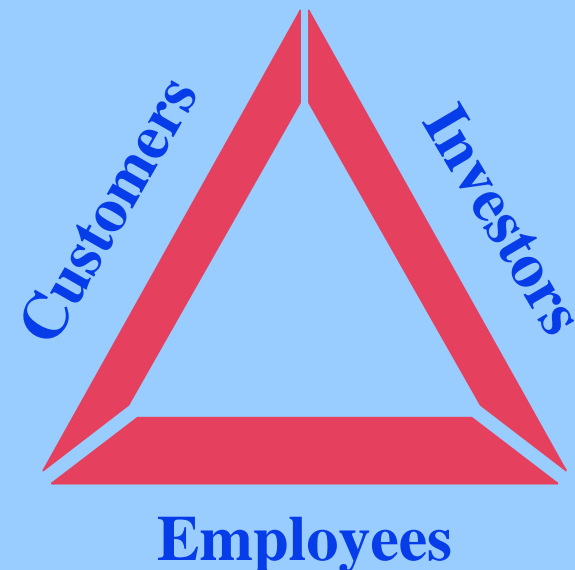
Over 20 years experience
building high performance
organizations and teams



Building High Performance Teams And Companies

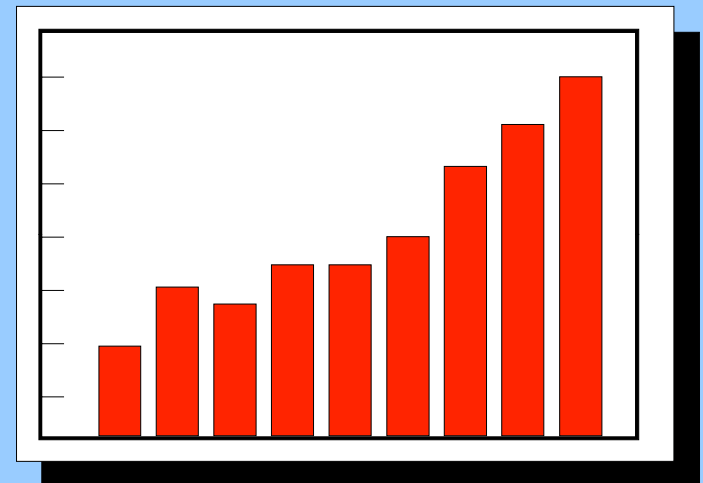
Basic Philosophy of HPCs

- ◆ The best value and service for customers
- ◆ Job security, equity and opportunity for employees
- ◆ The best return for investors

