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MANAGEMENT DEVELOPMENT AND RETENTION PROGRAMS IN U.S. THIRD-PARTY LOGISTICS FIRMS

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ABSTRACT

To provide quality logistics services, it is essential for third-party logistics (3PL) firms to develop an effective human resource program that ensures successful development and retention of qualified managers. By reporting the results of a survey of current U.S. 3PL firm development and retention practices and experiences regarding junior managers, this article provides a benchmark for 3PL firm managers who seek to improve management development and retention programs. Efforts to improve human resource programs should focus on improving orientation programs, mentoring, job enrichment, formal career planning, job relocation assignments, educational support, training and compensation.

INTRODUCTION

The market for third-party logistics (3PL) services is growing and will continue to grow. In a recently published study of 3PL firms, respondents experienced annual growth rates of more than 40 percent during the period 1995-1998 (Berglund et al. 1999). It is estimated that the U.S. 3PL services market will grow to \$85 billion by 2002, which represents *only* a 12.5 percent market penetration rate (Konezny and Beskow 1999; Delaney and Wilson 2000).

The 3PL firms are companies, other than the buyer or seller, that specialize in performing one

or more logistics services that could be performed by the buyer or seller. The logistics services most frequently provided by 3PL firms to manufacturers and merchandisers include: inbound and outbound transportation management, warehousing management, and freight bill payment/auditing (Bardi and Tracey 1991; Leahy, Murphy and Poist 1995; McGinnis, Kochunny and Ackerman 1995; Lieb and Randall 1996a; Sink and Langley 1997; Boyson et al. 1999; Langley, Newton and Tyndall 1999; Lieb and Peluso 1999; Murphy and Poist 2000).

A critical aspect of providing effective and efficient 3PL services involves the successful

development and retention of managerial human resources. There are significant reasons for 3PL firms to focus efforts in this area. First, in the 3PL market, services are the key products delivered to customers. As a result, 3PL management expertise is an important competitive factor. In fact, in three consecutive annual surveys (1996, 1995, 1994) of 3PL firm CEO perceptions, CEO's identified "*company employees / expertise*" as the most important factor that distinguishes their companies from the competition (Lieb and Randall, 1996b).

Second, the scope of logistics planning and operations continues to expand across corporate functions, supply chain organizations and economies of the globe (Cooper, Lambert and Pagh 1997; Bowersox, Closs and Stank 1999; Hammer 1999). As the field broadens, logistics managers must add new knowledge to their existing knowledge base. In addition, a significant portion of the knowledge base changes frequently (The Global Logistics Team, Michigan State University, 1995). For example, changes in information and material handling technology, international shipping regulations, packaging and environment regulations, and production and logistics asset capabilities require managers to frequently refresh their knowledge in these areas (LeMay and Carr 1999; Harps 2000).

Third, the demand for junior and senior logistics managers continues to grow as evidenced by the high salary gains for logistics managers who switch companies in the tight labor market (Cooke 2000); and the growing need for logistics managers by start-up and established companies engaged in various aspects of electronic commerce (Bauknight 2000). This results in a highly competitive market for quality logistics management talent among 3PL firms, manufacturers, merchandisers, consulting firms and governmental organizations. Such a labor market environment necessitates a vigorous management retention effort.

To provide quality logistics services in this growing market, it is essential for 3PL firms to

develop an effective human resource program that ensures successful development and retention of qualified managers. By reporting the results of a survey of current U.S. 3PL firm development and retention practices and experiences regarding junior managers, this article provides a benchmark for 3PL firm managers who seek to improve management development and retention programs.

METHODOLOGY

Reviews of literature in the human resource management and logistics fields were used to identify important policy and procedural issues. The human resource management literature revealed a number of general policies and procedures pertaining to employee development and retention. The logistics literature provided information regarding the types of training that junior managers might need and the sources of training materials and programs (LaLonde and Powers 1993; Melbin 1996; CLM Staff 1998; Ivancevich 1998; Noe et al. 1998; Trunick 1998; LeMay and Carr 1999). Junior manager positions were defined as those positions that required five or less years of logistics experience.

As a result of the literature review, several questions were identified in each area.

Development questions were:

1. What methods are used to develop junior managers?
2. What critical general management skills are developed?
3. What critical job related skills are developed? and
4. How are organizations supporting development activities?

Retention questions pertaining to junior managers were:

1. What is the retention rate?
2. What are the critical reasons for job turnover?
3. What is the relocation experience?
4. What is the job rotation experience?

