2009: A YEAR OF CHANGE AND CONSOLIDATION

The 2009 Supply Chain and Logistics Employment Market Survey Report is the third consecutive annual report developed for the industry by Logistics Executive Recruitment. The report highlights key issues that have influenced the wider supply chain and logistics industry during a year of change and consolidation.

The survey has been undertaken against a background of the global financial crisis and macroeconomic factors that have had a significant impact on the international supply chain and logistics communities.

According to Kim Winter, CEO of Logistics Executive Recruitment, there is strong evidence of the market continuing to see the recruitment and deployment of key executive talent as pivotal to successfully managing through the current recessionary environment.

"During previous economic downturns our industry has proven more resilient than most and while it is clear that many companies are under severe financial pressure, there is evidence that the supply chain & logistics industry is maintaining its fundamental core strength as a result of it underpinning almost every sector of the economy." Mr Winter said.

Mr Winter added that late 2008 and early 2009 were typified by a general lack of confidence across the global business community which resulted in a decline in activity across the broader supply chain and logistics industry.

"Downward customer pricing and yield pressure along with world-wide, regional and local competition, has driven significant rationalisation and integration of business units, as many organisations seek to achieve cost savings and performance benefits from re-sized and recalibrated operations."

There has been an inevitable rise in demand for career transition and outplacement services as businesses seek to redeploy human resources within their operations and, in many cases, to adopt short-term reduction of non-revenue generating personnel.

As with past periods of rapid consolidation there is now emerging evidence that financially sound international and regional tier-one and tier-two market participants are leveraging current economic conditions as an opportunity to expand.

Rationalisation and M&A activity has increased demand for high-calibre VP’s, country managers, BD directors, CFOs and CEOs to drive new business models in order to optimise growth and profitability during the next 12 to 15 months.

“We also see an ongoing global demand for specialist proven executives, for employment as consultants, contract and interim managers, with particularly high demand for senior talent across the FMCG, specialist retail, healthcare, cold chain, contract logistics, specialist warehousing, and freight management sectors,” Mr Winter said.

“As we enter the second half of 2009, feedback from our global pool of senior candidates leads us to believe we are experiencing the early stages of a slow and steady market recovery many predict for mid to late 2010.”

Key findings from the 2009 report
Executives from across 82 countries completed the Logistics Executive Recruitment market survey, with the resulting report developed as an executive summary of some of the key findings. The report is designed to share relevant information with industry colleagues, offering an insight into the dynamics influencing global employment trends and to assist in business decision making.

Survey demographic
The 2009 survey respondents represent a broader geographical sample than 2008 and provide a useful insight into current trends in various regions from across the globe. Approximately 32% of the total respondents were employed in Australasia, 17% in the Middle East, with next largest representations from Asia (15%) and Europe (14%).

Industry types
Respondents were employed in over 50 different sectors of the industry, with the top 15 being:
1. 3PL, 4PL
2. Logistics & Warehousing
3. Transport – Road & Rail
4. Sourcing & Procurement
5. Supply Chain
6. Manufacturing
7. FMCG
8. Freight Forwarding & Customs
9. Retail
10. Healthcare Medical
11. Mining & Resources
12. Oil & Gas
13. Materials Handling
14. Automotive
15. Aviation & Aerospace

Career relocation & mobility
The results highlighted a significant increase in career mobility with over 45% of the total respondents indicating that they have relocated in the last three years for their careers, either domestically or internationally (see Figure 1). Over 50% of that same group relocated internationally. In addition, over 88% of the total respondents indicated that they would consider relocation for their career in the future. It was interesting to note that 35% of Australian-based HR Managers surveyed said they would hire from overseas, while nearly twice as many (62%) of C-level managers, (senior executive managers), said they would consider hiring offshore candidates.

The increase in career mobility identified in the Logistics Executive Recruitment Survey is reinforced by a significant increase of industry professionals returning to, and applying for, management positions in Australia in the last 12 months. Logistics Executive Recruitment Managers in the Shanghai and Singapore offices report an increase in ‘localisation’ of senior management roles previously held by expatriates (often Australians), and their Dubai office cites soft economic conditions in the United Arab Emirates as a core reason for an increase in the number of executives returning to Australia over the last 12 months.

“HR and C-level staff agreed that the financial crisis and fuel prices would have a significant negative impact in the coming 12 months.”
Would you consider relocating for your career in the future?

