

LOGISTICS AND TRANSPORT SOS- SHORTAGE OF SKILLS



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ECONOMIC GROWTH DRIVES INCREASE IN FREIGHT DEMAND ACROSS ALL MODES AND GEOGRAPHIES

Globalisation trends have driven companies to continually expand their customer base into new markets around the world, whilst also seeking to extend their supply networks across continents in pursuit of lower cost production bases.

This in turn drives increasing volumes of freight, with resulting increase in demand for logistics services and transportation capacity. However, the evolving change in locations for both production and consumption activities result in uneven geographical distribution of the need for freight capacity and associated logistics activities to serve the changing patterns of trade flows.

In recent times we have witnessed a slowdown on Asia, Europe and Trans-Pacific cargo volumes, in both air and ocean freight, whilst Intra Asia cargo movements have increased to the extent that the Intra Asia trade is now the largest - and fastest growing - of all the major trade routes. The South-South cargo flows are demonstrating tremendous opportunities reflecting increasing trade between Asian countries and the emerging and developing markets in South America and the African sub-continent.

However, the Far East remains the powerhouse of low cost manufacturing and increasingly has become the driver of expanding retail markets and rampant consumerism in 'The Asia Era'. For many years Asia has been the workshop of the world, deploying plentiful low-cost labour to manufacture goods for export to consumer markets in the West. More recently - in large part fuelled by the success of the manufacturing sectors - expanding economic activity is creating increasingly prosperous consumers. The OECD estimates that by 2030 Asia will account for 66% of the world's middle class, up from just 28% in 2009.

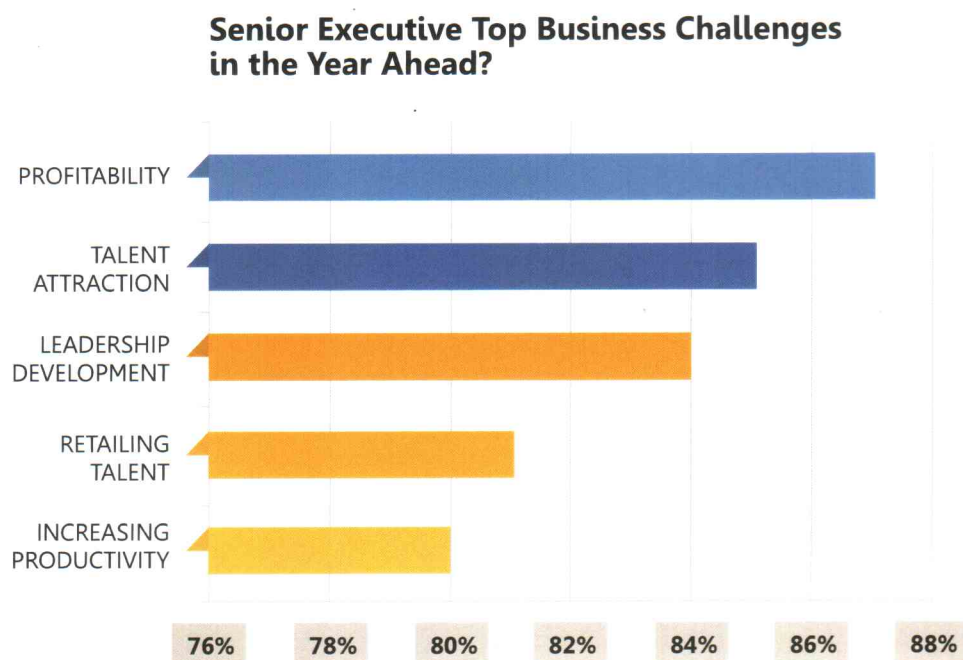
Thus we are seeing rapid expansion in markets throughout Asia and these continuing growth patterns are presenting multiple challenges in the area of Human Capital, where supply cannot keep up with demand, resulting in this SOS within the Logistics and Transport Sectors – **Shortage of Skills**.

DEMAND DRIVERS

With supply chains becoming increasingly elongated and complex, demand for experienced logistics professionals is accelerating both in quantity and quality – reflecting senior management's recognition of the essential role of transport and logistics to the successful execution of their global supply chain ecosystems.

Similarly, emerging and developing economies around the world are experiencing significant increases in consumption – in particular Brazil, Russia, India, China, Vietnam, Indonesia and others – which is fuelling accelerated growth in retail and FMCG sectors, again driving more demand for experienced logistics practitioners.