Survey Instrument and Data Collection

A series of in-depth personal interviews were conducted with 3PL firm CEO's, human resource executives and senior operating managers to further specify types of policies and practices in each of the general research areas. The information was utilized to design a detailed ten page mail questionnaire. The first draft of the questionnaire was pre-tested using a small sample of senior 3PL firm executives. These executives were asked to critique the survey instrument and offer suggestions for improvement. The feedback from these executives enabled the researchers to improve the survey instrument and tailor the questions to the 3PL industry.

The 40 largest U.S. 3PL firms (based on net logistics revenue) were identified using Armstrong's Guide to Third-party Logistics Service Providers. An additional 60 U.S. 3PL firms were identified using the same source plus Inbound Logistics and the Contract Logistics Database (Editor 1996; Armstrong 1998; Stratton 1998). One questionnaire was mailed to each firm. The initial mailing resulted in 19 usable responses. A follow-up telephone call and mailing to non-respondents resulted in an additional 22 usable responses. Of the 100 questionnaires mailed, none were undeliverable because of wrong or changed addresses. The effective sample size, then, was 100.

Forty-one completed surveys were returned. The response rate of 41 percent (41/100) was acceptable because of the high management level of the respondents and the length of the questionnaire. Sixty percent of the 40 largest third-party firms in the logistics industry responded. These respondents account for 67

percent of the total revenue and 64 percent of the total employees of the 40 largest 3PL firms.

Since 3PL firm junior managers may work in various types of positions (e.g. operations supervisor, logistics analyst), the researchers requested development and retention information regarding the three positions within the firm that had the most junior management jobs. The 41 respondents provided data pertaining to 103 junior positions.

Non-respondents were contacted by telephone to determine the reasons for non-response, although non-response bias was not measured quantitatively. Two reasons for non-response were identified. First, the ten page survey instrument appeared to be a time consuming task and senior executives are time sensitive. Second, in some firms, a number of individuals would have had to provide data in order to complete the questionnaire. In such cases, the questionnaire was routed through a number of individuals and "lost" or "filed."

Data Analysis

Respondent firms were categorized using two demographic variables that are commonly used to describe 3PL firms: primary service provided and firm size. First, firms were categorized by primary service provided into four types: *Integrated Logistics Service (ILS) Provider*, *Transport Service (TS) Provider*, *Warehouse Service (WS) Provider*, and *Specialized Service (SS) Provider* (freight forwarding, customs support, information, financial or environmental services). Second, firms were categorized by total annual revenue into three sizes: *Large 3PL Firm*- greater than \$400 million, *Medium 3PL Firm*- \$100 million - \$400 million; and *Small 3PL Firm*- less than \$100 million. These categories were determined by performing an ABC analysis on the 3PL firms listed in *Armstrong's Guide to Third-party Logistics Service Providers* (See Table 1).

The 103 junior management positions were categorized by key position activities and requirements into seven position types:

TABLE 1
RESPONDENT DEMOGRAPHICS

Variable	Number of Firms (N = 41)	Percentage of Firms (P = 100)
Firm Type		
ILS Provider	12	29
TS Provider	11	27
WS Provider	9	22
SS Provider	9	22
Firm Size		
Large (> \$400M)	15	37
Medium (\$100-400M)	15	37
Small (<\$100M)	11	26
	Number of Positions (N = 103)	Percentage of Positions (P = 100)
Job Position		
Operations Supervisor	30	29.1
Logistics Coordinator	18	17.4
Logistics Analyst	15	14.6
Management Trainee	13	12.6
Technical Support	10	9.7
Sales Representative	10	9.7
Operations Manager	7	6.8

Operations Supervisor—supervises hourly operations personnel, project activities and/or logistics functions including transportation and warehousing; *Logistics Coordinator*—coordinates one aspect of logistics operations such as customer service or transportation; *Logistics Analyst*—provides logistics decision support for strategic planning, operational planning, and operational performance and control; *Management Trainee*—participates in a junior training program, and may be rotated through various positions; *Technical Support*—provides technical support to information technology, industrial engineering and other logistics functions, includes those positions that require MIS or engineering degrees; *Sales Representative*—sells 3PL services to customers; and *Operations Manager*—manages supervisory team, multiple logistics functions and is responsible for overall operational performance, includes those positions that require some experience or an MBA (See Table 1).

The completed surveys were coded, entered into Microsoft Excel 2000 and analyzed using SPSS Release 9.0 for Windows. The survey responses were both qualitative and quantitative. Therefore, a wide variety of analytical techniques were used to interpret the data. Responses containing nominal data were analyzed using simple frequency counts and percentages, cross tabulation, and Pearson Chi-Square tests. Responses containing ratio data were analyzed using means, standard deviations, t-tests, and analysis of variance (ANOVA) with post hoc pairwise multiple comparisons (Tukey HSD). All statistical tests were conducted at a 95 percent confidence interval (p-value < .05).

