

4-1-1990

Traffic managers after deregulation: new mountains to climb!

Kenneth H. Forsythe

St. Cloud State University, Minnesota

James C. Johnson

St. Cloud State University, Minnesota

Kenneth C. Schneider

St. Cloud State University, Minnesota

Follow this and additional works at: <https://digitalcommons.wayne.edu/jotm>



Part of the [Operations and Supply Chain Management Commons](#), and the [Transportation Commons](#)

Recommended Citation

Forsythe, Kenneth H., Johnson, James C. & Schneider, Kenneth C. (1990). Traffic managers after deregulation: new mountains to climb!. *Journal of Transportation Management*, 2(1), 27-46. doi: 10.22237/jotm/638928120

This Article is brought to you for free and open access by the Open Access Journals at DigitalCommons@WayneState. It has been accepted for inclusion in *Journal of Transportation Management* by an authorized editor of DigitalCommons@WayneState.

TRAFFIC MANAGERS AFTER DEREGULATION: NEW MOUNTAINS TO CLIMB!

by

Kenneth H. Forsythe, James C. Johnson, and
Kenneth C. Schneider
St. Cloud State University, Minnesota

INTRODUCTION

Transportation deregulation was started by the ICC and CAB in the mid-1970s and this trend accelerated when it was championed by President Jimmy Carter. Deregulation laws were enacted by Congress in the airline industry (1977 and 1978), the trucking industry (1980) and the rail industry (1980). We now have over a decade of experience with transportation deregulation which has substantially altered the transportation industry. Instead of government regulatory agencies establishing rates and services, these competitive factors are now determined by marketplace forces. The traffic management function has been drastically affected by the new competitive environment found in the transportation industry. The purpose of this article is to briefly review what traffic management was like before and after deregulation. Then the results of a survey involving 215 traffic managers will be examined. Specifically, traffic managers were asked how deregulation impacted their position and then they were asked to tell us, in their words, why they answered as they did.

TRAFFIC MANAGEMENT BEFORE DEREGULATION

Before deregulation, when the federal government was heavily involved with day-to-day transportation issues, such as rates and service offerings, the traffic management function was a Byzantine world of gigantic tariffs -- frequently a single tariff would be greater than a thousand pages -- and incredibly complex federal regulations. Roy W. Mayeske worked for six years at Minnesota Mining and Manufacturing [3M] in purchasing and then -- to his chagrin -- was transferred to the traffic department. He felt at the time that this new position was the equivalent of being sent into exile to corporate Siberia. Mayeske declared:

My career path had no plans for transportation. If you look at transportation 15 years ago [1973], it was highly regulated -- there were all kinds of books with chapter and verse as to what you could do and couldn't do. My initial reaction was: Where did I goof and why am I getting this punishment.¹

Mayeske, who eventually came to like traffic management, advanced at 3M to his current position of executive director of transportation. Reflecting back on his initiation into transportation, he noted that he was suspect by transportation managers both within 3M and outside the company because he was not conversant with the galaxy of regulatory details. At that time, traffic managers were often thought to be highly specialized "technocrats" who could fathom the inexplicable rules and regulations issued by the ICC and CAB. Transportation executives were typically thought to be unimaginative -- dull -- people, because the federal government quashed almost every attempt at inspired solutions to distribution problems. Therefore, the conventional wisdom was that innovative people would not stay in transportation, because their initiative would be constantly thwarted by federal regulations and rulings.²

Mayeske observed:

In the regulated days it was almost a case that the shipper or transportation person would say to the rest of the company: "This aspect of the business is very complicated -- you couldn't begin to understand it, so you just come and ask me a question and I'll tell you whether you can do it or you can't do it."³

TRAFFIC MANAGEMENT AFTER DEREGULATION

Deregulation has drastically transformed the traffic management function. Today, traffic managers can negotiate almost any aspect of their relationship with carriers. Rates, service levels, and loss and damage claims are examples of factors that can now be negotiated. It is no exaggeration to say that if a traffic manager in 1974 was accidentally hit on the head and went into a coma for the next 15 years, and then awoke in 1989 -- he or she would literally be dumbfounded by the changes that had taken place. Bob Delaney, a transportation management consultant with Arthur D. Little, Inc., captured the magnitude of the alterations brought about by deregulation, "Since deregulation, half of what I know is obsolete -- the problem is knowing from day to day which half that is."⁴