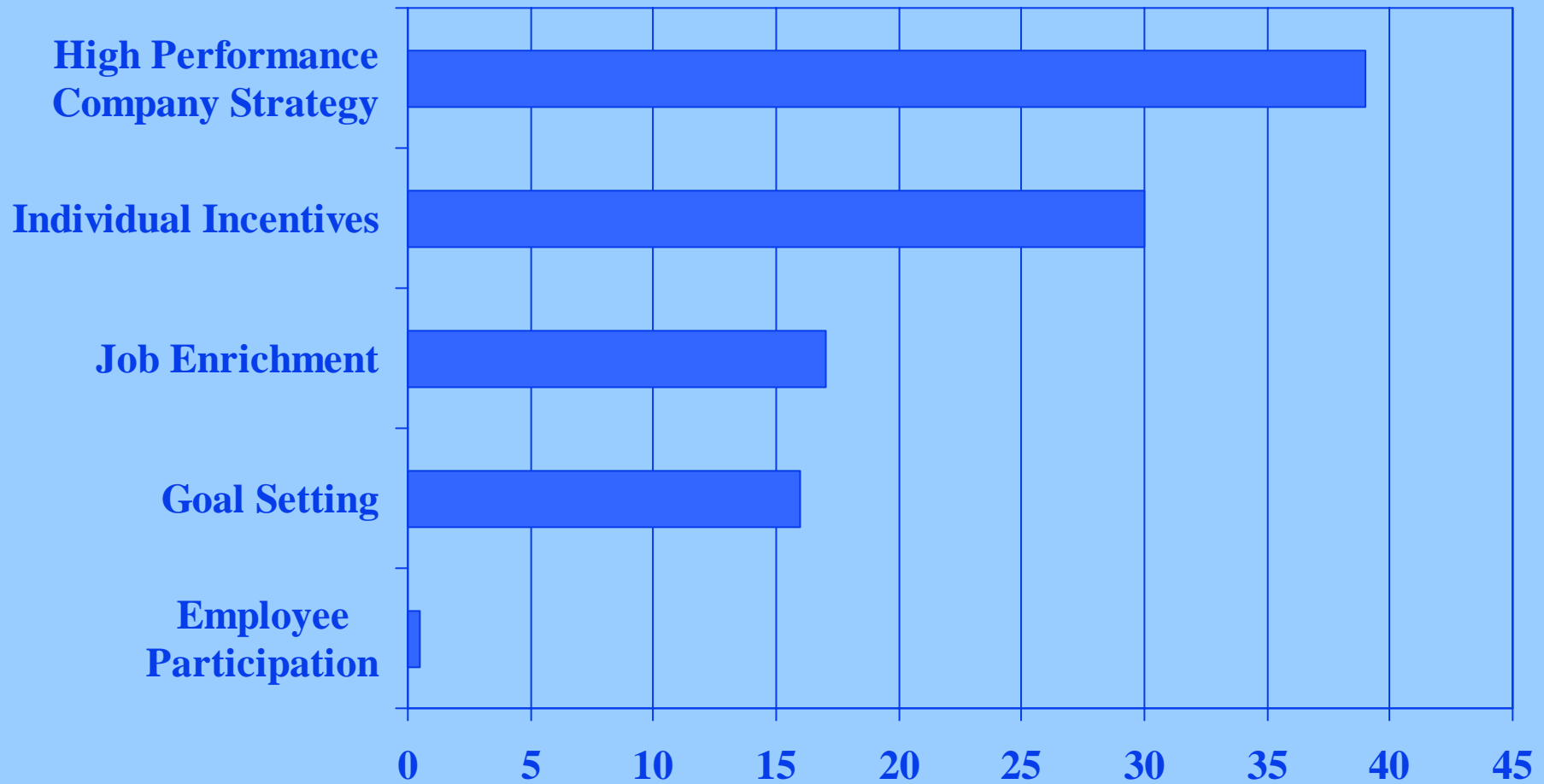


Productivity Improves by . . .

- ◆ Employees have the opportunity to participate
- ◆ Employees have the information to participate intelligently
- ◆ Employees have good reason to participate