RESEARCH RESULTS

Development Policies and Practices

There were a number of significant findings regarding junior logistics manager development

policies and practices in 3PL firms. These findings are presented in the next four sections.

Development Methods Used. Five methods are used to develop managers in a majority of the junior positions. These methods are: internal training (98 percent), external training (87 percent), mentoring (65 percent), job rotation (59 percent) and Master of Business Administration (MBA) degree financial support (52 percent). Interestingly, less than one-half of the positions are provided with planned job progression (48 percent), career counseling (43 percent) or encouragement to complete professional certification programs (28 percent).

Comparisons of development methods used by firm type shows SS Providers leading in junior manager development in six of ten methods used. SS Providers use career counseling and certification programs for a significantly higher

proportion of positions than expected. However, ILS Providers use career counseling and TS Providers use certification programs for a significantly lower proportion of positions than expected (See Table 2).

Management Skills Developed. Survey respondents identified the critical management skills provided to junior logistics managers through formalized training. There is no "universal" management skill training required for junior positions in 3PL firms. No individual skill is required in more than three-quarters of the job positions. However, as shown in Table 3, nine types of general management training are provided to a majority of the junior manager positions: sexual harassment avoidance, new employee orientation, communicating, performance evaluation, goal setting, safety, conflict resolution, leadership and team building.

**TABLE 2
DEVELOPMENT METHODS USED BY FIRM TYPE**

Development Methods	Overall % of Positions Using N=103	p-value	SS Provider % N=24	WS Provider % N=21	TS Provider % N=27	ILS Provider % N=31
In-House Training	98		100	95	100	97
External Training	87		92	86	93	77
Mentoring	65		75	52	63	68
Job Rotation	59		50	67	70	52
MBA Degree Financial Support	52		46	52	59	52
Planned Job Progression	48		58	48	41	45
Career Counseling	43	.002	67	33	56	<u>19</u>
Professional Certifications	28	.012	46	43	11	19
Encouraged to Obtain an MBA Degree	18		13	14	30	16
Time off given to Obtain MBA Degree	2		8	0	0	0

Note: Chi-Square tests (p-value<.05) revealed that **bold** percentages are significantly higher than expected. Underlined percentages are significantly lower than expected.

Comparisons of general management training by firm type yielded significant differences. SS Providers have the most extensive training; requiring a majority of junior positions to train in 90 percent of the listed training areas. ILS Providers have the least training, requiring a majority of positions to train in only 20 percent of the listed training areas. Notably, a higher than expected proportion of SS Provider manager positions receive training in goal setting, conducting meetings, budgeting and planning skills, and a lower than expected proportion of ILS Provider manager positions receive training in goal setting, safety, team building,

presentation skills, conducting meetings, organization/planning and planning skills (See Table 3).

3PL firm size has an impact on the percentage of junior logistics management positions that receive general management training. Small firms require the most training. As shown in Table 4, a higher than expected percentage of manager positions receive training in small firms regarding six management skills: sexual harassment avoidance, safety, team building, organization, delegation skills and planning skills. In contrast, a lower than expected

TABLE 3
GENERAL MANAGEMENT TRAINING BY FIRM TYPE

Required General Management Training	Overall % of Positions Using N=103	p-value	SS Provider % N=24	WS Provider % N=21	TS Provider % N=27	ILS Provider % N=31
Sexual Harassment Avoidance	73		88	75	75	70
New Employee Orientation	65	.002	58	<u>45</u>	96	70
Communicating/Listening	62		54	85	71	57
Performance Evaluation	61		63	60	63	70
Goal Setting	55	.001	83	65	63	<u>30</u>
Conflict Resolution	53		75	45	46	57
Safety	53	.001	58	85	63	<u>30</u>
Leadership	52		67	70	50	40
Team Building	51	.049	63	70	54	<u>33</u>
Hiring/Terminating	48		50	65	46	43
Time Management	48		50	50	58	43
Project Management	41		58	35	29	47
Presentation Skills	40	.026	50	45	58	<u>20</u>
Diversity Training	39		58	30	33	40
Conducting Meetings	37	.003	63	45	42	<u>13</u>
Organization/Planning	35	.030	38	55	46	<u>17</u>
Budgeting	34	.002	67	30	<u>17</u>	30
Delegation Skills	34		50	35	38	23
Planning Skills	34	.022	54	30	46	<u>17</u>
Negotiation	23		29	20	38	13

Note: Chi-Square tests (p-value<.05) revealed that **bold** percentages are significantly higher than expected. Underlined percentages are significantly lower than expected.

percentage of manager positions receive training in medium-sized 3PL firms regarding five management skills: sexual harassment avoidance, safety, team building, organization and budgeting.