Because traffic managers have many more options available to them now, their positions are becoming more complex. Richard G. Velten, director of transportation for Johnson and Johnson Hospital Services, noted that while some companies are decreasing their traffic management personnel because of corporate downsizing -- which is also happening to every functional area -- this should not be interpreted to indicate that the traffic function is perceived by senior managers to be of less importance. He observed:

As far as the transportation professional's job diminishing, I think just the opposite. I think it's increasing. I think the transportation professional can provide more value-added services to a corporation than ever before because the capability has increased so dramatically, especially since deregulation.⁵

Roy Mayeske of 3M concurs with Velten. He stated, "Today we have to understand the objectives of the business and how we fit in enhancing it. You can't be a narrow specialist with tunnel vision anymore -- you've got to see the broader picture."⁶ James R. Eaton, executive vice-president of Carolina Freight Carriers, believes that deregulation, with its release of regulatory constraints that formerly restricted imaginative solutions to distribution problems, has enhanced the importance of the traffic management function. He noted:

These people [traffic managers] now are more of a decision maker in their company than they used to be. When deregulation came upon us it put them in almost the same situation as purchasing agents. Purchasing agents in the old days had more clout than the traffic group. But today the traffic group has as much clout as the purchasing group because they really are purchasing now and they can get prices and tie in value . . . They're more marketing oriented than they were.⁷

It should be noted that because of the substantial changes in the day-to-day operation of the traffic management position, some traffic managers were not able to adjust to the new environment.

Mr. Mayeske noted, "There were some people who fell by the wayside, couldn't cope, and left or moved into other aspects of the business."⁸

The above suggests that the traffic management function has been substantially altered by deregulation. A survey was undertaken to determine specifically in what ways deregulation has changed the day-to-day activities of traffic managers.