The shortage of skills challenge is reflected in feedback from Senior Executives who reported their top business challenges for the year ahead as follows:



LIMITED SUPPLY

However, the overall talent pool is not expanding rapidly enough for supply to keep up with demand – and hence the spiralling payroll costs as organisations fiercely compete to attract the limited talent that is available.

In the emerging and developing markets – sometimes known as ‘frontier markets’ – both production and consumption are rapidly expanding, driving talent shortages of the skills needed to satisfy the existing demand, let alone support continuing rapid growth.

Global research undertaken by the Logistics Executive Group (LE) in late 2012 resulted in the 2012-2013 Logistics Employment Market Survey Report, in which over 60% of those surveyed said it had been more difficult to recruit quality staff to meet business demands than in the previous year.

The LE report market survey report reflected the difficulties that companies experience in recruiting logistics and transport roles, with the categories listed below being the top five responses to the question: Which functions have you found it most difficult to recruit for?

- 1. Transport and Logistics**
- 2. Sales & Business Development**
- 3. Supply Chain**
- 4. Customer Service**
- 5. Distribution & Warehousing**

This on-going skills shortage is affecting companies’ business growth abilities for over 65% of businesses, whilst almost seven percent say that the skills shortage is having a ‘significant critical impact’ on their business.

This Shortage of Skills (SOS) in Logistics and Transport needs to be fought within an overall talent management program on two critical fronts– **Attraction** and **Retention**.

ATTRACTION

Almost 70% of companies reported plans to expand their workforce in the next year, with 42% expecting to hire middle management and 10% hiring senior management, making attraction of talent a key challenge – and also an opportunity.

Amongst the fierce competition to attract the best talent, it is essential for organisations to adopt a marketing type of approach to its human resources activities. Within their respective industry sectors, individual businesses need to promote their company image and build their brand as an employer, over and above their market positioning as a supplier. In the current environment companies are not only competing for customers, they are also competing for employees.

Particularly important for companies that are not global brands or do not have prestigious industry positioning, is the need to increase their presence and profile on the radar of potential future employees through various marketing activities.

Recommended tactics to deploy include active and public participation in community activities, engagement with the logistics and transport associations, and regular exposure in trade publications – these will all help improve the positioning of your company as an employer of choice and therefore increasing potential to attract talent.

In addition, with the increasing awareness and concern throughout society about environmental issues, it is important for companies to have – and clearly articulate – policies and strategies for Corporate Social Responsibility (CSR). This aspect is escalating in importance within the factors being considered by workers when evaluating potential employers.

Developing linkages with the relevant education sectors and institutions will assist in exploring avenues for entry-level talent acquisition. In my view, this represents substantial opportunity for employers to attract local talent into their organisation at a grass roots level, deploy graduates through job rotation and management development programs, thus generating a home-grown pool of talent, groomed within the company thereby engendering increased levels of employer loyalty.

All too often, it seems that the majority of organisations do not have enough patience, management bandwidth or the investment orientation to adopt this approach – and therefore continue to poach talent from their competitors, thus exacerbating the challenges and increasing the costs for all participants in the sector.

In addition to the dollars and cents of the salary and benefits package, companies that offer ongoing training and development programs leading to varied career opportunities are more likely to be successful in attracting good quality talent.

RETENTION

Having successfully attracted the talent, selected the best and persuaded them to join your organisation, the challenge then becomes how to retain them for as long as possible. Active Retention should form a key component of your company's overall Talent Management strategy – and this should start right from day one.

Successful on-boarding is an essential start to inducting new hires – this includes rapidly integrating new staff into the organisational culture and the day to day business of how the company works. Structured induction programs providing broad exposure throughout the organisation and deep immersion into the new hire's specific functional areas, together with developing a crystal-clear understanding of roles, responsibilities, deliverables and measurements, are all key elements of best-in-class on-boarding programs.

I strongly recommend focusing extra due care and attention during the start-up phase to ensure a positive, welcoming, encouraging and rewarding experience for the new recruits – extra efforts here will pay dividends later on.

In addition to successful on-boarding programs for new employees, companies also need strategies and tactics to improve retention on an ongoing basis.

Back-to-Basics best-in-class business practices for supervision and management can make a huge impact.