Job Skills Developed. Respondents were asked to identify the training that junior logistics managers receive regarding job-related knowledge. A majority of managers receive training about company and client policies and procedures as shown in Table 5. In addition, twenty to fifty percent of the logistics managers

are exposed to various logistics functions, technologies and vehicle/equipment operations.

With the recent emphasis on improving supply chain efficiency and effectiveness, it is surprising that less than one-fifth of these managers receive training on tools used to improve supply chains such as benchmarking, process re-engineering and pull systems. Additionally, the recent shift to process-oriented rather than function-oriented supply chain management should lead 3PL firms to provide training outside the traditional logistics functions. However, few 3PL junior

TABLE 4
GENERAL MANAGEMENT TRAINING BY FIRM SIZE

Required General Management Training	Overall % of Positions Using N=103	p-value	Small Firm N=28	Medium Firm N=37	Large Firm N=38
Sexual Harassment Avoidance	73	.000	96	<u>54</u>	84
New Employee Orientation	65	.038	<u>48</u>	77	74
Communicating/ Listening	62		76	71	53
Performance Evaluation	61		72	69	55
Goal Setting	55		64	49	63
Conflict Resolution	53		64	51	55
Safety	53	.000	88	<u>34</u>	55
Leadership	52		60	51	55
Team Building	51	.012	76	<u>37</u>	53
Hiring/Terminating	48		64	49	42
Time Management	48		56	34	61
Project Management	41		40	40	47
Presentation Skills	40		48	49	32
Diversity Training	39		36	34	50
Conducting Meetings	37		52	40	29
Organization/Planning	35	.001	60	<u>14</u>	42
Budgeting	34	.016	48	<u>17</u>	45
Delegation Skills	34	.018	56	37	<u>21</u>
Planning Skills	34	.013	60	26	29
Negotiation	23		36	17	24

Note: Chi-Square tests (p-value<.05) revealed that **bold** percentages are significantly higher than expected. Underlined percentages are significantly lower than expected.

TABLE 5
JOB RELATED TRAINING BY FIRM TYPE

Required Training Types	Overall % of Positions Using N=103	p-value	SS Provider % N=24	WS Provider % N=21	TS Provider % N=27	ILS Provider % N=31
In-House Operating Procedures	84		92	95	85	75
Services Offered	82		92	81	93	71
Customer Service Policies	75		79	67	93	68
In-House Software	73		79	62	85	71
Spreadsheet Software	57		75	43	67	50
Client Operating Procedures	55		67	57	59	46
Client Customer Service policies	53		71	57	44	50
Client Performance Goals	49	.032	67	48	59	<u>29</u>
Client Software/ Information Systems	49	.023	67	52	<u>26</u>	57
ISO 9000	48		67	48	44	39
Quality Management	47	.022	58	<u>29</u>	67	36
Database Software	45		42	57	41	46
Hazardous Materials Certification	43		29	43	59	43
Transportation Management	38	.022	58	<u>14</u>	44	36
Proposal Development	32	.008	58	<u>14</u>	22	36
Forecasting	30		46	24	33	21
Inventory Management	29	.038	33	52	<u>15</u>	25
Barcode Technology	27	.002	<u>8</u>	57	33	18
Benchmarking	24		25	14	37	21
Vehicle/Equipment Operation	23	.000	13	62	26	<u>4</u>
International Documents	18	.000	46	5	26	<u>0</u>
Process Engineering	17		25	14	7	21
JIT/Pull Systems/Kanban	16		8	14	11	29
Selling Skills	14		33	5	15	4
Labor Union Rules	14		4	19	22	11
Purchasing Management	7		25	0	4	0
Inventory Certification (APICS)	2		0	5	0	4
Transportation Certification (AST&L)	0		0	0	0	0
Purchasing Certification (NAPM)	0		0	0	0	0

Note: Chi-Square tests (p-value<.05) revealed that **bold** percentages are significantly higher than expected. Underlined percentages are significantly lower than expected.

managers are receiving training regarding production operations or purchasing. In fact, less than two percent are involved in general management certification programs in production and inventory management (APICS) or purchasing management (NAPM).

There are significant differences in job-related training by firm type (See Table 5). SS Providers have a higher than expected percentage of managers engaged in training related to transport management, proposal development and international documents and a lower than expected percentage of managers involved in barcode technology training. WS Providers train a higher proportion of managers in inventory management, barcode technology and equipment operation and a lower proportion of managers in quality management, transport management and proposal development. TS Providers have a higher than expected percentage of managers engaged in quality management training and a lower than expected percentage of managers engaged in client software and inventory management training. ILS Providers have a lower than expected proportion of managers involved in training pertaining to client performance goals, equipment operations and international documentation.

