It took Yellow Corp. CEO Bill Zollars six years to steer his firm from also-ran status to No. 1. How? He put IT at the core of the business. By Perry Glasser

"EVERY MONDAY AROUND NOON, IN A TOP FLOOR CONFERENCE room in Yellow Corp.'s suburban Kansas City office tower, CEO Bill Zollars and his 12 top lieutenants, including CIO Lynn Caddell, sit around a large conference table and take a hard look at their world from 20,000 feet, rain or shine.

The four-hour meetings, called One Yellow, are as mandatory as they are time-consuming. People have tried to beg off, but Zollars won't allow it. Illness is the only acceptable excuse, but it's not used very often. Attendance counts on performance reviews. Says Chief Marketing Officer Greg Reid: "We're expected to arrange our time. Bill forces senior management to sit down at the same table."

And once there, two more rules apply. First, you can't simply talk about your area of expertise. That means Caddell, usually seated to Zollars' immediate right, must discuss sales and marketing as much or as often as Reid does, if appropriate to a potential strategy problem or solution. Second? Nobody can talk about yesterday or today. In Zollars' strategy meetings, it's all about tomorrow—the next stop on the company's business road map. Is Yellow still on track to meet strategic goals? Why not? Where do people think Yellow needs to be next year?"
Sure, not everyone wants to talk strategy on a Monday, the one day of the week when managers are most likely to hear of the newest problems begging urgent attention. But that's the point, Zollars says. "It's so easy to become overwhelmed with the urgent, rather than the important," he says. Adds CIO Cadell: "At Yellow, we've got a CEO who holds alignment meetings every Monday. How unusual is that?"

To Zollars, it's all about money and change. Poor alignment means poor communication, missed deadlines and wasted effort, and all of those add up on the balance sheet in a business that can't afford inefficiency. Silos remain standing at a price. And when Zollars, a 24-year veteran of Eastman Kodak Co., arrived at Yellow in the fall of 1996, "the silos were nearly impenetrable," he says, and the cost of those silos was staggering. "The stock price was in the ditch," Zollars recalls, and customers were not the priority. Internal surveys showed that 40 percent of the time, both shippers and recipients of a shipment perceived Yellow deliveries to be late, incomplete or damaged—or all three. While that percentage was well within range of the dismal industry average at the time, Zollars found it unacceptable. "We were the tallest midget," he says.

Not anymore. In the six years Zollars has been in the driver's seat at the $2.6 billion, Overland Park, Kansas-based transportation services company, it has continued to make money, despite a 30 percent slump in the overall market for freight services for "less-than-full-load" truckloads (LTLs).

But even more remarkable in a rough-and-tumble, unionized and newly deregulated marketplace that forced Yellow's largest rival, Consolidated Freightways Corp., into bankruptcy last fall, Zollars has not only managed to keep Yellow on the road, he's also begun to diversify the business into Net-enabled express delivery and logistics services, boost customer satisfaction, cut waste and improve delivery speeds, driving what used to be an also-ran company into the No. 1 berth in its industry.

But Yellow is hardly out of the woods yet. Since 1997, amid stiff competition from lower-cost, non-union, regional rivals, including FedEx Corp. and Pacer International, Yellow's market share has combined to fall precipitously: According to analyst Dan Moore of Little Rock, Ark.-based Stephens Inc., an investment advisory firm, Yellow has lost 12 percent of its business since 1997 when it should have grown by at least 17 percent in market share to keep pace with the economy. While Moore lauds Zollars' leadership, he adds: "The clock is ticking for Yellow and the rest of the unionized LTL companies, which
are in a state of secular decline.” Only diversification away from the unionized LTL business, which accounts now for roughly 90 percent of Yellow’s revenues, Moore says, will help Yellow keep on trucking over the long haul.