<table>
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<tr>
<th>Yes</th>
<th>88.32%</th>
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<tr>
<td>No</td>
<td>11.68%</td>
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Overall findings
- 88.32% of the total respondents indicated that they would in fact consider relocation for their career in the future.
- Career mobility continues to play a key dynamic in our industry and is once again reflected in the 2009 report.

Comparison to the 2008 results
This compares to 83.13% in the 2008 results who indicated that they would in fact consider relocation for their career in the future.

Macroeconomic factors
The influence of macroeconomic factors can be seen in a decline in the total respondents predicting business growth within their organisation in the next 12 months: down from approximately 80% in 2008, to just over 55% of the total respondents predicting growth in their organisation over the next 12 months. While there is no doubt the wider economy has had some effect on confidence across our industry, the results also indicate that 50% of the respondents expect continued growth into 2010. This is a positive sign for the industry.

Key challenges for business in the coming year were seen by respondents in order as:
1. Profitability
2. Sustainability
3. Leadership Management
4. Customer Satisfaction
5. Productivity
6. Retention of Talent

A range of questions were asked about the positive, negative or neutral impact of external factors to one’s organisation. As a rule, HR and C-level staff agreed that the financial crisis and fuel prices would have a significant negative impact in the coming 12 months. What was a bit surprising was - compared to current media on the topic - is that changes in employment legislation were not seen as having a significant negative impact and were rated behind the global financial crisis, fuel and currency exchange fluctuations. Nearly 10% of C-level responses showed either a critical or high degree of impact on the business from a shortage of skills, whereas HR only saw skills shortage as an issue to ‘some degree’ at most.

Counter-offers
A gap between intentions of C-level Managers and HR managers can also be seen in terms of their tendency to make counter-offers to retain staff who have been offered roles elsewhere.

In the report, 32% of HR managers said they would counter-offer positions, whereas 25% of C-level managers indicated that they would consider counter offers. Contrary to the widely-held view in the market that counter-offering was a successful way to retain staff, both HR managers (42%) and C-level managers (35%), believed those counter-offered would leave anyway within 12 months.

Internal staff training
The results also showed that HR was significantly less convinced than C-level managers that training was shown enough focus within their organisation. (54% compared to 67%), whereas C-level managers saw HR as being much more aligned to the organisation than HR did. (73% compared to 64%). HR was significantly more supportive of outplacement services than C-level managers (61% compared to 41%), and with regard to the question: “Is the relationship between CEO and HR is critical to business success?”, HR felt this was the case 96% of the time and C-level managers only felt so 89% of the time.
Education & qualifications

Tertiary education levels were again a feature of the survey (see Figure 2.), with statistics showing a substantial increase in the proportion of 2009 respondents who hold undergraduate degrees (36%) and post-graduate degrees (33%). These figures show an increase of 11% and 12% respectively, compared to the 2008 survey results, and suggest there is a strong trend upward in the number of industry professionals studying and graduating whilst employed in our industry. This result may also indicate the fact that employers are increasingly seeking Degree qualification as a prerequisite for employment.

Corporate social responsibility

Feedback from last year’s survey called for an investigation into the role of corporate social responsibility (CSR) in our industry and we believe the results may be of interest to the increasing numbers of professionals involved in CSR.

Quantitatively, 76% of C-level responses felt CSR was a focus for their organisation and a further 14% felt it should be, meaning that 90% saw positive reasons for CSR. The primary reasons were to contribute to society, support environmental and health and safety issues along with it being a part of good corporate governance. Qualitatively, C-level staff felt that CSR rated 7/10 as an area of focus, so they were fairly convinced of its need in their organisations. This result may also indicate the fact that employers are increasingly seeking Degree qualification as a prerequisite for employment.

The biggest barriers to CSR were seen as costs and unclear benefits. Only 26% of C-level responses indicated that an ROI was applied to their CSR programs. It may be if this percentage was increased, the benefits of CSR to an organisation would become clearer.

Climate change

Given the high profile of climate change over recent years it interesting to note that there was a slight increase (over 70%) of respondents who felt that climate change had no effect on their business compared to 2008 (approximately 65%).

Industry representation at board level

For the first time, the survey explored what level of representation the supply chain and logistics profession achieves at boardroom level, and it is of interest to note that less than 55% of the total respondents indicated that supply chain & logistics executives have a seat at the board table in their organisation.

For more information contact Nick Stolp at nicks@lrs.net.au. A copy of the report can be downloaded from Logistics Executive Recruitment’s website www.logisticrecruitment.com.au. mhd