% Impact on Performance



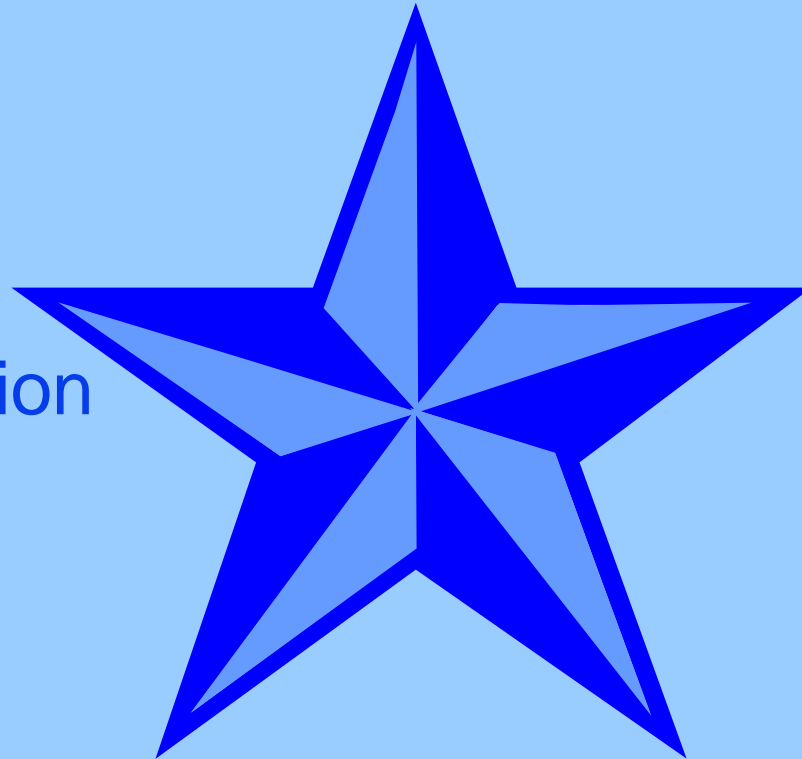
Data from a rigors study by Edwin Locke

High Performance Principles

Identity / Vision

Renewal &
Implementation

Involvement



Employee Competence

Performance Measurement
& Shared Rewards

High Performance Principles

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Employee Competence

Performance Measurement
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Identity

- ◆ What is our business?
- ◆ Who are our customers and how can we best serve them?
- ◆ What do we value as a company?
- ◆ Who are our competitors; what are their strengths and weaknesses?
- ◆ How does the investor contribute to our business?



Exercise: “What Day Is It?”

- ◆ Do EEs know who your key customers are, and why they purchase your services?
- ◆ Can EEs identify key competitors and their competitive advantages/disadvantages?
- ◆ Do EEs know who invests in your company and the contribution that investors make?
- ◆ Do EEs believe that there is a compelling need to change?

Identity Provides the Basis for . . .

- ◆ Articulating a mission and creating a strategic plan
- ◆ Mobilizing the change process
- ◆ Obtaining employee commitment
- ◆ Building employee business literacy
- ◆ Creating meaningful involvement
- ◆ Defining productivity, quality and customer service

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Employee Competence

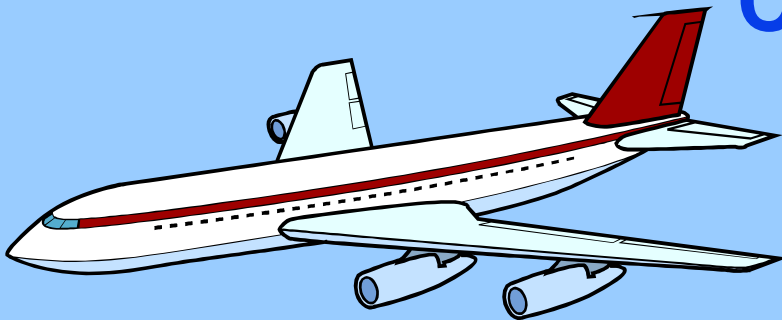
Performance Measurement
& Shared Rewards



One Participation Philosophy

**"I am not going to have the monkeys
running the zoo."**

**Frank Borman
CEO of Eastern Airlines**



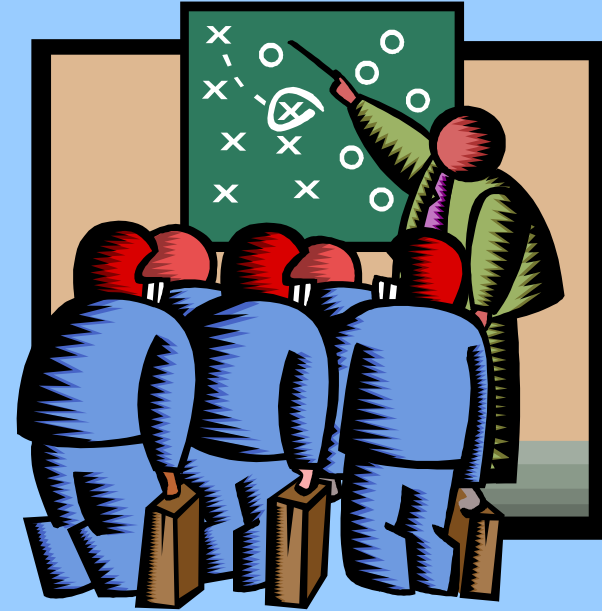
Another Philosophy of Participation

“The difference at Herman Miller is not the lengthened shadow of one man nor the talents of an elite group of managers. The difference is the energy beamed from thousands of unique contributions by people who understand, accept, and are committed to the idea that they can make a difference.”

