

# The Importance of Keeping Score



## Putting Operational Visibility at Your Fingertips

BY RANDY SEALS

If you're serious about improving your trucking business, then you need to keep score. You need to watch your Key Performance Indicators (KPIs). If you don't measure your performance, you don't know where you stand. Without a reliable, real-time scorecard, you don't really know if your staff's performance is better or worse on any given day, and neither do they. You may be just spinning your wheels whenever you try to get them to improve.

Think about what happens on a football field. Over and over, games are won or lost at the line of scrimmage. The offensive and defensive linemen are busting it up down after down after down, getting bruised and battered. They need to know that their relentless efforts are making a difference. Say that the offensive line is pulling itself back off the turf after a run up the middle and they look to see where the ball is spotted. "Hey, we gained five yards! That's good! We did our job." Or it could be, "The quarterback got sacked. We blew it." Either way, they can see the results.

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You could say that football players always have instant access to the real-time KPIs that are relevant to their performance. They not only can look at the yard marker, they can see the scoreboard. They know who's winning and who's losing. On the football field and in almost everything we do, we need feedback to help us improve. Without detailed and relevant feedback on performance, everyone comes back the next day, does the same thing as before, and gets the same results as before. There's no improvement.

## A Real-Time View of Everything

Trucking company owners can get caught up in monitoring only the most fundamental KPI—profit. Profit is the ultimate goal, but a lot of the work that is done to generate profit can't be measured in dollars. There are many facets

to keeping score in the trucking business, and you don't succeed by guessing at how you're doing. You have to be able to see what you're doing, where you're going, and how well you're achieving your goals.

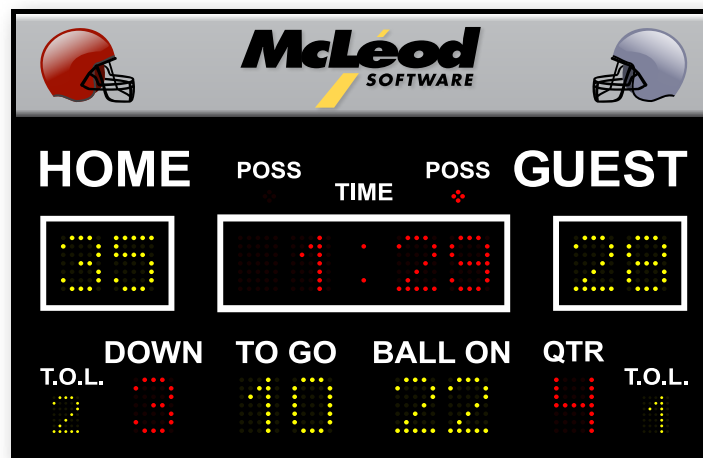
You also must have access to this information in real-time. You can't survive by getting your information after the fact. Peyton Manning calls a play in the huddle, but he's a master at sizing up the defensive set and changing the play at the line of scrimmage in response to what he sees. In trucking, you no longer have the option of waiting around to see how your loads went last week. You need to have your finger on the pulse of operations today. You need to be able to change the play now. You want to anticipate where you will be tomorrow, next week, next month. You need a window into right now that helps you plan for tomorrow. In the past, many managers relied solely on reports about last week or last month or last year, but that era is over.

I learned about the vital importance of real-time KPIs the hard way—by managing operations for trucking

companies. In my early days of doing this work, my boss would come to me and say, "How are we doing?" I'd say, "Great. We got the trucks running a ton of loads. We're doing great." Then someone from accounting would wander in and say, "Chief, the numbers aren't looking so good." How could that be? I wasn't lying. We were moving freight right and left.

It turns out that you can't just worry about getting loads, you have to get the right loads. You have to

watch your deadhead miles, your rates, your fuel surcharges, and more. I decided that I wanted to know more information across the board. I didn't want just revenue, I wanted revenue per tractor. I didn't want just shipped revenue, I wanted delivered revenue and billed revenue. I didn't want



to look only at what was happening today, I wanted to know what was scheduled to happen tomorrow. I wanted to keep a close watch on accidents, driver turnover, asset utilization, and OSD. And once I had all of that information (and more), I wanted to set goals for everyone on my staff to see how our performance measured against those goals on a daily basis—or even an hourly basis, in some cases.

I also wanted to be sure that I was getting visibility into the entire scope of operations. Having the full picture is crucial, because you're trying to make everything flow as efficiently as possible. Given that you use the same trucks over and over again, there is a sequence of events that must be followed. You can't begin one load until the previous load is finished. This means that a hold-up in one place affects everything that comes after. You can put tons of effort into improving in one or two areas only to have your hard work come to nothing because you failed to improve in another critical part of the business. Looking at your KPIs at every step in the

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process makes it possible to ensure that there are no weak links in the chain. This holistic approach to your operations is essential if you want to create a solid and sustainable improvement.

