

Choosing a trucking company: The benefits of Turnover?

Much has been discussed about the cost of turnover in the industry. Companies moan of administration costs, retraining, drop in service and a whole host of disadvantages.

The costs to operators are also considerable: downtime, decaling, orientation and sometimes even painting, out of pocket can easily climb above \$2000.

However, it is my opinion that turnover is a necessity. Lack of turnover can produce much more problems than it solves. In 2009 when virtually nobody was hiring, turnover was almost zero. The word on the street was "...dig a whole, put on a helmet and just be thankful to have a job...".

The absence of turnover, combined with the recession (serious cuts in freight rates) caused many companies to do one of two things (or some combination of both). Lay off their bottom 5-20% of drivers or cut financial corners by offloading costs and risks to operators.

If a company is faced with a drop in freight volume I support the choice to lay off power. It provides all drivers and operators a clear understanding of their future. They either have one or they don't.

I am a believer in Pareto's Principle (80/20 rule: 80% of outcomes can be attributed to 20% of the causes for a given event). An example simply put would be 80% of all the trucking company income comes from the efforts of 20% of the employees. Or another way: 80% of the trucking company losses come from 20% of the employees. Therefore loping (laying off) of the bottom 5-20% should increase results dramatically.

What occurred in 2009 at too many companies however was far from just culling the herd. Many companies leveraged their position of power to skim, pilfer and steal. In my practice I have sojourned through two prior recessions in the transport industry. There was always some evidence of skimming, but 2009 put the concept into a different stratosphere. The companies who did this often openly stated this was "industry standard". It was shocking. The lack of turnover allowed the bottom feeding trucking companies to rob, pilfer and steal.

Drivers are not nearly as stupid as company's think they are. Drivers remember. Once the bombing stops they crawl out of their fox hole, remove their helmets and shoulder their guns. They now get to vote with their feet again.

Some companies (usually the bottom 20% in the industry) abused much more than others. Those who restrained themselves and treated their operators with dignity and respect during 2009 have retained a stronger sense of loyalty within their fleet and the industry. The abusers should rightfully be suffering with a much higher revolving door.

One key that should be learned from these last few years is that returns are directly proportionate to investments. Many companies are now seeing the return on their policy investments (3-4 year delay of course).

However, it is now the opportunity of drivers and operators to invest in THEIR future. Operators must build value within the company they choose to work with. They must ensure that when the next recession hits they are considered top performers, hopefully as high as possible within the top 80% of their company.

Turnover provides this opportunity. It is a benefit that operators should take advantage of whenever they can. Simply put, now is the time.

In every economy one thing must be understood. There will be recessions. Recessions are as inevitable to economies as elections are in democracies, maybe not as predictable (down to the day or even year) but still inevitable.

Free market economies (and even life), is all about a cycle of investment and returns. There are strategic times to invest and strategic times to expect returns. The higher the level of investment, the higher expectation of returns.

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