Regarding job-related training by position, no statistically significant findings can be reported, however, a number of observations can be made. Sales Representatives are the most highly trained as evidenced by the fact that this is the only position where a majority of managers are trained in a majority of the training areas displayed in Table 6. Training is focused on company marketing policies, learning about customers, proposal development and selling skill development. Operations Supervisors and Operations Managers receive considerable job related training which is focused primarily on customer goals and training to support or improve company operations such as quality management, ISO 9000, hazardous materials transport and equipment operations training. Technical Support and Logistics Analyst

positions also receive considerable training. Training for these support functions focuses on company and client software and information systems. Secondary training areas include forecasting, inventory management, process reengineering and benchmarking. Management Trainees and Logistics Coordinators receive the least training.

Development Support. 3PL firms were asked to provide the preferred sources used in training junior logistics managers. Of the sources provided, 62 percent were external to the 3PL firm and 38 percent were internal. The six most preferred sources are: in-house training, professional business organizations (e.g. CLM), university programs, training organizations, on-the-job training and consulting firms.

Regarding the most used external source, Professional Business Organizations (PBO), respondents were asked to identify the sources used to train junior managers and how these sources support 3PL training efforts. Four-fifths of the 3PL firms use PBO's to support training for junior logistics managers. The three primary forms of support are: PBO training materials used during in-house training (54 percent), PBO seminars and workshops attended by managers (49 percent) and PBO annual conferences attended by managers (41 percent). A breakdown of the specific PBO's used and how 3PL's use these organizations to support training is provided in Table 7. Overall, CLM, AMgtA, and WERC are used as training sources by the highest proportion of 3PL firms. The three leading sources of in-house materials are CLM, AMgtA and ATA. The leading sources of seminars among PBO's are AMgtA and CLM. The primary annual conference attended by 3PL junior managers is CLM.

Retention Practices and Experiences

There were significant findings regarding 3PL junior manager retention practices and experiences. These findings are presented in the next four sections.

TABLE 6
JOB RELATED TRAINING BY POSITION

Required Training Types	Overall % of Positions N=103	Sales Rep % N=10	Ops Sup % N=30	Ops Mgr % N=7	Tech Supt % N=10	Log Ana % N=15	Mgt Trn % N=13	Log Coor % N=18
In-House Operating Procedures	84	90	97	86	80	67	54	94
Services Offered	82	90	83	86	80	73	85	78
Customer Service Policies	75	90	83	86	40	73	77	72
In-House Software	73	90	70	86	100	60	69	66
Spreadsheet Software	57	80	43	86	50	60	61	56
Client Operating Procedures	55	70	53	57	80	70	38	56
Client Customer Service policies	53	80	57	71	50	60	38	56
Client Performance Goals	49	70	50	71	50	50	31	50
Client Software/ Information Systems	49	70	40	57	90	40	23	50
ISO 9000	48	20	60	57	40	47	23	61
Quality Management	47	50	63	43	50	47	31	28
Database Software	45	70	30	57	60	60	23	44
Hazardous Materials Certification	43	20	63	57	20	27	46	39
Transportation Management	38	60	43	14	20	47	31	33
Proposal Development	32	90	23	43	40	47	15	6
Forecasting	30	60	27	29	50	40	31	0
Inventory Management	29	40	33	29	20	40	31	11
Barcode Technology	27	20	40	14	30	13	46	11
Benchmarking	24	30	23	0	50	33	38	0
Vehicle/Equipment Operation	23	10	53	29	0	0	31	6
International Documents	18	60	20	29	0	7	8	17
Process Engineering	17	20	10	0	50	20	31	0
JIT/Pull Systems/Kanban	16	0	20	0	10	20	23	17
Selling Skills	14	80	3	14	10	7	15	0
Labor Union Rules	14	0	33	14	0	0	15	6
Purchasing Management	7	40	7	0	10	0	0	0
Inventory Certification (APICS)	2	0	3	0	0	7	0	0
Transportation Certification (AST&L)	0	0	0	0	0	0	0	0
Purchasing Certification (NAPM)	0	0	0	0	0	0	0	0

Note: **Bolded** percentages are at least 50 percent.