Hugh DePree

Participation

- ◆ What does it mean to have meaningful participation?
- ◆ How do your employees perceive their level of influence in the organization?
- ◆ The average employee in a HPC contributes over \$2,200 a year in cost-saving suggestions!



Structured Participation Process

- ◆ Production committee
- ◆ Steering or screening committee
 - Education
 - Participation
 - Equity
- ◆ Numerous other forms of participation used



What drivers say they want . . .

- ◆ Involvement in decisions that affect them
- ◆ Good leadership
- ◆ Competency of office staff and dispatch
- ◆ Understand the company vision / direction

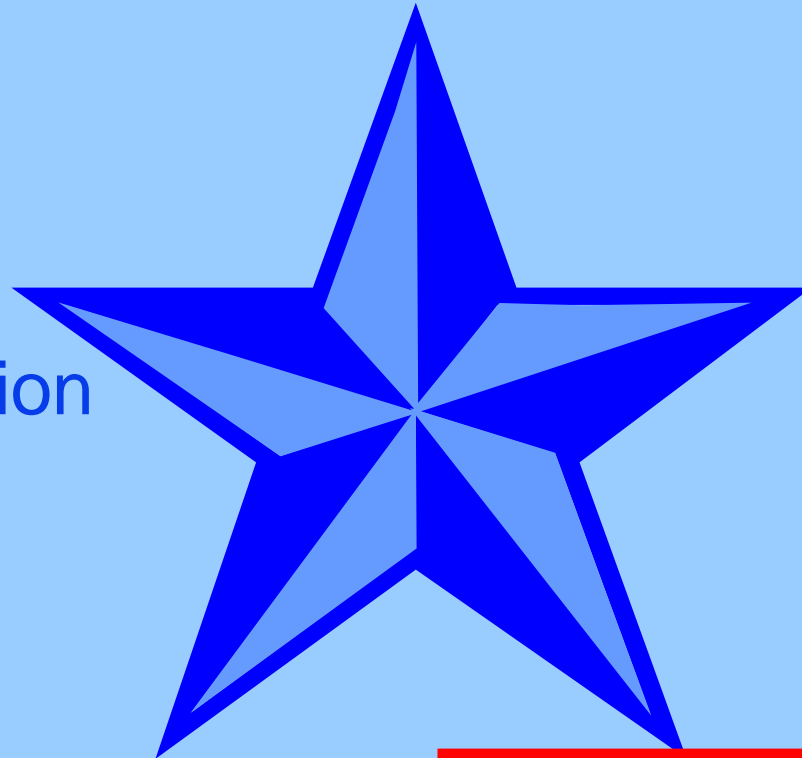


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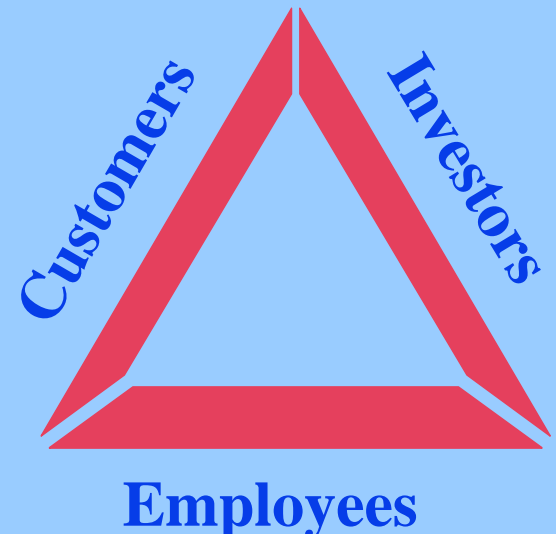