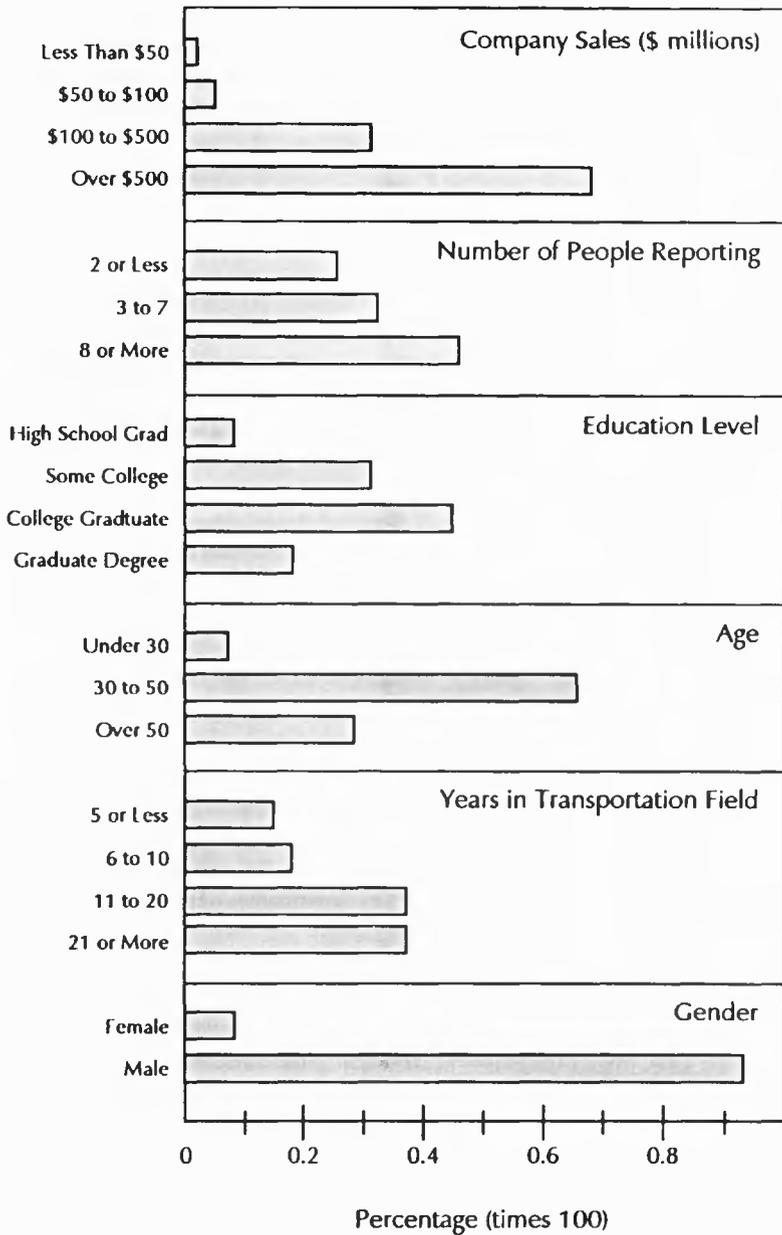
RESEARCH METHODOLOGY

A sample survey was conducted to identify traffic managers' overall level of job satisfaction and related opinions. The sampling frame consisted of all industrial companies represented in Value Line Investment Survey. After eliminating all companies in various service industries (e.g., air transport, banking, broadcast), an initial sample of 500 firms was selected at random from among the remaining industrial concerns.

A questionnaire was then sent to the "Corporate/General Traffic Manager" in each company along with a cover letter explaining the nature of the study and requesting the respondent's cooperation. Although the budget for the survey precluded any additional follow-up contact, a total of 215 traffic managers responded to the survey, representing a response rate of 43 percent. Given that there are an estimated 1,200 industrial firms included in Value Line, a sample of 215 traffic managers offers a margin of error of no more than plus or minus six percent at the 95 percent confidence level. Thus, all cited percentages are correct to within, at worst, ± 6.0 percentage points. Indeed, as reported percentages depart from 50% in either direction, the actual margin of error decreases, dramatically so for percentages in the 20% or lower (80% or higher) range.

Exhibit 1 presents a graphical summary of these 215 traffic managers and their companies. Reflecting the composition of firms in Value Line Investment Survey, the companies represented in the sample tended to be rather large. Indeed, from Exhibit 1, nearly two-thirds (65.6%) of them have annual sales over \$500 million, and 95.4% have annual sales over \$100 million.

**EXHIBIT 1
RESPONDENT DEMOGRAPHICS**



Despite the fact that the firms in the sample were mostly large ones, the traffic managers themselves comprised a diverse group. For example, the sizes of their staffs varied considerably. Just under half (44.0%) of the managers had at least eight people reporting while, at the other end, one in four (25.0%) managers had fewer than three people reporting.

The traffic managers in the survey also differed by educational background. While most of them (92.2%) had at least some college background, just six in ten (61.8%) had college degrees or better, and fewer than one in five (17.1%) had a graduate degree.

Regarding age and experience, the majority (66.2%) of the traffic managers were between 30 and 50 years old, and another 28.6% were over 50. Very few (5.2%) were under 30. Similarly, almost three-fourths (70.4%) of them had at least eleven years experience in the transportation field, and half of those had over twenty years experience.

Finally, while the profession is still predominantly male, it is interesting that nearly ten percent (8.0%) of the traffic managers surveyed were women.

DEREGULATION'S IMPACT ON TRAFFIC MANAGERS

Each respondent was asked, "Has deregulation of transportation made your job: much more challenging, more challenging, less challenging or much less challenging." Almost half of the traffic managers [46.9%] answered "much more challenging" and an even higher percentage [47.5%] selected "more challenging." Finally, 5.6% of the traffic managers selected "less challenging." In addition, each respondent was asked to elaborate, using his/her own words, WHY they had selected the answer they did.

Because almost 95% of the respondents found their positions either much more challenging or more challenging, we have combined their comments. It was found upon analysis of these 203 comments, five general categories of answers emerged-from the respondents' comments. These five general reasons accounted for 187 of the 203 statements. The remaining 16 comments were only mentioned once or twice and are not included in the analysis. Each of the five main factors that have rendered the traffic management position more challenging will be discussed in the decreasing order of frequency that they were mentioned. (Please note that in a few cases it was difficult to categorize the respondent's answers because their comments overlapped more than one point. In these cases, the response was categorized by the factor which the respondent seemed to be emphasizing.)

