Survival of the fittest

How to steer your fleet through the recession, and be ready to take advantage of opportunities when it turns back around.

KNOW WHEN TO PARK'EM: Sometimes, it may make sense to park trucks. But don't do it just because the fleet down the road is parking power units, Goodwill advises.

By James Menzies

CAMBRIDGE, Ont. – The 2009 Driving for Profit seminar series kicked off Feb. 3, with a refreshingly optimistic overview of the recession's impact on the trucking industry as seen by Dan Goodwill, president of transportation consulting firm Dan Goodwill and Associates.

While Goodwill didn't sugarcoat the severe economic crisis facing motor carriers, he did say it could be a lot worse.

He noted the 'Misery Index' (the combined unemployment and inflation rates) may reach as high as 10% shortly, but that's well below the 20-25% range experienced in the last big recession in the early-80s.

"If there's any consolation, it's bad the way things are right now but it's not as bad as it could be and it's not as serious as some folks suggest," Goodwill told the gathering of fleet managers. In fact, Goodwill said the current environment has also created some opportunities for carriers.

"The key issue is, we need to survive – we need to ride out this recession. But it's not just about cost-cutting or staying low to the ground, because in these times, opportunities are presenting themselves," he explained.

"Think offensively as well as defensively, because opportunities are presenting themselves that you may never see again."

Goodwill suggested the current recession may be at its worst this quarter, and a slow recovery will begin next quarter or in late 2009 as consumer confidence is restored.

"The bottom line is that freight volumes are going to return when confidence returns, but until people feel confident they can go out and buy a car or a new house or a refrigerator, it's going to be slow," he admitted.

"As we turn around later this year, which I suspect will be slow with more upturn next year, demand for Canadian goods will start to increase in line with the economic recovery."

Those fleets that can weather the storm, noted Goodwill, will be well-positioned to capitalize on tightening capacity.

"There is significant truck capacity leaving the North American market," Goodwill pointed out. "There are numerous companies that have gone. I suspect we'll see several other (bankruptcy) announcements over the next few months, big and small. As we come out of this recession, there'll be good news. The companies left will be much stronger, better managed, more solid financially and positioned for growth. It's very likely that rates will start to increase and we should get back to running much more profitable trucking businesses."

In the meantime, Goodwill admitted just getting to that bright spot on the horizon will remain a challenge for fleets.

He offered some tips on how to get through the current downturn, beginning with remaining true to your company's core values.

"Look at the core values of your company; what do you stand for? What is your commitment to service? What do you teach your people? If a customer needs you to drop trailers in their yard or do a Saturday delivery, will you do that? It's that core set of values that drives your actions," Goodwill explained.

During a tough operating environment, Goodwill said management needs to step up and take a leadership role, while communicating a positive message.

"You can't be invisible to your team, that sends a bad message," he advised. "You have to project positive energy."

If job cuts are necessary, Goodwill suggested acting quickly and decisively. Staggering layoffs over an extended period will lead to poor morale in the workplace, with everyone looking over their shoulder.

"Don't acupuncture your company to death with 2,000 little cuts," he said. "Do what you have to do; be bold, smart and aggressive."

In working with fleets as they cope with recessionary challenges, Goodwill has noticed three management philosophies that tend to emerge.

The Ostrich Approach: "We're in a recession but we've been there before and it's going to pass and we'll be okay, so we've just got to tough it out and keep the status quo," was how Goodwill summed up this approach.

"It sounds pretty good – there's no disruption and everybody's happy, but there's something fundamentally wrong with that reaction," he explained. "Your company services customers that are going through changes. You need to know where they're at in order to fine-tune where your company's going."

The Bull in the China Shop: With this approach, management begins to "slash and burn" to reel in costs. They may announce a 5% workforce reduction right across the board.

However, Goodwill warned management should be more strategic and look for creative alternatives to arbitrarily cutting positions.

"There are various ways to skin a cat," he pointed out, suggesting alternatives such as shorter work weeks and salary rollbacks as an alternative to permanent job cuts. He also warned against dropping customers without considering the impact that may have downstream.

The Methodical Approach: Not surprisingly, this is the approach favoured by Goodwill.

He said it involves: thinking of what you're doing; looking at the entire picture; carefully crafting a plan that will lead your company out of crisis; and executing that game plan. (See story on the following page for details on how to develop a plan).

The Feb. 3 seminar was the first in this year's Driving for Profit series. The seminars are hosted by KRTS Transportation Specialists and NAL Insurance and sponsored by SelecTrucks. For more info, visit www.drivingforprofit.com.

– For more on this topic, see pages 30-31 and watch for segments of this presentation in an upcoming episode of our WebTV show, Transportation Matters, airing on Trucknews.com.

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