Logistics Company Gears Up for Growth

TBM™

Client

Discordia is one of the leading transport and logistics companies in Europe.

Challenge

- Declining efficiency and EBITDA after six years of steady growth in fleet size, revenues
- Drop in average daily mileage and driver utilisation
- Reactive, fire-fighting management culture

Solution

- Implementation of strategy deployment, cascaded goals and regular KPI reviews
- Introduction of visual management tools and a disciplined daily management system
- Increased employee engagement and lean mindset through project participation and regular coaching
- Targeted kaizen projects to improve driver communication, invoicing cycle times, debt collection, route map generation

Results

- Boosted operating profits (EBITDA) to 20% compared to industry standard of 12-15%
- Increased daily mileage by more than 15%
- Improved driver utilisation by 5% within 9 months
- Reduced invoicing turnaround time from 15 to 2 days
- Reduced accounts overdue total by 6%

Discordia overcomes growing pains, increases EBITDA by 20% (surpassing the industry standard of 12-15%), and lays groundwork for European expansion.

Discordia's leadership team has a clear vision: To be the leading international transport and logistics company in Southeastern Europe. They are backing up that goal with hefty annual investments, purchasing 240 new trucks with payloads of over 3.5 tons in 2020 during the pandemic. By the end of 2021 leaders plan to add 400 more trucks to their fleet.

Based in Sofia, Bulgaria, Discordia operates transportation routes in almost every country in continental Europe, as well as to/from Turkey, Ukraine, Russia, and the UK. In addition to truck transport, which accounts for more than 80% of the company's revenues, it also provides rail, air cargo, container and freight forwarding services.

From 2013 to 2018 Discordia achieved steady year-over-year growth in fleet size, revenues and EBITDA. In 2019, however, they hit a speed bump. Average daily mileage and driver utilisation declined for the first time in years. Margins fell as well, prompting leaders to reach out to TBM for solutions.

Growth hiccoughs happen in many rapidly growing businesses. Companies reach an inflection point when they've outgrown the systems and processes that worked fine when they were smaller. Once they reach a certain size and complexity those systems no longer function efficiently, growth stalls, and financial performance suffers.

TBM's support helped Discordia push through its growing pains. In 2021 company leaders anticipate annual turnover of around €128 million—up 47% from €87 million in the previous—and an operating profit (EBITDA) of 20%, which compares to the industry standard of 12-15%.

The Power of Alignment

TBM helped Discordia achieve multiple improvements:

- 15% increase in daily mileage
- 5% improvement in driver utilisation
- Invoice turnaround times from 15 to 2 days
- Reduced overdue debt by 6%
- Automation and better processes reduced the time required to communicate route instructions to drivers by 30%
- Route map errors reduced by 50%

In addition to creating a go-forward plan that would address its financial and operational issues, Discordia's leaders made it clear from the start that they wanted to expand people's management capabilities and internalise the lean methodologies, tools and mindset. They would be able to carry the company forward as it continued to grow.

"Lean is a growth philosophy with a focus on teamwork. Discordia has increased efficiency to levels that the transport sector reports as a record—and during the extremely difficult business conditions of 2020. We achieved almost 20% operating profit when most large transport companies achieve only 12-15%. This, for us, is indicative of the effectiveness of lean principles on our operations."

Critical Success Factors

These key factors contributed to success at Discordia:

Strategy Deployment ensured alignment to what had become a very siloed business with associated conflicting goals.

Commitment to daily management process rigour which includes tools that help to visualise current performance to the KPI goals and the introduction of PDCA (Plan, Do, Cheque, Act) which instills a sense of structure and urgency and keeps teams focused on important issues.

Education and empowerment of employees who are encouraged to play an active role in the evolution of the business instead of the former "tell-and-do" approach.

Seeing the "whole". Until the key business processes were defined and mapped, leaders did not fully understand where they needed to focus in order to optimise any improvement activity.

Outside eyes. Having knowledgeable and experienced TBM consultants in place nearly full time for an extended period of time, helped to quickly build a robust foundation, create momentum and ensure sustainment. This also helped the CI team, which had not led such a transformation themselves, to build the skill sets and muscle memory needed to lead and sustain gains in the future.

Company leaders recognised the major issues that were undermining performance and getting in the way of growth. To manage the larger volume of work, daily management needed be more structured and disciplined. People in different departments weren't communicating very well. They were working hard to improve efficiency in their areas, but some of the key metrics were in conflict, which made it difficult to optimise performance across the value stream.

This disconnect reflected a general lack of understanding of how daily work and performance supported Discordia's overall strategy and vision. Our initial go-forward plan mapped core business processes, set improvement priorities, and narrowed the focus on the critical KPIs that spanned the company's value stream: daily mileage and driver utilisation.

TBM helped rollout **strategy deployment** to deepen everyone's understanding of the business targets, and each department's contributions toward those targets. This included cascading goals and KPIs for each area. Strategy deployment helps everyone understand the key processes that drive the most value, and how those impact the KPIs, breaking down departmental silos.

Implementation of a new daily management system further reinforced day-to-day alignment and established a more systematic approach for tackling improvement priorities. Highly visible dashboards now display live results for key operations. This enables supervisors to recognise and take corrective actions when activities or performance deviates from expectations. Regular reviews and daily meetings instill management habits and an improvement cadence, which sustains forward progress in the immediate and long term.

A team of Discordia employees gather for a morning meeting to discuss daily plans, goals, and how to overcome any obstacles in their way.

Deep Engagement, Rapid Improvement

To implement these and other changes, a TBM consultant worked almost full-time with various teams at Discordia throughout 2020. He provided project support, formal and informal training, and daily coaching at all levels of the organisation. Focused projects applied lean tools to improve driver scheduling, parking lot management and accounting processes.

Working shoulder-to-shoulder with the people every day over an extended time period helped maintain focus and internalise new management habits. The intensity engaged all employees and developed a lean mindset, especially around customer management, enabling a rapid turnaround and sustaining forward progress.

"Lean has changed how we think at every level of the company," says Dimitar Sekulov, Director of Own Transport. "Lean is a growth methodology with a focus on teamwork. By applying the principles to optimise our processes, Discordia has achieved record efficiency levels in our industry in extremely difficult business conditions."

Speed wins every time.

TBM specialises in operations and supply chain consulting for manufacturers and distributors. We accelerate operational performance to make you more agile and help you accelerate business performance 3–5x faster than your peers.

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