BECAUSE THERE ARE MORE OPTIONS AVAILABLE, THE JOB IS NOW MORE COMPLEX

Fifty-six respondents [26.0%] noted that as a result of deregulation, there has been an influx of new carriers and there are additional options available from existing carriers. The result is that there are many new alternatives and variations available to traffic managers compared to when the government tightly controlled the transportation industry. Here is a sample of verbatim statements from respondents explaining the new transportation environment.

- Deregulation has completely changed the game. There is so much variety available that I'm only limited by my imagination.
- Pricing of carrier services is more complex because each carrier can tailor make a rate/service package for us. Carrier bankruptcies have also further complicated my life. Finally, price stability is a thing of the past, which makes transportation cost forecasting almost impossible.

- There are so many more transportation companies available compared to before deregulation. I could spend every minute hunting and negotiating rates, verifying their insurance and financial condition, etc. I used to complain that the federal government held this industry in a straight jacket, but as I look back at it, at least it sure was an orderly situation compared to the chaos of today.
- Many new options, many different rates, less federal government rules and regulations means that there are many new rules of the game. My job has definitely become more complex as a result of deregulation. However, please note that I'm not complaining because like any other situation, I'm progressing rapidly on the learning curve.
- The new options available to us -- new carriers and the ability to negotiate rates and service levels -- have allowed the traffic function to become a significant player in the corporate race to increase productivity. Many of the new carriers require research on my part to make sure that they will not fail and are capable of providing the service levels they say they can. I really enjoy the myriad of new options available to me. My position is much more difficult than it used to be, but also much more interesting. I really believe I can make a difference compared to the old days when the real challenge was to interpret government regulations.
- Today I have more options to select from in terms of service availability, more vendors to select from, and the ability to be involved with price and service negotiations. These are all positive opportunities, but there is also the potential problem of bigger screw-ups because we are working with more carriers for which we have less prior knowledge.

- This industry is in a constant state of flux. At first I found it exhilarating, today I wish it were a little more predictable. Before deregulation this position was too dull, today it is too exciting. I wish we could find a happy middle-position.

TRAFFIC MANAGERS CAN BE INNOVATIVE AND CREATIVE

The second and third most commonly noted responses were each noted by 52 respondents [24.2%]. One was that because of deregulation, traffic managers now have the ability to be as innovative and creative as other functional areas in the company. Prior to deregulation, the ICC and CAB basically controlled innovation and these government agencies were inclined to move at glacial speeds when it came to authorizing innovative rates and services. Today, traffic managers have almost no restrictions in terms of finding the most innovative and creative solutions to distribution problems. Below are typical statements from respondents.

- The handcuffs have been removed! "If it is to be, it's up to me." In other words, deregulation has enabled transportation to become more involved in the management process and our function can become proactive in meeting corporate goals.
- It has allowed me to be more entrepreneurial in my personal approach to solving problems. The other side of the coin is that there is more risk for me to make errors and have to live with the consequences.
- Transportation is now a purchased service and no longer exists in a static environment. Today we can structure a program with a carrier that really meets my company's needs, as opposed to accepting what the carrier has to offer. Creativity is limitless.

- We now “purchase” transportation in a real competitive environment -- not just “account” for it as in the past.
- Rate and service levels are now an “open book.” A traffic manager today must be much more aware of the constant changes and innovations that are taking place in the transportation industry. I tend to think I am a relatively creative person, but I must confess I frequently talk to friends who have similar positions to mine in different companies and I am constantly amazed at some of the creative solutions they have come up with. My traffic department is slowly but surely losing the image that we are strictly technicians who completely lack creativity.
- The transportation industry should have been part of the free enterprise system a long time ago -- the challenge now is to find the best for the least!
- I am now able to exercise control over my destiny rather than be an interpreter of government regulations.

