

Special Edition – Editorial

Why Do Trucking Companies Fail?

It's been stated that, over the last several years, at least 8,000 trucking companies filed for bankruptcy. However, I believe that's a very misleading figure because there are many trucking companies that simply closed their doors and liquidated their businesses.

How is it that these companies didn't survive and how is it that some companies that were in business for 50 years or more, closed their doors?

The normal response; the economy:

- The economy is the worst it's been since the Great Depression.
- There were too many trucks and not enough freight.

That explanation is one of the causes for the problem, but the most significant reason that these businesses failed, begins with the owners.

Operating a trucking company is like being an airline pilot. A pilot has to offset the effects of wind in order to stay on course, because if he doesn't, the plane can change directions many times per second and the same applies to a business. When you're the owner of a business, you must compensate for your own internal flaws. It's your attitudes, ideas and skill limits that are standing in your way. Like a pilot, there are many variables that can get a business off course, but if they are corrected, you can survive in any economy.

In my auditing practice, I continually note that; when we're engaged by struggling companies, the single, most important problem starts with the owner;

- The owner spends much of his/her time performing the work of the business, but;
- In order to perform the work of the business, they're not leading, planning, organizing, or marketing their company.

Particularly if you're a small trucking or logistics company;

- You go to work every day.
- You do it all:
 1. You make sales calls.
 2. You write invoices.
 3. You fix equipment.
 4. You troubleshoot.
 5. You call on clients.

However, the problem is; you have no written procedure and no business plan. In many cases, your systems are not automated enough to keep up with technology. Many owners are very knowledgeable, have innovative ideas, but the ideas only remain in their heads because they're focusing on what they believe to be the essential part of the business, and they forget the aspects about planning goals and objectives.

Many owners;

- Don't outsource – they don't believe in it.

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in this issue

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- They don't believe in beneficial strategic partnerships.
- They don't delegate to employees, and;
- Many of them don't seek counsel from outside professionals.

I'm only called by an owner when the company is on the verge of bankruptcy. Many times, when I'm speaking to a company that's struggling;

- And when I speak to the owner;
- He/she believes they already know what they need to do, they just don't do it.

I classify these people as unconsciously incompetent and if they remain that way, their business will most certainly fail.

As we all know, the trucking business is a pennies business;

- We have peaks.
- We have valleys, and;
- The last two years, the economy has been as worse as the Great Depression.

However, many trucking/logistic companies survived while others did not – why? I believe the failure is tied directly to the owner;

- Many owners get sick and tired.
- They stretch themselves too thin.
- They feel rushed and overwhelmed.
- They worry they can't do it all.
- They worry that others won't do it right, and;
- They know they should let go, but they can't.

The owners have a failure to fix serious flaws; they have a short term “put out the fire” mentality. Then, when the pressure gets too much, they disappear, as if that's going to do any good. When they come back, they discover that their business has come to a screeching halt; the work is piled up, they've lost money, they have frustrated customers/frustrated employees and they missed golden opportunities.

Recently, I was speaking to an owner of a trucking company who my office has had continuing discussions with for the last 4 or 5 years;

- This individual wanted to sell his business, but;
- The individual's company has not made money 3 out of the last 5 years.
- I explained to this owner that, in order to create shareholder value, he had to fix his company first, and;
- Then, once it's fixed and it's demonstrating operating profits, then he could attempt to sell his business.

However, when you're trying to sell a business that's unprofitable, zero plus zero equals zero. When I made that statement to the owner, his comment was;

- How can I expect you to get anything accomplished, if you're only at my terminal facility for 3 days?
- I don't believe anybody can observe my business for 3 days and know what the problems are.

My comment was; when you're sick, you go to a doctor, why do you go to the doctor? His response; because I'm sick and want to get better. My response to him at that point;

- When you go to the doctor they take tests;
- **Do you get the test results in 2 or 3 days?**
- **His answer was, in most instances, yes!**
- Based upon those test results, then you know what you have to do to feel better; is that correct?
- **The answer; yes!**
- I asked; what's the difference between going to a doctor or utilizing my firms services?

All my auditors are Ex-President's and Chief Executive Officers of major trucking and logistics companies. They've seen it all, they understand the industry and they understand operations, lane balancing, receivables and maintenance programs. We require a substantial amount of information, prior to arriving at a facility; my auditors review the information that's sent to them, before they ever arrive and, therefore, they have a good understanding of what the problems are before they arrive.

My point; this person was very narrow minded. He wasn't willing to change and, if you're not willing to change, that's the "kiss of death". I've stated, on many occasions, that;

- You need to set goals.
- Objectives.
- **You need specific time frames to accomplish your goals and objectives.**
- **Employees should be treated as assets or liabilities.**
- Any liabilities should be eliminated.

I've also further stated that, employees need direction;

- You need to provide them with specific goals.
- Specific objectives, and;
- **You need to provide a time frame in which to accomplish your goals and objectives.**

At the same time, if they accomplish the goals and objectives, they should be rewarded accordingly.

Over the last 6 months, I've written articles on;

- Partnership programs.
- Professional Employer Organizations, and;
- I've explained each of these programs.

For anyone that's experiencing; cash flow problems, back haul problems, receivable aging problems, insurance problems, wants to improve their safety department, wants to focus on their core business and let somebody handle the back office; a Partnership Program and a PEO can be a very cost effective way to;

1. **Reduce** operating expenses.
2. **Increase** cash flow, and;
3. **Become** part of a larger organization without losing your identity; **there is strength in "numbers"**.

The fact that there is an increase in freight demand is good for our industry. However, that doesn't mean that, as capacity starts to change, your business model is going to work. **There will be fewer trucks, there will be more freight.** However, at the same time, if you're a logistics company or a freight broker, **how are you going to handle the capacity shortage?**

- Carriers will start moving their own shipments and freight brokers won't have access to as much equipment.
- **I've already started to see the market pendulum swing, and;**
- **Even though the market is turning, how is that going to help a freight broker or a logistics carrier if his/her rates are going to go up, or their truck capacity is going to shrink.**

Just because you're good at something, doesn't mean you will succeed at running a business. Over the next several weeks, I will be discussing how to improve your management skills so that you can improve your company's profitability.

As part of that process, you must;

- Assess your business skills and knowledge.
- Play to your strengths.
- Seek support from others.
- Focus on your weaknesses, and;
- Automate.

It's never been easier to communicate with prospects, trouble shoot problems, and stay in contact with customers if you're automated.

QUOTE OF THE WEEK: **“Worry doesn't help tomorrows troubles, but it does ruin today's happiness”** (Author Unknown)