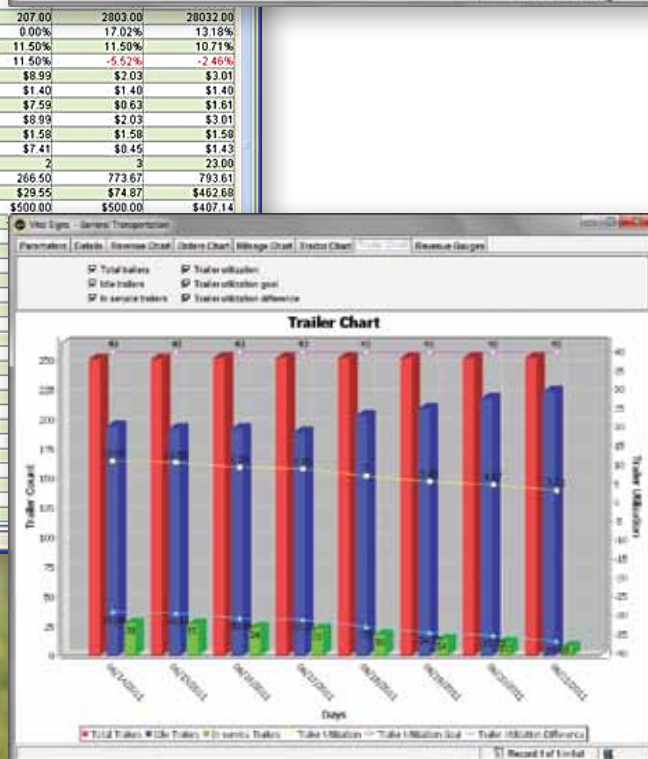
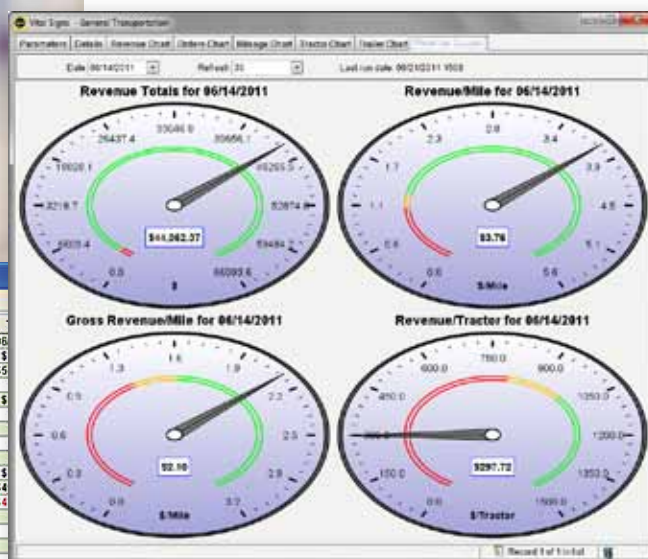
The tool that enabled my access to this information was McLeod's LoadMaster® Dispatch software. LoadMaster could tell me everything I needed to know, because we were routinely entering data into the system about every aspect of our business—every load, tractor, trailer, customer, driver, accident, invoice, payment, rate, and on and on and on.

