Standards, KPIs, and Carrier Compliance
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The author Jean Toomer once wrote, "Acceptance of prevailing standards often means that we have no standards of our own."

Any company with a global logistics network should be able to identify with this sentiment, particularly when it comes to carrier compliance.

The two biggest challenges that companies run into when it comes to carrier compliance are: 1. setting standards by uncovering issues independently, and 2. holding carriers accountable when the carriers are unable or unwilling to meet the set standards.

Key performance indicators (KPIs) may just be the only things that actually ensure carrier compliance. I know of no other tools that require a carrier to determine why erroneous charges, damaged shipments, late packages, and other problems are occurring, and then stipulate that the carrier resolve the issues within specific time frames or face certain consequences.

To implement and use KPIs effectively, you need a dashboard that will allow you to have maximum visibility, enforce compliance, and provide ad hoc reporting across your entire supply chain. Preferably, this dashboard is Web-based. After being linked directly to all global carriers and freight forwarders, your dashboard should be able to pull and hold shipment-level detail for parcel, LTL, FTL, ocean, and air freight, as well as hold all other documents pertaining to your logistics network.

Your dashboard should be driven by events and exceptions to the rules that you configure yourself; after all, you know your company best. By accessing line-item detail and other data, you can create the KPIs that support your particular business model, from senior management to plant level, and essentially create your own dynamic routing guide.

Using programs such as Microsoft Sharepoint and/or Microsoft Performance Point as a backbone, you can attempt to create a dashboard on your own, but for most companies, it makes more sense to purchase KPI technology from a reputable third-party partner that already has a customizable dashboard in place. A third-party partner may also be able to help you manage your dashboard and overall compliance program by loading shipping invoice line-item details, routing guide information, and other documents pertaining to your logistics network into the system and measuring carrier compliance for you. (It is usually best to make carrier routing guide compliance measurements on a weekly or monthly basis, depending upon the frequency of data influxes per transportation mode.) A third-party technology provider that specializes in logistics should also be able to walk you through KPI development.

In order to import your line-item detail, you will need to request that your carriers allow your third-party partner to receive your shipping invoices electronically on your behalf. In addition to making this request, you will need to ask your carriers to provide you with one point of contact, global or regional, who can chase down every issue from inception to resolution, outline the resolution process, and measure the resolution of issues for reporting purposes. If your dashboard were to report inaccuracies in billing, for example, your carrier point of contact would need to be able to see that all inaccuracies were addressed within a certain timeframe, perhaps 24 hours, correct them within, say, 48 hours, and then provide you with information pertinent to the resolution of the issue.

The uncovering of an issue, the resolution of the issue, and the reporting on the resolution are

precisely the processes that make up an efficient KPI system. They're what enable you to come up with and enforce the "standards of your own" that Toomer wrote about in the early 20th century.

It's nearly 2012, and Toomer's statement still rings true. If you don't have your own standards in place, you're relying on your carriers to enforce their own standards, and hoping that those standards are high enough to see your company through the volatilities and challenges that the future market holds. That's no way to go into a new year. Better, through KPIs and a solid KPI system, to make the resolution to take total control of your supply chain's standards and require your carriers to live up to them. Now, that sounds like a resolution worth seeing through.