Zollars, therefore, sees technology as the company’s key to survival: During the past six years, Yellow has invested hundreds of millions of dollars on computers and sophisticated logistics and customer data systems, not only to stem the loss in share but to reduce employee head counts and create new businesses and sources of revenue. Improving alignment between IT and business executives has been critical to that strategy, Zollars says. “You can’t separate IT from other functions,” he says. “It’s all one.” Indeed, acting on the belief that information technology is both the company’s edge over rivals and its hope for future earnings, he’s enlisted CIO Caddell as a top soldier in Yellow’s battle for long-term survival. “Leaders are change agents while managers maintain the status quo,” says Rick Watson, Director of the Center for IS Leadership at the University of Georgia. “Bill is a leader, a silo-buster.”

From the start, Zollars had a lot to redo. First, Yellow had no centralized dispatch system. A shipment could sit on a dock for days awaiting the next truck bound for the right destination. At one moment, there might be seven or eight employees at a docking station with nothing to do; at other times, a poorly scheduled shipment might languish untreated because there weren’t enough workers on hand when the truck arrived. And, since Yellow’s customers had become more sophisticated users of technology than those in the shipping industry, the definition of what constituted good customer service was changing, too, and with it, their levels of frustration. For example, customers like Wal-Mart and Lowe’s wanted standardized electronic bills of lading. “While that was not Yellow’s No. 1 priority, it was theirs,” says Michael J. Smid, Executive Vice President of Yellow Transportation, the trucking arm of Yellow.

PALACE OF MIRACLES

But the toughest part? Zollars inherited a culture molded by the conservative Powell family, which ruled Yellow as a family business for three generations in a culture that stifled change. Headquarters was perceived as being so out-of-touch and hierarchical, that employees nicknamed it the “Palace of Miracles”—the only place where any decision could be made. “An employee out in the field might want to do something for a customer,” Zollars recalls, “but a salesperson had to go up through the sales silo to a guy here at headquarters.” This not only hampered initiative, it was out of step in an increasingly competitive market-place. “By the time a decision returned down the silo, the customer was probably gone,” he says.

And when it came to strategy, management was too busy looking in the rear-view mirror. “Our whole focus used to be on doing autopsies instead of doing EKGs,” he says. “We’d sit around all the time and say, gee, what just happened? We’d go back and tear everything apart and then say, aha! And then we’d wait for something else to happen and have another autopsy. We’d be looking back instead of wondering what might happen tomorrow.”

So Zollars got busy. Not a proponent of what he calls the “warm and fuzzy” school of change management—“I’m not one,” he says, “to do Outward Bound, climb a mountain together, build a boat out of string and sing Kumbaya”—Zollars set up his Monday meetings and then decided to do what truckers do. He hit the road.

Within his first months at Yellow, Zollars put together an executive SWAT team of a dozen or so business and IT evangelists and together, they flew and drove across country, staging town hall-style meetings among workers, customers, drivers and suppliers in 100 of Yellow’s most bottlenecked or strategically critical locations, from New Jersey to California. Zollars’ goal: to communicate where the company was, where it needed to go and how it needed to get there—one customer, one employee, one
supplier, one dock worker and one piece of technology at a time.

The pace was grueling: during those road trips, Zollars and his team logged long hours that would get even a trucker grounded. Days began at 7 a.m. and ended at 10 p.m. “We’d meet separately with the sales force in the morning, and then with the drivers, then with the people on the loading docks and then the people in the office in the afternoon, and then we would follow all that up with a customer dinner at night,” Zollars recalls. “I would give the same speech 15 to 20 times daily.” He repeated those months-long tours two more times within his first 18 months on the job, first to help people make the changes he required, and then to warn those still having trouble that they would either have to change, or “find a different career path,” Zollars says. “Change was made a condition of employment.” Yellow executives still make those trips, to ensure change continues, but now Zollars’ leadership team makes the journeys. Caddell, meanwhile, takes her cues from Zollars, requiring all IT managers and executives under her command to get out of the office and visit, in person, a Yellow service center, spend time on a loading dock, take a ride with a driver and spend an afternoon at a customer service center “to hear how people do their jobs and what customers are complaining about,” Caddell says. “The message is that IT is there to help the business, and the only way to help the business is to understand the business.”