Vital Signs - TMS4						
Parameters	Details	Revenue Chart	Orders Chart	Mileage Chart	Tractor Chart	Trailer Chart
Day	Thursday	Friday	Saturday	Sunday	Monday	06/14/2011
Date	06/03/2010	06/04/2010	06/05/2010	06/06/2010	06/07/2010	06/08/2010
Shipped Revenue	\$19,245.76	\$118,555.22	\$59,370.16	\$41,465.02	\$2,289.20	\$
Delivered Revenue	\$19,991.20	\$57,667.63	\$16,399.02	\$25,761.35	\$36,470.44	\$5
Billed Revenue	\$947.94	\$67,655.22	\$0.00	\$0.00	\$0.00	\$
Gross Revenue	\$21,247.59	\$140,645.96	\$67,682.71	\$47,173.60	\$2,547.06	\$
Fuel Surcharge	\$1,642.92	\$20,185.74	\$6,995.10	\$4,054.52	\$193.86	\$
% Fuel Surcharge	7.73%	14.35%	10.34%	8.59%	7.61%	
Total Accessorials	\$2,001.83	\$22,090.74	\$8,312.55	\$5,708.58	\$258.86	\$
% Accessorial	9.42%	15.71%	12.28%	12.10%	10.16%	
Revenue	\$21,247.59	\$140,645.96	\$67,682.71	\$47,173.60	\$2,547.06	\$
Revenue Goal	\$45,000.00	\$45,000.00	\$16,000.00	\$0.00	\$45,000.00	\$4
Difference	-\$23,752.41	\$95,645.96	\$51,682.71	\$47,173.60	-\$42,452.94	-\$4
% Revenue Goal	47.22%	312.55%	423.02%	0.00%	5.66%	
Billed Miles	9955.00	83399.00	42329.00	24411.00	996.00	
Loaded Miles	9749.00	85908.00	35485.00	25473.00	1022.00	
Empty Miles	9431.00	24915.00	1066.00	165.00	0.00	
Total Miles	19180.00	110823.00	36551.00	25638.00	1022.00	
Deadhead %	49.17%	22.48%	2.92%	0.64%	0.00%	
Deadhead % Goal	11.50%	11.50%	9.75%	9.50%	11.50%	
Deadhead Difference	-37.67%	-10.98%	6.83%	9.11%	9.50%	
Revenue/Mile	\$2.18	\$1.64	\$1.91	\$1.85	\$2.49	\$3.01
Revenue/Mile Goal	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Revenue/Mile Difference	\$0.78	\$0.24	\$0.51	\$0.45	\$1.09	\$1.61
Gross Revenue/Mile	\$2.18	\$1.64	\$1.91	\$1.85	\$2.49	\$3.01
Gross Revenue/Mile Goal	\$1.58	\$1.58	\$1.58	\$1.58	\$1.58	\$1.58
Gross Revenue/Mile Difference	\$0.60	\$0.06	\$0.33	\$0.27	\$0.91	\$1.43
# Orders	9	79	34	31	3	23.00
Order Avg Bill Mileage	1095.00	1056.67	1244.97	787.45	332.00	266.50
Revenue/Tractor	\$326.89	\$943.92	\$1,074.23	\$748.79	\$40.43	\$29.55
Revenue/Tractor Goal	\$500.00	\$500.00	\$350.00	\$0.00	\$500.00	\$500.00
Revenue/Tractor Difference	-\$173.11	\$443.93	\$724.23	\$748.79	-\$459.57	-\$462.68
Revenue/Working Tractor	\$574.26	\$3,057.52	\$1,933.79	\$1,747.17	\$134.06	\$407.14
Orders Entered	25	97	0	0	0	0
Dispatches Made	9	41	0	1	0	0
Dispatches Completed	6	29	2	5	3	0
Driver Exits	0	0	0	0	0	0
Accidents	0	0	0	0	0	0
Accident Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OSD	0	1	0	0	0	0
Service Failures	3	5	0	1	0	0
Total Tractors	65	149	62	62	62	
Open Tractors	26	103	28	36	44	
Working Tractors	37	46	35	27	19	
In Service %	56.92%	30.87%	55.56%	42.66%	30.16%	
In Service % Goal	60.00%	60.00%	60.00%	60.00%	60.00%	
Difference	-3.08%	-29.13%	-4.44%	-17.14%	-29.84%	
Total Trailers	105	109	107	107	107	
Idle Trailers > 3 days	74	73	73	76	79	
In Service Trailers	18	28	15	14	12	
Trailer Utilization	17.14%	25.69%	14.02%	13.08%	11.21%	
Trailer Utilization Goal	30.00%	30.00%	30.00%	30.00%	30.00%	

As I began to focus more on KPIs, I quickly realized that I wanted everything on one sheet of paper that I could hold in my hand, put into the hands of my boss, and share with members of my staff, so I created my very own Scorecard.

## The Basic Components of a Scorecard and What They Can Tell You

A scorecard can be composed of many different KPIs. Here are some of the ones that I found to be particularly useful:



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- **Scheduled shipped revenue** — This is how much revenue you expect to receive for hauling the freight that is on the trucks moving down the highway right now. This tells you how much money should be coming in down the road.
- **Scheduled delivered revenue** — This is how much revenue you expect to receive for the freight you'll deliver today. If this figure is lower than expected, that's bad for two reasons: 1) Your overall revenue is taking a hit, and 2) A reduction in scheduled deliveries creates an efficiency problem. You have to get the loads delivered before you can reload and start generating more revenue. A low level of deliveries today can cause revenue problems in the days ahead.
- **Billed revenue** — This is your cash flow. One benefit of watching this figure on a daily basis is that you may discern some patterns. Maybe it spikes on Mondays. If so, why is that? Do a little investigating and you may come up with a way to improve your billing practices.
- **Fuel surcharge** — This figure tells you how much of your revenue is coming in the form of the fuel surcharge.
- **Percentage fuel surcharge** — This is the average percentage for the fuel surcharge for all of your current loads. If this number dips unexpectedly, you'll want to know why quickly.
- **New revenue** — This is how much revenue you are gaining through new orders each day. This is one of the most critical examples of the importance of real-time data. You want this figure updated at regular intervals, such as every fifteen or thirty minutes. Business moves swiftly in the trucking world, and this gives you a way of staying on top of the changes. You