TABLE 7
PROFESSIONAL BUSINESS ORGANIZATION SOURCES USED

Professional Business Organization	Use Materials In-House (% Firms)	Attend Courses & Seminars (% Firms)	Attend Annual Conference (% Firms)
Council of Logistics Management (CLM)	27	22	34
American Management Association (AMgtA)	20	32	5
Warehouse Education Research Council (WERC)	10	15	10
International Warehouse Logistics Assn. (IWLA)	10	15	5
American Trucking Association (ATA)	15	7	7
American Marketing Association (AMA)	12	5	5
National Customs Brokers/Forwarders Association of America (NCB/FAA)	2	7	5
The Educational Society for Resource Management (APICS)	2	5	2
American Society of Transportation & Logistics (AST&L)	2	5	2
Produce Marketing Association (PMA)	2	2	2
National Association of Purchasing Management (NAPM)	0	2	2
Material Handling Institute (NHI)	2	0	0
National Industrial Transportation League (NITL)	2	0	0

Retention Rates. 3PL firms were asked to identify the retention rate for junior logistics management positions at one year intervals for a three year period. The retention rate data is summarized in Table 8. The overall mean percentage of managers retained by the end of each year is: 1st year (88 percent), 2nd year (76 percent), 3rd year (67 percent). Respondents reported that after the 3rd year, one-tenth of positions have 100 percent retention, one-quarter of the positions have at least 90 percent retention, three-quarters of the positions have at least 60 percent retention, and one-quarter of the positions have 50 percent or less retention.

ANOVA tests revealed significant differences in retention rates by firm size. Large firms have significantly lower retention rates than Medium or Small firms after the 1st and 2nd years and lower retention rates than Small firms after the 2nd year.

No statistically significant differences in retention rates between firm type or

management positions were detected. However, after the 3rd year, ILS Providers retention rates are the lowest. Also, while most position retention rates are near 68 percent after the 3rd year, Operations Managers retention is 85 percent and Management Trainee retention is only 40 percent.

Reasons For Job Turnover. Respondents identified the five most frequent reasons for junior logistics manager turnover and rank ordered these reasons based on frequency. The major reasons for turnover are listed in Table 9: better financial offer in logistics (69 percent), better financial offer outside logistics (59 percent), did not like geographic location of job/new job (41 percent), did not like corporate culture, policies or structure (41 percent), fired for inadequate performance (39 percent) and not challenged by job (37 percent). No other reasons were mentioned in the top five by more than 17 percent of the respondents. Two-fifths of the respondents ranked "better financial offer in logistics" as the most frequent reason for

TABLE 8
JUNIOR LOGISTICS MANAGER RETENTION RATES

Demographics			Mean Retention Rates (% of Positions)		
			1 st Year	2 nd Year	3 rd Year
Overall		N = 103	88	76	67
Firm Size	Small	N = 28	<u>96</u>	<u>85</u>	<u>80</u>
	Medium	N = 37	<u>91</u>	<u>78</u>	<u>67</u>
	Large	N = 38	80	65	56
Firm Type	TS Provider	N = 24	86	79	74
	WS Provider	N = 21	92	77	71
	SS Provider	N = 27	89	77	68
	ILS Provider	N = 31	88	71	56
Position	OPS Manager	N = 7	96	89	85
	Log Analyst	N = 15	93	83	71
	Log Coordinator	N = 18	88	77	69
	OPS Supervisor	N = 30	87	76	68
	Tech Support	N = 10	93	73	67
	Sales Rep	N = 10	82	73	66
	Mgt Trainee	N = 13	83	66	40

Note: ANOVA tests (p-value < .05) revealed that **bold** numbers are significantly lower than underlined numbers in the same column

TABLE 9
REASONS FOR JOB TURNOVER

Reasons	Number of Times Mentioned	% of Firms
Received Better Financial Offer in Logistics	28	69
Received Better Financial Offer in Other Field	24	59
Did Not Like Geographic Location of Job	17	41
Did Not Like Corporate Culture, Policies, Structure	17	41
Fired for Inadequate Job Performance	16	39
Not Challenged by Job	15	37
Had Personality Conflict with Manager	7	17
Quit to Continue Education	7	17
Had Personality Conflict with Employees	6	15
Downsized	5	12
Quit Because Spouse Relocated	3	7
Did Not Like Long Hours, High Stress	2	5
Quit to Raise Family	2	5
Quit Because of Family Member Health	1	2
Did Not Like Work Environment	1	2
Quit Because of Personal Health	1	2

turnover. Chi Square tests yielded no significant differences in turnover reasons by firm type, firm size or management position.

Job Relocation Practices. When asked how often junior managers were relocated in the initial three years of employment, respondents provided the data highlighted in Figure 1. The mean number of relocations is .80 with a standard deviation of 1.03. Eighty-three percent of the management positions require zero or one relocation over the three year period. Only 9 percent of the positions require three or four relocations in the initial three years.