NEGOTIATION OF RATES AND SERVICES IS NOW A MANDATORY SKILL

The ability to successfully negotiate rate and service packages was also mentioned 52 times by respondents [24.2%]. Traffic managers in the first years after deregulation noted that while, this skill was essential, they often found it frustrating to learn.⁹ Now, however, respondents stated that they enjoy this new aspect of their positions. Here are representative comments.

- Deregulation has made negotiating a regular part of my job. It has become very interesting to see which carriers are willing to do their homework so they can determine their cost structure and hence how low their rates can go.
- I must do my homework when it comes to negotiating and I have to have a better general understanding of transportation costs and the industry in general.
- The sky's the limit when negotiating with carriers as far as rate structures and service and additional contract terms, such as penalties for noncompliance, rewards for superior service, etc.
- Deregulation has allowed freedom to negotiate transportation service contracts that are specifically designed to meet the exact needs of my company. As I look back over the years, I wonder why this didn't take place years ago!
- Deregulation has given us the opportunity to negotiate rates with carriers, and I believe it has made the carriers more responsive to shipper needs. Transit times are much better now than before deregulation.
- After deregulation in 1980, I have the ability to deal directly with carriers on a one-to-one basis. This makes my job more challenging as well as more exciting.
- Negotiations are fun. Rates are now freely negotiated where in the past they were "locked-in."

TRAFFIC MANAGERS ARE LESS "TECHNOCRATS" AND MORE LIKE OTHER MANAGERS

Sixteen traffic managers [7.4%] stated that what made their positions more challenging was that with less governmental rules and regulations, they were able to become less "technocrats" and more like other managers in the company. Here are respondent quotes expressing their pleasure at being liberated from excessive governmental rules and regulations.

- The free enterprise system can now be found in transportation versus the old system of lethargy. I no longer have the primary goal of complying with all the governmental rules and regulations.
- Regulations no longer make everything "set," what you now get out of the transportation system is up to you.
- It has given me personal control and allowed the rule books to gather dust. I feel the regulation era was a wonderful time to learn about transportation because it was such a protected environment. In the old days I couldn't really make a mistake relative to a competitor because they were subject to exactly the same tariffs I was.
- I have the opportunity to negotiate various aspects of the transportation contract in a business-like manner instead of the old bureaucratic, uniform procedure. My contribution to the success of my company is the result of a real effort on my part that would not have been possible before deregulation.
- My managerial talents are no longer infringed upon by antiquated regulations.

TRAFFIC MANAGERS MUST INVESTIGATE CARRIER'S BACKGROUND

The last factor mentioned with some frequency was that because of the tremendous influx of new -- often underfinanced -- carriers, many of them operate in precarious financial condition. The problem is that if a carrier goes bankrupt when it possesses the shipper's freight, a complete breakdown of customer service standards takes place and the traffic department is castigated by the firm's marketing department. To prevent this situation, the traffic manager must become an amateur "Sherlock Holmes" in terms of doing research to ensure that the carrier being utilized is not on the brink of financial collapse. Here are typical statements from the eleven traffic managers [5.1%] that discussed this problem.

- Deregulation has brought about many new opportunities to save my company money. Also, deregulation has brought about the demise of many carriers. I have to be much more selective and careful about which carriers we use in terms of financial stability, insurance requirements, etc.
- There is so much price competition today that we almost have too much of a good thing. I really have to be careful when a carrier offers me an outstanding package that they can stand behind it and perform.
- Price competition is so severe that many previously sound companies have failed in recent years. Also, thousands of new companies have entered the TL market. While I enjoy the new options available, I must conscientiously check each carrier's background to make sure they won't go "belly-up" with my freight frozen in their system.

- Managing the efficient, timely and economical movement involves much more than previously during regulation. There are many more choices. Price is the biggest issue, however, carrier financial strength, which was never an issue with regulation, is now an important part of the selection process.

THE CONTRARIAN'S POINT-OF-VIEW

Finally, it should be noted that twelve traffic managers [5.6%] stated that in their judgment transportation deregulation had made their positions "less challenging." Ironically, there is some logic to what the respondents were saying. Here are illustrative statements.

