Power to the people?

BY THEODORE PRINCE

Notwithstanding billions of dollars worth of infrastructure and investment, success in ocean shipping is the result of people and their efforts. Shipping companies in the United States currently face real personnel difficulties — problems that closely reflect the challenges posed by today's business conditions and the strategies being used to face them down. I would classify these matters into three categories: downsizing, centralization and sales.

We have all heard of downsizing in the United States. Downsizing has, in fact, been aggressively adopted by shipping companies eager to shed any expense they can. Confronted with high fixed costs and low revenues, personnel costs are frequently the only expendable ones left.

Ocean shipping is an asset-based, network-operating business. Downsizing has been very common in similar industries, usually accompanied by deregulation. Railroads, motor carriers, airlines and telephone companies have all significantly cut their work forces — either through outright job elimination or by buyout incentives.

Most of these strategies have proven shortsighted at best and catastrophic at worse. It has become common for companies to offer even higher incentives to retain or regain employees. This is because intended efficiencies were not achieved by downsizing, or business grew unexpectedly.

The recent departure of Al Dunlap from Sunbeam may indicate an awakening by corporate management that requirements have changed. Mercer Management Consulting has elaborated on a "profit-zone" for companies.

Rather than seeking cost-cutting and economies of scale as success tactics, companies should consider customer requirements and priorities along with the structure of their market competition. You can't shrink your way to greatness, you must grow the business.

Today, most shipping lines offer centralized customer service. This trend is driven not only by a desire to downsize but to reduce the unit cost of the remaining employees. Closing offices in expensive locations and consolidating them in cheaper locations allows lines to reduce salaries, office rent and other expenses. In the event that they can replace union employees with non-union employees, the savings are even greater.

Some lines may undertake such relocations as a preemptive move against union organization. If only it were that simple. Centralization usually results in a massive "brain-drain" and loss of institutional knowledge. People who have been in certain jobs for years are replaced overnight with new employees.

Skill sets for mail-order-firm telephone call centers are a far cry from that needed for steamship customer service and documentation. The knowledge requirements of international geography, commerce, shipping terms and operations are immense. The training requirements are significant, not only at startup, but ongoing.

Many steamship lines fail to recognize the critical nature of training. It may be that the company's mother country is one in which classroom style, professional training is not common. Or, where corporate culture promotes general knowledge, at the expense of specific — minimizing the need for training.

Sometimes, a company has difficulty committing adequate resources to develop — and sustain — a comprehensive training program to support centralization. The ineffectiveness of the representatives can result in embarrassing service. And once qualified employees are properly trained, it may be difficult to keep them. Since centralized phone centers are clustered in similar geographical areas, there are often other companies seeking similar personnel. The present job market exacerbates this problem. Steamship lines may find themselves either losing good employees, or increasing salaries beyond their intended range.

Employee loss is especially a problem with sales people. Good sales people are experiencing job demand from two sources. The first is within the shipping industry. As deregulation appears imminent, all lines want to retain commercial relationships through the individual sales representative. When a representative changes lines, he/she is often able to bring much of his/her business with them. In addition, ocean freight consolidators are eager to hire good sales people.

The second factor is demand external to the industry. Real estate and technology companies have been attracting a large number of steamship sales people. The rewards are higher and, very often, the work is easier. Compensation is a big problem. Since most steamship lines are foreign-owned, stock and options do not exist for American staff. Many employees shun potential employers that cannot offer these incentives.

There is also concern that compensation would be tied to unrealistic expectations and impossible achievement. Other industries have come to realize that no amount of incentive pay will bring better results if the company has poor products or services. Besides adapting personnel policies more attuned to the American job market, many steamship lines could do more to help themselves by using more of the potential employee pool. Women and minorities are often significantly underrepresented in middle management positions — and above.

Most lines have come to realize that it is cheaper to retain a customer than it is to replace one. The same thinking should extend to their employees.

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