Analysis of Variance tests revealed significant differences in the number of job relocations by firm type and job position. The mean number of job relocations in the first three years by job type are: TS Providers 1.19, WS Providers .90, ILS Providers .50, and SS Providers .46. TS Providers relocate new managers more often

than ILS or SS Providers (p-value = .028). Also, the mean number of relocations by position are: Management Trainee 2.36, Operations Manager 1.14, Sales Representative .80, Logistics Coordinator .78, Operations Supervisor .47, Technical Support .30 and Logistics Analyst .20. Management Trainees move significantly more often than all other positions (p-value = .000).

Job Rotation Practices. Respondents were asked to provide the number of job title changes that occur for logistics managers in the initial three years. Figure 2 displays the results. The mean number of title changes is 1.3 with a standard deviation of .89. The most frequent response is 2 job rotations (37 percent). Surprisingly, 23 percent of the positions had no job rotation in three years and another 34 percent had only one job change in three years. ANOVA tests found no significant differences in job rotation by firm type, firm size or management position.

FIGURE 1
NUMBER OF JOB RELOCATIONS IN THE FIRST THREE YEARS

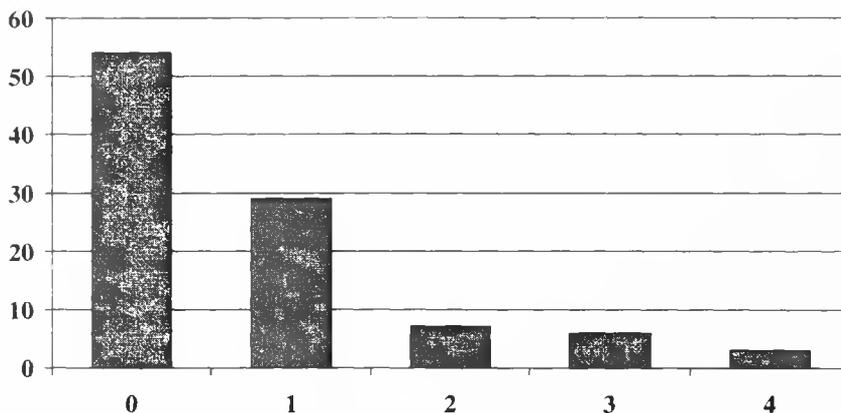
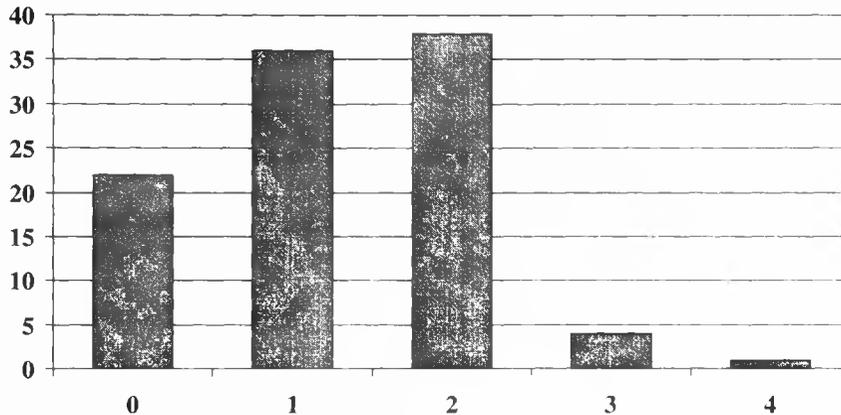


FIGURE 2
NUMBER OF JOB TITLE CHANGES IN THE FIRST THREE YEARS



CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Development Conclusions

Even though an effective human resource management development program can have a significant positive effect on the quality and costs of logistics services provided, a significant percentage of 3PL firm management development programs lack critical policies and procedures necessary to effectively develop and retain junior management. Managers in more than one-half of the junior management positions are **not** provided with career counseling or planned job progression. Also, managers in more than one-third of the positions do not receive mentoring or have opportunities for job rotation. Finally, managers in less than 30 percent of the positions are encouraged to pursue additional education (e.g. professional certifications, MBA degrees). Although the five most widely used general management training topics for 3PL junior managers are: sexual harassment avoidance, new employee orientation,

communicating, performance evaluation and goal setting; four of these five topics are not provided to managers in more than one-third of the 3PL junior managers positions. Small 3PL firms require the most general management training. In addition, SS Providers lead while ILS Providers lag in providing general management training to junior managers.

A majority of 3PL junior management positions are supported with job-related training pertaining to company and client policies and procedures. However, less than 40 percent of the positions receive training regarding the major logistics functions and less than 20 percent of the positions receive training on process improvement tools or cross-functional areas such as purchasing or production operations. SS Providers lead and ILS Providers lag in providing job skill training. Also, Sales Representative positions receive the most job skill training and Management Trainees and Logistics Coordinator positions receive the least. The primary source of 3PL junior manager training involves programs developed in-house. The secondary

training source is professional business organizations. However, managers in only one-half of the positions use PBO training materials in-house, attend seminars or annual conferences.