Employee Competence

Performance Measurement
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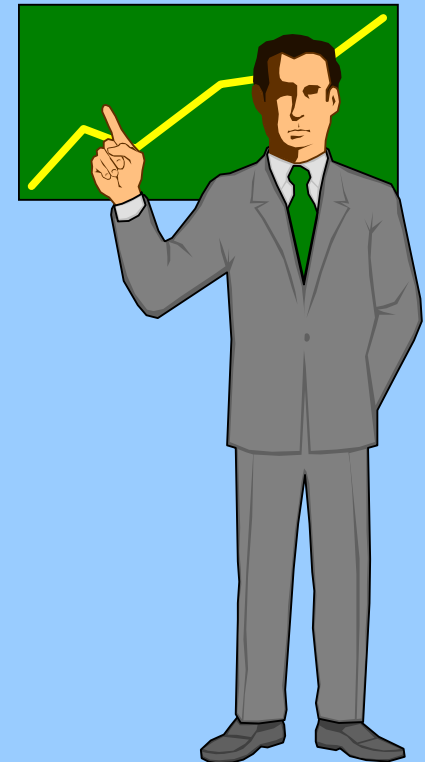
Measures & Shared Rewards

- ◆ Recognizes the investment of customers, investors and employees
- ◆ Measures key outcomes of the organization, e.g., productivity, quality, and profitability
- ◆ Provides a formula for sharing increases of desired outcomes
- ◆ Communicates goals, values and definitions of success



Performance Measures . . .

- ◆ Represent the essence of the business
- ◆ Must be reliable and valid
- ◆ Are understood by employees at all levels
- ◆ Rewards employee excellence
- ◆ Document the contribution of the plan to the company



Traditional Bonus Calculation

Revenue generated		850,000
Increase in inventory	150,000	
Total Production		\$1,000,000
Allowable labor expense	750,000	
Actual payroll	670,000	
Bonus Earned		80,000
Employee Share (50%)		40,000
Less 25% for reserve	(10,000)	
Employee bonus distributed (4.5%)		\$30,000
Investors share		\$40,000

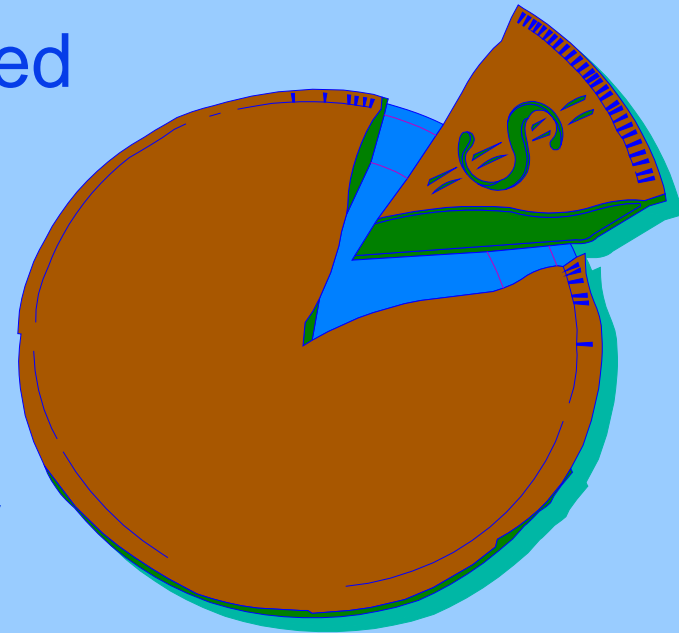
Diverse Equity Formulas

- ◆ Gain Sharing - Cost Saving
 - Labor
 - Waste or raw materials
 - Production, e.g., utilities
- ◆ Profit Sharing
- ◆ Goal Sharing
- ◆ Economic Value Added



Common Formula Characteristics

- ◆ Financial rewards are shared equitably
(Often percentage of salary/wage)
- ◆ Multiple measures often used
- ◆ Formula adjustments are allowed
- ◆ Pay-out periods and reserves differ substantially
- ◆ Explicit share for stockholders



