



Are you suffering from Dysfunctional Risk Management Syndrome?

By John A. Gentle, DLP

EVERY DAY LOGISTICS AND SUPPLY CHAIN LEADERS go to work, plow through their e-mail, and put out the fires that started over the course of the previous few hours. If there aren't enough challenges in-house, then the issues that pop up concerning suppliers, carriers, or government regulators keep them busy for the remainder of the day. Does this sound like your daily routine? If it does, there's a good chance you're suffering from Dysfunctional Risk Management Syndrome, or DRMS.

DRMS is the dysfunctional state of myopic thinking that minimizes and postpones the assessment of the greater risks associated with your business. More simply put, DRMS settles in when a shipper keeps his head buried in day-to-day problem solving and fails to step back, think, and creatively plan for the unforeseen. While the test for DRMS is quite simple, the various remedies require plenty of fresh thinking and several shots of short-term and long-term action planning. So let's start our examination and see where you're most susceptible. Answer "Yes" or "No" to the following five questions:

- 1) Does your logistics team hold carriers accountable for their proactive management of the risks associated with their fuel purchases?
- 2) Does your team hold its DCs accountable for effectively and efficiently managing the driver's time as well as the equipment assets of your carriers?
- 3) Does your team have a contingency plan ready for the next time all or part of the U.S. transportation network is shut down by floods, snow, natural disasters, and terrorist alerts? Does it include a safe-haven plan for the drivers that are at your facilities?
- 4) Does your team have several new hires and/or talented rotating team leaders who don't understand the industry and create credibility challenges?
- 5) Does your team understand the critical elements of—and spend enough time on—due diligence to ensure that all your carriers and 3PLs are completely qualified and maintain that qualification?

If you answered "no," "no," "no," "yes," and "no," you may be suffering from DRMS. But, don't panic. Let's take a look at what DRMS symptoms look like

John A. Gentle is president of John A. Gentle & Associates, LLC, a logistics consulting firm specializing in contract/relationship management and regulatory compliance for shippers, carriers, brokers, and distribution centers. A recipient of several industry awards, he has more than 35 years of experience in transportation and logistics management. He can be reached at jag@RelaTranShips.com.

and discuss some simple remedies.

Fuel. DRMS sufferers tend not to educate their carriers; and they certainly don't insist that they dedicate resources to managing fuel risk. As a matter of fact, most DRMS sufferers, and even many carriers, don't know how the price for a gallon of diesel fuel comes to be. This risk can be brought under control when a shipper educates all parties involved and creates an expectation for fuel management.

Plants and DCs. DRMS infected plants and DCs can inadvertently drive good carriers away by being unresponsive. Are you educating and overseeing the actions of your field operations to ensure they operate a driver-friendly environment? Happy drivers make for supportive carriers and good service and

Untreated, DRMS can be deadly to your career. Test immediately to ensure that you're actively engaged and probing for the business challenges that put your processes at risk.

capacity; and they are your carrier's best recruiter.

Contingency planning. Do you have contingency plans ready to roll out? Logistics leaders are accountable for productivity, delivering performance, and anticipating and managing risks. Teams cured of DRMS are not afraid of conducting dry runs within their team and then again in conjunction with their business partners.

Training: Transportation is often a stop-off point for fast-tracking employees who need grounding in key disciplines. Get these individuals to spend time with your best carrier for three days. Logistics teams that have won the battle with DRMS ensure that orientation training concludes with a ride with the driver to your plant and your customer in order to understand the world from the other side.

Due diligence: How strong is your interrogation of prospective carriers? Recent court cases are sounding alarm bells. DRMS vaccinated shippers and 3PLs are thinking twice before they put their freight on a carrier with marginal safety, maintenance, driver qualification, and financial credentials. And, it's foolhardy to think you're safe from litigation because you outsourced the carrier selection process to a 3PL.

Remember, 80 percent of your job is somewhat routine. It's the other 20 percent of your job—planning, being creative, and problem solving—that the company needs you to do. Untreated, DRMS can be deadly to your career. Test immediately to ensure that you're actively engaged and probing for the business challenges that put your processes at risk.