Retention Conclusions

The overall retention rate in 3PL firm junior manager positions decreases approximately 12 percent per year in the initial three years. Consequently, the mean retention rate after three years is 67 percent. Larger 3PL firms have lower retention rates. Also, ILS Providers have the lowest retention rates after three years.

The primary reasons for junior manager turnover are: received a more attractive financial offering; did not like geographic job relocation; lack of fit with corporate/culture policies; structure; fired for inadequate performance and not challenged by job. Most of the factors that impact retention can be significantly affected by human resource management policies and procedures.

The mean number of geographic job relocations in the initial three year period for junior managers is less than one (.80). However, the mean number of relocations for a Management Trainee is 2.36 and this position has the lowest retention rate after three years (40 percent).

The mean number of job rotations in the initial three year period for junior managers is slightly more than one (1.3). However, almost one-fourth of the positions experienced no job rotation in three years.

Implications

To remain competitive in the third-party logistics services market, U.S. 3PL firms must develop effective human resource management policies and programs to improve the development and retention of talented junior managers. Efforts to improve human resource programs should focus on improving orientation programs, mentoring, job enrichment, formal career planning, job relocation assignments, educational support, training and compensation. Improvements in

these areas should include:

- Developing of a comprehensive New Employee Orientation Program that covers the following: overview of company and culture, key company policies and procedures, compensation and fringe benefits, substance abuse policies and accident prevention, employee and union relations, and physical facilities. Such a program can reduce turnover which is high during this initial period of adjustment.
- Implementation of a New Employee Orientation Program that includes the following steps: a general orientation briefing conducted at a pace that facilitates new employee learning, an invitation by management to seek help and advice when needed, assignment to a specific mentor who is experienced and will be working with the new employee, gradual and systematic introduction to co-workers and supervisors, some on the job training prior to increasing job demands, and an orientation follow-up in the first month to determine how well the new employee is adjusting to the new position/environment.
- Utilizing several strategies to ensure that the junior manager receives a challenging initial assignment. Specific strategies include: assigning new managers to the most challenging available job; assigning a new manager to a non-challenging job and then enriching the job by giving the new manager increased authority/responsibility; permitting the new manager to interact directly with customers/clients; and/or allowing the new manager to implement some of their own solutions without supervisor permission (empowerment); and assigning a new manager to a supervisor that has high but achievable performance expectations. Providing junior managers with a challenging initial job assignment increases retention.
- Providing the junior manager with formalized career planning that includes career counseling and career pathing (planned job

progression). These career planning efforts should include the likely training and geographic job relocations that will be necessary in order for the manager to move along the specific career path within the organization.

- Minimizing the number of geographic job relocations needed for junior managers to pursue a given career path to increase retention.
- Integrating career planning and workforce planning by involving both human resource personnel and operating managers in both planning processes. A joint planning effort is critical because 3PL firm workforce plans can be altered dramatically by the addition or subtraction of a major customer contract. For example, major changes in customer sites or services to be performed could require significant management retraining or geographic relocation.
- Encouraging and supporting junior managers who seek additional professional education such as logistics certifications or MBA degrees. Management expertise is a key competitive weapon for 3PL firms.
- Designing an aggressive corporate junior management training program that focuses on improving management performance and contains the following basic steps: determine training needs and objectives by performing a needs assessment, develop criteria to select candidates for training, determine training material content, select sources and methods of training, plan and implement training, and evaluate training effort. Training that improves management performance can reduce turnover.
- Ensuring that required general management training for junior managers include the following areas: sexual harassment/diversity, new employee orientation, communication, performance evaluation and goal setting. Diversity training is necessary given the increasing diversity of the logistics workforce. New employee orientation programs can increase manager retention. Communication training can impact management effectiveness and, consequently, compensation. Training to improve how managers are evaluated is critical because performance evaluations are used to determine training needs and compensate managers. Training to improve goal setting can result in better management performance evaluations and as a result, increased compensation and retention.
- Designing a job skills training effort that includes: knowledge that is pertinent to the specific job assignment to improve job performance; process improvement tools such as flowcharting and TQM techniques that enable managers to re-engineer supply chain process; and cross-functional training in areas such as purchasing and production operations to facilitate a broader management understanding of the supply chain participants and their operations.
- Utilizing the plethora of logistics-related professional business organization training opportunities that are so readily available.
- Providing a competitive compensation package to junior managers in the tight labor market to increase retention.

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