Shared Outcomes and Rewards

- ◆ Specific measurable effectiveness criteria
- ◆ Shared outcomes understandable and can be influenced by participants
- ◆ Direct, prompt, and usable feedback
- ◆ Meaningful rewards for reaching meaningful goals

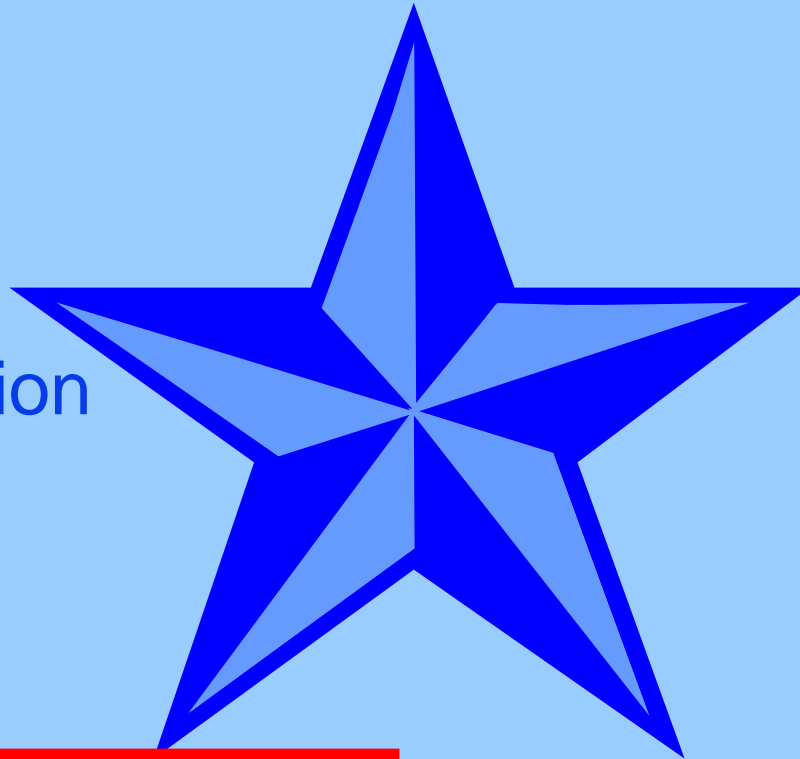


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Employees are

◆ Assets to be developed?

?

◆ Costs to be reduced?

?

?

?

?

?

Employee Competence

- ◆ Application of HPC Principles demand higher levels of competence
- ◆ Competencies required include:
 - Job or technical skills
 - Business knowledge or literacy
 - Interpersonal and team skills
 - Leadership skills



Competence & Business Results

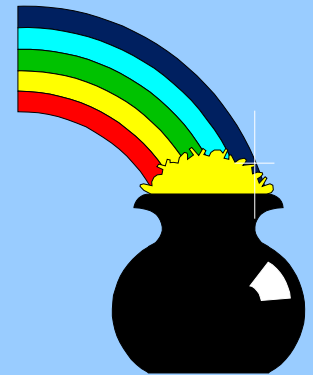
◆ Motorola:

- \$30 return per \$1 spent
- Invests over \$30 million per year



◆ Corning Muffler Plant:

- Employee development is 10-20 % of labor cost
- Most profitable plant in Corning and in its industry



Building Competencies

- ◆ A personal responsibility that requires organizational support
- ◆ Leaders are educators, first and foremost
- ◆ Assumed that continuous improvement requires continuous learning
- ◆ No person, profession, or organization stays the same for long! You are either getting better or worse!