want to monitor your KPIs in the same way that people monitor stock prices during market trading. You may also want to break down this new revenue figure to show amounts for different people on your staff whose job it is to generate this revenue. This allows you to set goals and track progress.

- **Vital Signs are constantly available** — These KPIs are current. The screens update every fifteen minutes, but you can click on anything and get the KPI value up to the second.
- **Billed miles, loaded miles, empty miles, and total miles** — Check your billed miles against your loaded miles. Do they match? If your loaded miles are higher, you'll want to find out how that happened. Your empty miles are costing you money, so you want them to be as low as possible. Your total miles are your loaded and empty together.
- **Deadhead percentage** — If your deadhead percentage is running high, there's a question you need to address: Why are you selling freight that's not in your lane? You have two choices—either you get more money for going outside of your lane or you give it away. Ultimately, you have to decide what you can live with in terms of a deadhead percentage—7%, 8%, 9%, or whatever. If it's trending up, you have to watch it carefully.
- **Revenue per loaded miles and revenue per total miles** — Your revenue per loaded miles reflects the rates you've negotiated, but be sure to also look at your revenue per total miles, because that shows you how deadhead affects revenue.
- **Number of orders** — This is the number of orders that you are handling right now. This includes any orders that were entered as late as yesterday or billed as late as today.



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- **Average billed mileage per order** — For each of those active orders, what is the length of haul? You may have plenty of orders, but if your average length of haul is too short, you're going to have a harder time making a profit.

- **Revenue per tractor and revenue per working tractor**

— Most trucking companies set a goal of earning a certain amount of money per tractor. The revenue per tractor will show you if you're reaching that goal. Then look at your revenue per working tractor. Say that you have one hundred tractors in your fleet, but ten of them are idle because you don't have a full crew of drivers. Revenue per working tractor shows what you're bringing in per tractor with those ninety tractors and it also tells you how much more money you could make if you got those other ten trucks rolling. Idle equipment is a loss of opportunity and a loss of money. One of your central goals with this scorecard should be to boost your asset utilization. That can happen in many ways, and this is one of them.



- **Orders entered** — This tells you how many new orders are being entered each day. This is another KPI that you'll want to monitor in real-time throughout the day.

- **Dispatches made and dispatches completed** —

These track the loads that were picked up or delivered each day

- **Driver Exits** — This tells you if you lost any drivers today. Driver turnover can cost a lot, so you want to keep tabs on this. If you keep losing drivers, it won't matter how much freight you can sell, your profits will drop.

- **Accidents and OSD** — You should follow these numbers regularly. If you neglect to keep track of the impact of accidents and OSD, don't be surprised if these figures give you a shock once you come around to checking on them.

- **Service Failures** — These are late deliveries, for whatever reasons, and you want to watch this figure.

If it spikes, you'll need to learn more and see if there's a repeated pattern. If so, you'll want to get everything sorted out and corrected as quickly as possible.

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# Digging Deeper, Seeing Connections and Taking Actions

**K**eeping score is about running your business intelligently, and the figures on your scorecard give you the information you need to ask intelligent questions. Just looking at the numbers won't change anything. You have to take actions. In order to know which actions to take, you have to dig deeper to get more information, and you have to see the relationships between various KPIs.

## Digging Deeper

Keep in mind that you can't get any data out of a system that you didn't already enter into that system in some form. If you're more inclined to keep track of everything on a piece of paper that you shove in your back pocket, then forget it. None of this will work for you. However, if you have good software for dispatch and accounting purposes and you're using it diligently, then you are sitting on a mountain of data about your business. The information on your scorecard comes from this data, but it's only the tip of the iceberg. There's plenty more information available, and there will be times when you need to use it.

The first step is gaining a distinct sense of what your numbers should be. You want to be able to simply glance at the scorecard, scan down the list, and immediately notice if something is out of kilter. When something does catch your eye, then you start to investigate. Here are some examples:

### *You see your percentage fuel surcharge dip suddenly.*

You dig deeper and you find out that someone has agreed to a request to build the surcharge into the rate. If that's not how you want to do business, you'll

need to make sure this doesn't happen again. Another reason for the dip could be that you agreed to a reduced fuel surcharge to haul a seasonal product for a preferred customer. That's okay, but now you know why the figure is down.