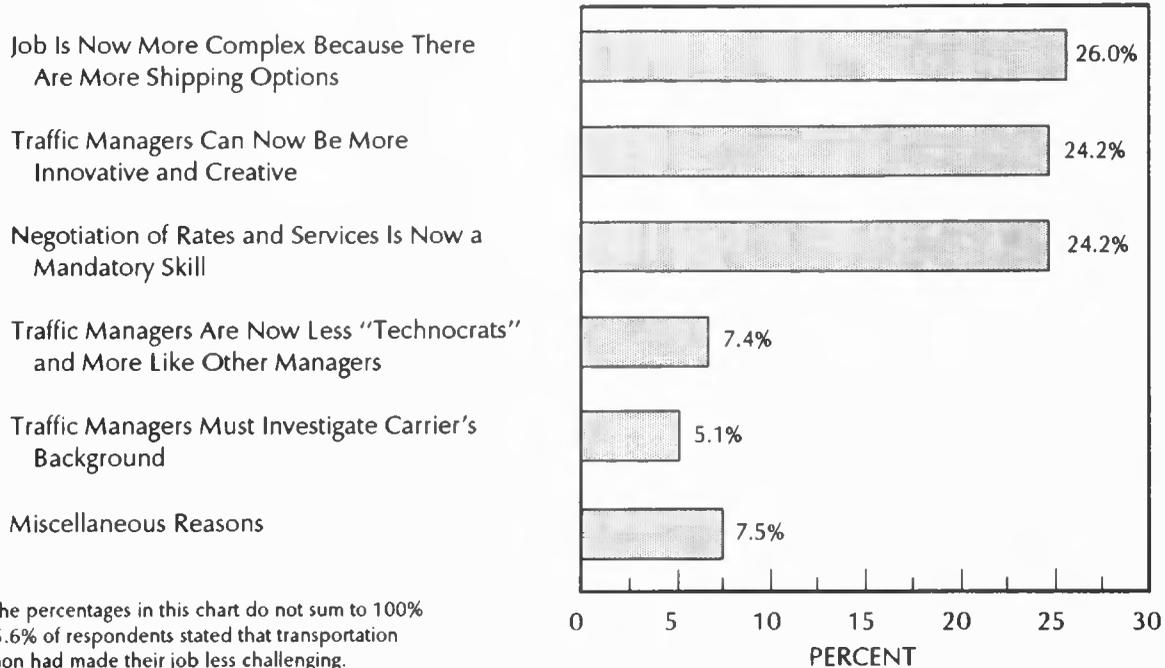
- In recent years I have been recognized by senior management for my ability to drastically decrease transportation rates while also providing improved ontime delivery schedules. What top management doesn't know, and I'm not going to tell them, is that I had next to nothing to do with these improvements. The transportation market is now so competitive that these changes took place automatically and I was the benefactor.
- Carriers compete with themselves so vigorously that rate negotiations are a breeze. This job is easier today than ever before.
- It's easy to look good when the environment is changing -- which I can't control -- and the result is that what I'm judged on, rates and service levels, are drastically improving. This job is less demanding because carriers are competing so aggressively for my tonnage.

CONCLUSION

The traffic management function has been significantly -- and irrevocably -- changed as a result of transportation deregulation. Nineteen of every twenty traffic managers surveyed stated that deregulation had made their positions either "much more challenging" or "more challenging." They indicated that there were five major factors (see Exhibit 2) that have substantially changed as a result of deregulation, with the most common reason being that the traffic management position is now much more complex because there are so many more shipping options available. Finally, a few traffic managers stated that deregulation had actually made their positions easier, since they were credited for cost reductions and/or improved service levels that resulted from deregulation.

Transportation deregulation, more than any other factor in the history of traffic management, will be seen by future transportation historians as the most important single event that liberated traffic managers from being "technocrats." While technocrats are essential managers, their skills are typically so narrowly focused that they are perceived by senior management to be incapable of being promoted to positions of greater responsibility requiring more generalized management skills. Today's successful traffic manager must be a generalist. To be effective, they must be analytical in their abilities to study problems and implement creative solutions. This typically involves negotiating with carriers so that "win-win" solutions are created in which both the carrier and the shipper benefit from the negotiated rate/service agreement. Traffic managers are now ideally situated to be promoted to positions of increasing responsibility. Why? Because they can clearly demonstrate to senior management the improvements they have achieved regarding increased customer service levels and/or freight rate reductions. These achievements will propel them into positions of greater responsibility both in logistics and marketing. We foresee the day when former traffic managers regularly compete for top management positions.