Generally speaking, satisfied employees:

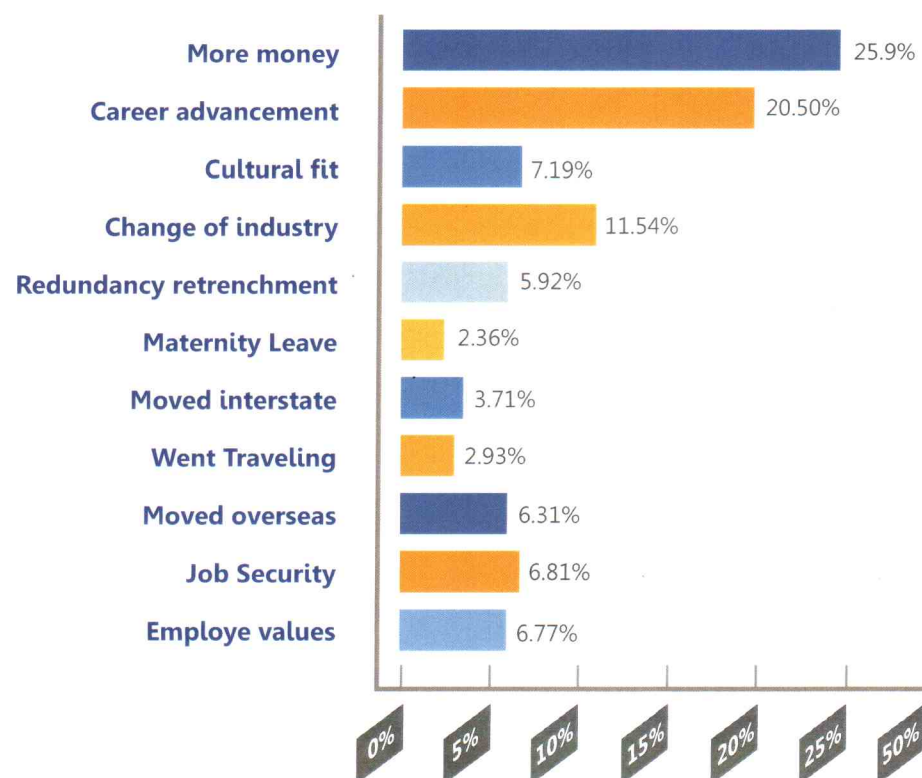
- Clearly understand the requirements and expectations from them;
- Feel they have the tools, time and training to do their job properly;
- See opportunities within the company to learn and grow; and
- Feel rewarded, recognized and appreciated.



Hence, working on employee satisfaction is a key part of employee retention. Other strategies to increase employee retention include organisational belonging – creating and nurturing a work environment where employees feel a sense of belonging – to their team, their department and the company – inside and outside of work hours.

More money and career development remain the top reasons for employees changing employers, as reported by Logistics Executive. However, management could do well to also be aware of the old saying that ‘employees join companies, but leave people’.

As an employer, what are the major factors contributing to people leaving your organisation



Overall findings

- 25.97% of the total respondents indicated that more money was the key reason people left their organisation.
- 20.50% of the total respondents indicated that people left for career advancement reasons.

Source: 2012-2013 Employment Market Survey by Logistics Executive Group



CONCLUSION

Human capital assets are increasingly a major source of competitive advantage and are key drivers of profitability for the organisation.

The current imbalance in the talent market reflects inadequate supply to meet the increasing demand– and this is increasing business costs, both directly on the payroll and indirectly through higher turnover and additional recruitment.

Attraction and Retention are critical success factors for effective talent management - and there are several creative ways to improve performance in these key areas – over and above the salary and benefits package. Adopting marketing strategies from an employer perspective will increase attractiveness, whilst additional due diligence during the recruitment process will improve successful selection.





Mark Millar provides value for clients with independent, external and informed perspectives on their supply chain strategies in Asia – covering China and ASEAN regions. His series of 'Asia Supply Chain Insights' presentations, consultations, webinars, seminars and corporate briefings help companies to improve business operations, plan more effectively, and increase the efficiency of their global supply chain ecosystems. Recognised as an industry thought leader, clients have engaged Mark as Speaker, MC, Moderator or Conference Chairman at more than 285 events in 20 countries. The Global Institute of Logistics recognised him as "One of the most Progressive People in World Logistics". mark@markmillar.com

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