Building Competency

Selection

- Employee interpersonal skills
- Technical skills

Development

- Interpersonal & technical skills
- Business literacy

Feedback

- Timely
- Specific



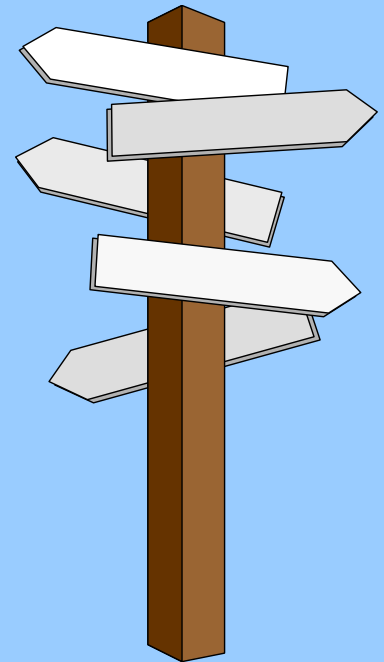
Competence: Role of Leadership

- ◆ Fulfill role of educator and teacher
- ◆ Provides performance feedback
- ◆ Provides opportunities to learn new job and organizational skills
- ◆ Demonstrates commitment and is a role model



Moral Obligation

- ◆ Lifelong employment is a casualty of global competition and rapid technological change
- ◆ However, learning opportunities can provide job security for a lifetime



High Performance Principles

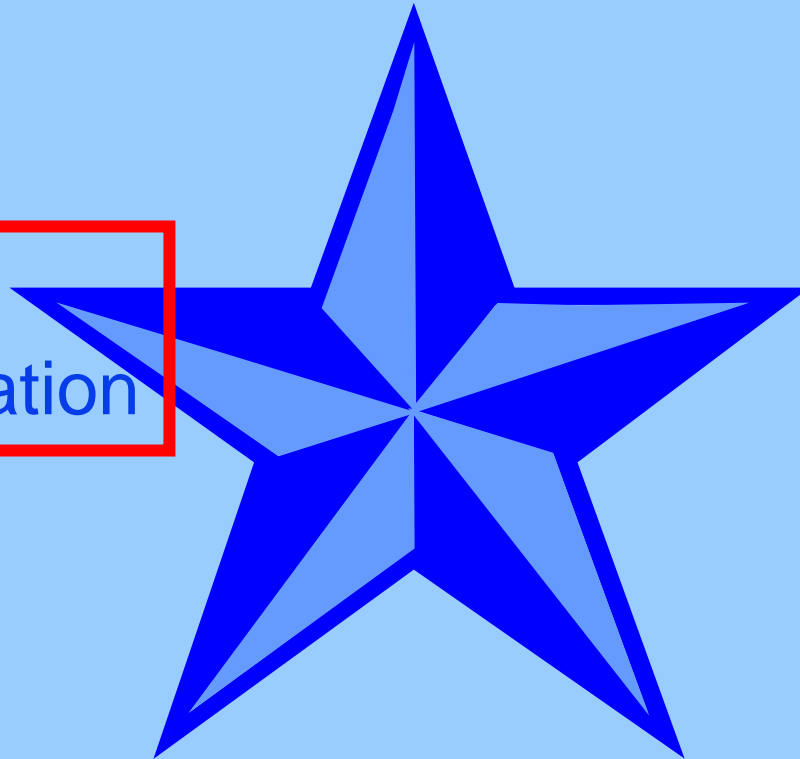
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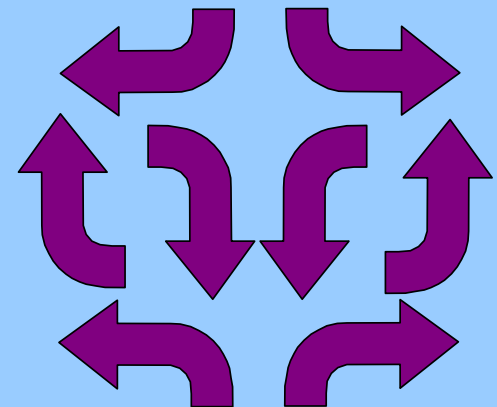
Renewal & Implementation

- ◆ Re-assess goals, vision, mandates for change
- ◆ Question principles and processes
- ◆ Chart new courses of action and establishing new relationships
- ◆ Obtaining commitment for the principles & processes



High Performance Companies . . .