EXHIBIT 2
REASONS WHY TRAFFIC MANAGERS BELIEVE THEIR JOB IS MORE
CHALLENGING SINCE TRANSPORTATION DEREGULATION



*Note: The percentages in this chart do not sum to 100% because 5.6% of respondents stated that transportation deregulation had made their job less challenging.

A precautionary note is advisable regarding the relatively few traffic managers that stated that their positions had become easier because of deregulation. They noted that deregulation had made the entire transportation industry so much more competitive, that they looked highly competent because service levels had substantially improved and rates had often drastically decreased. These managers stated that these changes took place, not because they were such effective traffic managers, but because the entire industry was now so much more competitive. Therefore, they appeared very efficient when, in fact, they were often not directly responsible for the improvements. This situation is changing. In both the trucking and air freight industries, rates have finally bottomed-out and in many situations and are starting to slowly increase. Clifford Sayre, director of logistics at DuPont Corporation, declared, "Demand has caught up with supply of certain types of freight transportation and rates are starting to move up" at a rate "close to or slightly more than the inflation rate."¹⁰ Robert Delaney, a transportation consultant for Arthur D. Little, Inc., made a similar observation. "We've gotten all the benefits of deregulation in freight-cost reductions. Now we are starting to see real freight rate increases as carriers replace equipment, pay higher fuel costs and pay more for labor. You'll see carriers try to recoup some of the price cutting that occurred previously."¹¹ Therefore, traffic managers can no longer expect market conditions to be as favorable as they have been during the previous decade. Future improvements in service levels and rates will be harder to come by and will require skillful analysis and negotiation by traffic managers.

In conclusion, the traffic management function has been irreversibly altered as a result of deregulation. Undoubtedly, traffic managers were apprehensive about the myriad of changes brought about by deregulation. They would have concurred with John Adams, who in 1776 [he became president in 1797] wrote to his friend James Warren and stated, "All great changes are irksome to the human mind, especially those which are attended with great dangers and uncertain effects."¹² Nevertheless, a decade after

deregulation, traffic managers are not only coping with the new transportation environment, but it appears they are revelling in their new-found freedom from the straight-jacket of government rules and regulations. Traffic managers are now managers in the true sense of the word. Further they welcome this opportunity to prove themselves. To borrow a literary metaphor, deregulation has presented traffic managers with new mountains to climb. Based on the results of this survey, traffic managers are apparently well past "base camp" and, it would seem, very much enjoying this new set of challenges.

REFERENCES

¹Allen R. Wastler, "From Outside To Guru: Mayeske and 3M's 'Partners In Progress'," Traffic World (October 17, 1988), p. 57.

²Allen R. Wastler, "Today's Shipper Is Different: More aggressive, Professional," Traffic World (November 14, 1988), p. 6. See also: Thomas A. Foster, "Engineering Excellence," Distribution (November 1988), p. 29.

³Wastler, "Today's Shipper..." , p. 6.

⁴Perry A. Trunick and Helen L. Richardson, "Practitioners Share Vision of Logistics' Future," Transportation And Distribution (December 1988), p. 16.

⁵"On The Record: Richard G. Velten," Traffic World (August 1, 1988), p. 20.

⁶Wastler, "Today's Shipper..." , p. 6.

⁷Wastler, "Today's Shipper..." , p. 6.

⁸Wastler, "From Outside..." , p. 59.

⁹See: Donald F. Wood and James C. Johnson, 2nd edition, Contemporary Transportation (Tulsa, OK: PennWell Books, 1983), Chapter 11.

¹⁰Daniel Machalaba, "Freight Rates End A Lengthy Decline and Begin to Rise," The Wall Street Journal (October 23, 1989), p. A2.

¹¹Machalaba.

¹²John Bartlett, 14th edition, Familiar Quotations (Boston: Little, Brown and Co., 1968), p. 463.