Today, Zollars and Caddell work as a team. Zollars has declared that no tech initiative can take longer than 12 months to complete, and all projects have to promise at least a 15 percent rate of return. Caddell has upped the ante, bringing those project times down to seven months, and falling, she says. Furthermore, no project can go over budget. If it does, IT managers are docked pay and penalized at their next performance review.

Zollars and Caddell also shut down IT as a shared service and launched Yellow Technologies, an IT arm of 325 IT employees with an $80 million IT budget that’s focused solely on testing IT-driven business strategies and getting the best ones rolled out into operation—and in months, if not weeks. For example, when market research showed that customers wanted an expedited, dated delivery service, Zollars and his Monday strategy team dreamed up Exact Express. Once again, Caddell delivered. Six weeks and 8,000 person-hours later, the Web-accessible Exact Express was launched. “It wasn’t pretty,” says Zollars, “but that service today is a $200 million business, and growing.”

Another Yellow Technologies project, “Get Paid,” was rolled out in six months and cost 80 percent less than estimated. Previously, late payments used to average 32 days but
now, they average 30, a two-day difference. Which customers pay-ments are up to date? Which are not? Which are eligible for dis-counts? Yellow Transportation’s Smid shrugs his shoulders at the simplicity of it. “That’s nearly a 10 percent hike in cash flow,” he says. Debt write-offs also have shrunk. But the crown jewel of Zollars’ and Caddell’s technology overhaul has been SYSNET, a state-of-the-art computer system designed jointly by Yellow and CASTLE Lab, an engineering, operations and finance research center at Princeton University. SYSNET is the central nervous system of Yellow Transportation. Operators with headsets and computer screens in front of them sit in office cubicles, routing customers and their loads electronically. On their monitors, there’s a map of the United States with large circles marking more than 40 key cities across the country. Around each city are red and green markings, each numbered, representing a truck at a loading dock somewhere in the system. To see what’s where, operators click on the map. Up comes the trailer number; the precise number of pounds it is hauling; what it’s hauling, where it’s going and for whom—and all in a matter of seconds. The software also lets Yellow change staffing on its loading docks daily, based on predictions of labor demand. The staff averages 90 workers per week, down from 100, even as the number of shipments has increased. That might not sound like much, but it’s saving Yellow millions of dollars in labor costs. Says Zollars: “If the shipment going into Kansas City tonight requires 108 people, we aren’t going to have 105, we aren’t going to have 110. We’re going to have 108.”

Zollars’ alignment work is also affecting on customers. Service quality has increased by 30 to 40 percent. As for Yellow’s warring factions? So far, so good. Zollars instituted training programs for executives that required classes in communication and team problem-solving. Says CMO Reid: “No one any longer considers a business issue to be his or her own. Now we’re expected to bring the talent and creativity of the entire team to bare on any issue confronting the organization.” There are no marketing problems or technology problems, he says—only problems for what Zollars now calls One Yellow.

But Zollars is just getting started. He wants to make Yellow a global player by offering its technology systems to companies that want to hire others to manage their logistics and supply chains. Meridian IQ, a Yellow division launched early last year, offers to do just that: Dump your shipping headache over to experts who will have management systems up and running in eight weeks or less. Yellow’s mission now: to be the leading provider of guaranteed, time-definite, defect-free transportation for business customers worldwide.

But when it comes to alignment, don’t expect Zollars to try anything new. Expect more of the same. Expect repetition. “Alignment isn’t something that can be achieved, and then, wham, it’s done,” he says. “It takes continuous work, prodding.” Indeed, when the recent $966 million Roadway acquisition is finalized, Zollars says, he and his SWAT teams will probably have to take to the road again, spreading the alignment gospel anew, now in the context of a merger that will nearly double the size of the company. That will mean at least another year of repeat trips, airport lounges, missed flights, motel rooms, 15-hour days and lining up the horses to pull the wagon straight and true.

Will it be easier this time? Don’t count on it. In fact, looking at how Zollars and his team transformed a pokey, conservative trucking company into an IT-driven leader that offers full service, including supply chain management, the only thing Zollars says he’d do differently now is “go faster.”

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