- ◆ Involve all employees and leaders
- ◆ Unique to each company or facility
- ◆ Authenticated by external imperatives
- ◆ Dynamic/responsive to external imperatives



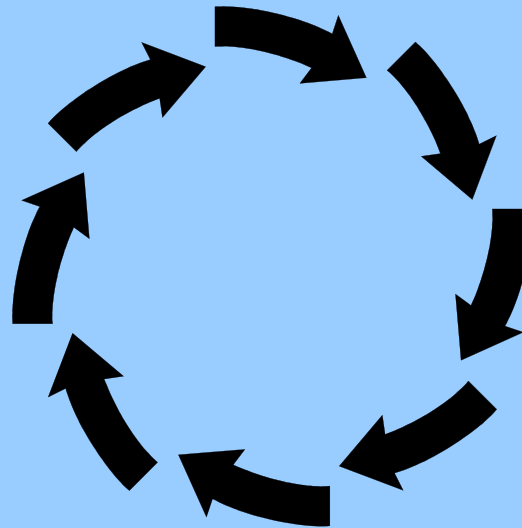
Implementation Steps

**Leadership Exploration
and Commitment**

**Periodic Renewal
and Rebirth**

**Modification &
Implementation**

**Trial Installation
and Review**

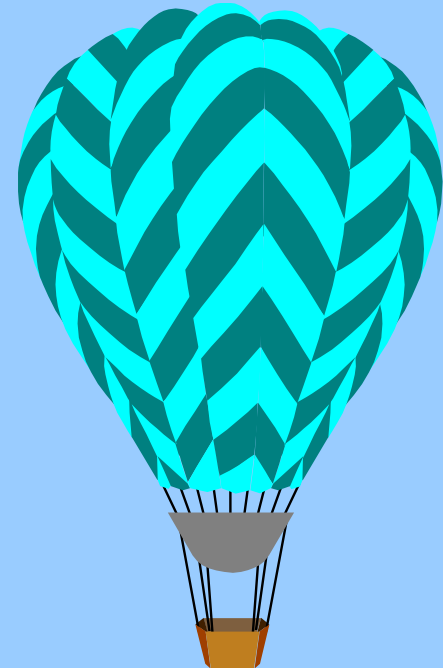


**Employee Exploration
and Commitment**

**Program
Development
and Approval**

Involvement in Implementation . . .

- ◆ Teaches core program values
- ◆ Develops business literacy
- ◆ Improves program quality
- ◆ Builds commitment for the company and program



Characteristics of HPO

- ◆ Built on principles not techniques
- ◆ Management (line) driven not human resources (staff) driven
- ◆ Based on fundamental business realities and need for continuous improvement
- ◆ Emphasizes development of human potential and competence

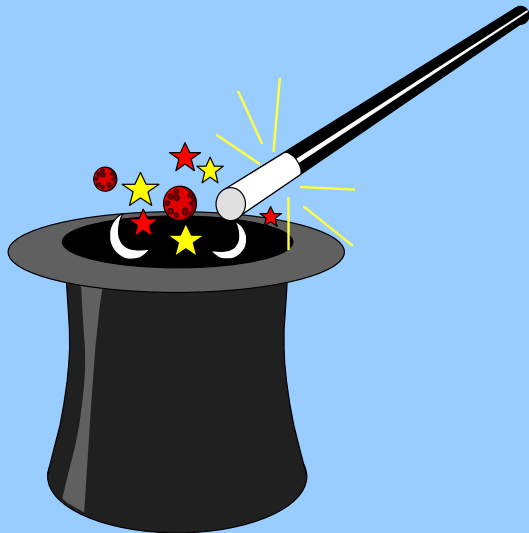
Building a Competitive Advantage

- ◆ Technology – better trucks and communications equipment
- ◆ Capital – Cheaper money
- ◆ Strategic plan or market niche
- ◆ More capable and committed people



The Future

“The difficulty lies not in the new ideas, but in escaping from the old ones.”



John M. Keynes