### *Your deadhead is around 8% at 3:00 PM, but it's jumped to 12% by 5:00.*

What happened? You check with your staff and you see that they were feeling desperate to book more freight, so they took loads that are out of your lane. Maybe some of these were good deals and some of them weren't, but with this information readily available you're able to see what's developing and respond to it as needed.

### *You lost two drivers today.*

You look into this and discover that one of these quit because he was being asked to hand-stack loads, which took a great deal of time and reduced his pay per hour. You didn't know that anyone had approved of the hand-stacking, so you get clear with everyone that this is not part of the deal. The other driver quit because he wasn't getting enough home time.

You don't want to lose good drivers, so you take steps to ensure that this problem is addressed more aggressively.



## Seeing Connections

I call this the "Zen of KPIs" because it's about how everything is connected.

Not one single KPI on the sheet is an isolated figure unto itself. For one thing, they're all connected to profit. But it's more than that. They're connected to each other.

If your basic revenue figures are down, something else is off. Are your orders down? No. Then look at your length of haul. No, that's okay, too. Ah, here it is. Your revenue per mile is way down. Now you have to search further to see what's causing that problem.

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Accidents are another good example. If your accidents have gone up, does it mean you've gotten too lax with your qualification standards for new drivers? Did you act too frantically because you really needed drivers? Or, are you asking your drivers to handle hauls that are too long? Have you got a new customer with a bad loading dock where the drivers have to back blind around a corner? Has the deadhead gotten too high and the drivers are worn out by the time they arrive to pick up the load? Is this new customer not blocking and bracing the freight right?

Sometimes you'll see numbers get out of whack and your search reveals that it's all tied to a new account. Maybe this shipper just doesn't have its act together, or maybe it's a matter of learning how to make the business relationship work. Either way, you've discovered the basic issue and you can take steps to handle it.

## Taking Actions

If your revenue is down, which action should you take? Well, that depends on why your revenue is down. If you look further and discover that you've got too much deadhead, your length of haul is too short, or your fuel surcharge has slipped, then you can act accordingly. Your business will improve if you take the right actions and the information on your scorecard helps you determine what the right actions are.

The more quickly you can detect a problem and correct it, the better off you'll be, and that's why access to real-time KPIs is so valuable. If you get a report today showing that your revenue fell last month, you've lost a lot of time and money while you were waiting to get that information. What you want is real-time visibility into the full scope of your operations. Having that puts you in the driver's seat.

## Setting Goals and Tracking Progress

There's another set of tremendously important components that should be on the scorecard, and these are the figures that show your goals and your progress towards achieving those goals. What is your goal for new revenue each day? Are you making it? How close are you? If you put these figures on your scorecard, you know at a glance how well you're performing in relation to your stated objectives.

This is also one of the most powerful ways to support your staff in their efforts to improve. The scorecard has data that directly relates to the work done by everyone on your staff. Give each of them access to the numbers that they can affect. Let them track their progress so that they can see how their hard work is contributing to the success of the business overall.

Use the data in your system to compile histories and discern patterns, and then use this information to help your staff reach their goals. For example, you may learn from analyzing your past performance that in most cases, in order to meet your daily goal, you need to be this far along by ten o'clock each morning. Or perhaps you've discovered that you should be halfway to your weekly goal by the end of the day on Tuesday, because you get more orders in the beginning of the week than at the end.

It will take some work to determine how each goal should be set, but it's work that pays off. Keep your goals reasonable and achievable, and use your scorecard to teach, not to punish. Most people are eager to excel, and they like focusing on a goal. Let them see the score, and business performance will improve.

TO DO MORE





## McLeod Can Help

If you're serious about improving your operations, you need to keep score of your performance, but you can't do this effectively without information technology. McLeod Software recognizes the vital role KPIs play in running your business. That's why we've developed software tools that are specifically designed to

put you in touch with the information you need to improve your business.

McLeod's LoadMaster is the only product available today that can bring you all of these KPIs in real-time. You'll be able to keep score more accurately and more easily than you ever have before. Real-time access to critical information will put you in the position to make the changes that push performance to the next level. With McLeod on your side, you'll not only know the score, you'll have more and more control over the score. How's that for a winning formula?



**We can help you and your business  
do more, more profitably, today!**

[www.McLeodSoftware.com](http://www.McLeodSoftware.com)

877.362.5363 | Fax 205.823.0000

2550 Acton Road | Birmingham, AL 35243

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