



best practices in transportation

Step 1: Building the organization



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Companies that exhibit Best Practices in Transportation tend to be those that are led and managed by excellent people who part of a well planned organization structure. Transportation is one of the pillars of supply chain management. In small organizations the leader of the transportation function needs to be well schooled in the key elements of supply chain management. These include distribution, inventory control, customer service and of course, transportation management. In larger organizations these various functions can be separated under director or VP level individuals.

The supply chain leader should be of equal stature with his or her counterparts in sales and marketing, production, operations, purchasing and finance. An effective supply chain strategy can be a key differentiator for a company. To be effective, it must align with customer delivery requirements, production capabilities and profitable pricing levels. In other words, the organization needs to have the linkages or matrices in place so the various functional areas collaborate and work together to meet the needs of customers and shareholders.

In leading edge organizations, the transportation leader has full or shared responsibility for both inbound and outbound transportation. Leaving inbound transportation under purchasing robs the company of the opportunity to fully leverage their freight with carriers so as to achieve maximum cost savings. It limits or deprives the company of the prospect of creating round trips and continuous moves that can produce synergies and cost savings.

Shippers from companies with sales greater than \$3 billion, who responded to this year's Logistics Management Masters of Logistics survey, reported that they are "moving to a more defined logistics and supply chain organizational structure than other size firms. They also extensively use cross-functional teams for managing transportation and logistics activities. An example would be procurement and inbound transportation that meets regularly to discuss strategic issues for both areas as opposed to other size firms where procurement decisions drive inbound transportation execution. The study findings imply that the organizational changes have enabled the Masters to improve performance relative to supply chain velocity (as measured by inventory turns) and customer service. In addition, policy decisions for the Masters are becoming more centralized across a variety of activities including raw materials and finished goods inventory, packaging and managing freight forwarding relationships."

Companies with multi plant facilities require centralized control and oversight. This will ensure that there is

an overall transportation strategy that guides the leveraging of the company's total freight volumes. The centralized team examines the impact on transportation from shifting production or distribution from one facility to another and the opportunities to use pool points to consolidate freight in transit to improve efficiencies, reduce costs and increase customer satisfaction. These companies will likely have transportation management personnel in place in each plant to ensure there is a decentralized approach to executing and managing the freight management function at the local level.

The top transportation executive should have a formal education in logistics and transportation, at least at the undergraduate level if not Master's degree level. If the individual has not achieved this level of education, he or she should be sent to a well respected designation-granting institution. There are similar programs available from various universities throughout North America. Beware of sending executives to "quickie" logistics courses that provide only a superficial level of knowledge.

Professional recruiting processes should be put in place to ensure that new hires to the transportation department have been properly screened and vetted. They have the required skills and knowledge, preferably with industry experience. They are team players who are flexible and have strong interpersonal skills. Rather than hiring clones of the leader, new team members bring expertise in areas where there is a lack of depth.

Some companies rely on a front line transportation expert who may commonly be a traffic manager, dispatcher or transportation supervisor. There are several weaknesses with this approach. The individual may be very knowledgeable in such areas as the local carriers and rates but may not be able to see the opportunities that exist by looking at the "big picture." Some of these individuals are placed in the role of executing the business strategy but have limited input into the design of the strategy. The traffic manager may be tasked with moving the freight that comes off the assembly line but may not have the authority or stature in the company to challenge poorly designed processes that result in late deliveries or excessive expedited freight charges.

The field of transportation has gone through profound changes over the past decade and more specifically over the past two years. These changes require transportation leaders and managers at all levels to think "out of the box," to challenge existing paradigms, to explore modes of transport that have not had much utilization in the past.

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