

Chapter 4.7

Using Information Technology for Strategic Growth from Single–Mission Transportation Company to Multi–Faceted Global Logistics Corporation

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ORGANIZATION BACKGROUND

The brainchild of Chairman and CEO John A. James, **O-J Transport** acquired its name from the first initials of James' surname and that of Calvin Outlaw, his paternal uncle and co-founder. They started the company during a time when very few, if any, minorities were involved in the transportation industry in the United States because of widespread discriminatory practices. From humble beginnings, they migrated north from rural Mississippi to find jobs in the automotive industry—James in labor relations at Chrysler Corporation and Outlaw as a mechanic

at Hertz Truck Rentals. Serving as president and vice-president, respectively, of the embryonic business, James and Outlaw possessed complementary business styles that contributed greatly to the success of the company.

Significantly, O-J Transport grew out of another minority business, Skypak, a malt liquor distributorship that needed a common carrier to transport its products from Milwaukee, WI, to Detroit, a niche that James used to his advantage while employed in Labor Relations at Chrysler. This need provided the opportunity for him to fulfill a lifelong ambition, that is, to go into busi-

ness for himself, according to James (interview, March 14, 2006). Little did he know, however, that the trucking industry was “a closed entity” that was heavily regulated; consequently, the greatest challenge was to obtain licensing authority to enter the business before being able to compete with the “insiders” on an uneven playing field.

Shortly after incorporation of the company, the owners of O-J Transport discovered that they needed to file an application for an operator’s license with the Interstate Commerce Commission (ICC), a government agency formed during the latter part of the 19th century to regulate railroads. Later, in 1935, it began regulating the trucking industry. To James’ dismay, O-J Transport received only temporary authority—180-day permits—while the application was pending approval. These permits allowed transportation of malt liquor from Milwaukee to Detroit but prevented a backhaul of goods on the return trip. This process, that is, hauling one way and returning with an empty truck, was called “deadheading” (interview, January 5, 2007) according to James; and it limited his ability to do “serious borrowing” (Booth, 1983, p. 60) to expand the business.

Determined to increase his profit margin, and thereby grow the company, James surmised that he needed either to haul beer in a westward direction or to transport a totally different commodity. Realizing the potential for profitability in Detroit—the automotive capital—James made a strategic move in 1972 when he contacted several of the large auto manufacturers soliciting their business to backhaul automotive parts in addition to seeking their support for common carrier certification from the ICC. American Motors, the smallest of the Big Four car manufacturers at the time, was the first company that he approached; but they were reluctant to enter uncharted territory, that is, allowing an African American into the all-white trucking industry, unless General Motors, Ford or Chrysler were willing to support the application as well. After literally knocking on doors at General Motors for several months with

no success, and being told that they were satisfied with using the existing carriers, James went the World Headquarters of Ford Motor Company where he met Harvey Warburton, supervisor of transportation analysis.

Impressed with James’ integrity and honesty, Warburton (interview, July 23, 2007) not only pledged Ford’s support but also suggested that he retain a transportation law attorney if he intended to challenge the ICC’s ruling. Providing assistance in this effort, he offered three names, from which James chose Robert McFarland, a young attorney at the beginning of his career in 1972, who has continued to represent James in legal battles related to his businesses over the ensuing 34 years. Armed with support from American Motors and Ford Motor Company, along with General Motors who later signed on, O-J Transport filed application for permanent authority with the ICC in 1972 with Atty. McFarland as counsel. This was the beginning of a protracted legal battle of denials, partial orders, reversals, reconsiderations and appeals that were costly and time-consuming and that spanned several years.

Following denial of more than seven applications, the ICC finally granted partial authority in 1973. But the battle was not over. Essentially the decision was overturned, prompted by protests from over twenty-five of the largest trucking companies in the United States claiming that O-J Transport must show the need for its service by proving “public convenience and necessity,” a legal maneuver designed by the ICC to favor those protected by a “grandfather clause” in the trucking industry. Essentially the ICC “grandfathered” in anyone already in the business back in 1935 and issued certificates; however, anyone desiring entrance afterward had to apply for permission, with the burden of proof being on the applicant to prove a public need for their service (interview with Attorney McFarland, March 15, 2006). Regardless of letters of support from prospective customers, such as Ford and General Motors, O-J Transport had to fight against protests

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