

# CEO Newsletter

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SEPTEMBER 2017

## Averting a Human Capital Crisis in Logistics and Supply Chain Management

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As technological innovation and automation takes centre stage in the world of logistics, there is one crucial component of success in the industry that is alarmingly in danger of being overlooked. The first of its kind investigation on the effectiveness and competencies of human capital in logistics and supply chain management by the World Bank has revealed that the shortage of qualified labour is one of the key constraints facing the sector in both developed and developing countries. Moreover, there is little attention being paid to the strategic management of human resources necessary for effective recruitment, retention and training of staff. Authored by experienced academics at the Kühne Logistics University in Hamburg, Germany, the report notes that between 2001 and 2005, HRM issues were discussed in less than 5% of the articles published in the three leading logistics journals.

The research, which utilized data from an online survey of logistics companies worldwide as well the World Bank Logistics Performance Index from 2016, confirmed that the shortage pervades all occupational levels in the industry. However, there seems to be little uncertainty about the factors that contribute to this shortage. The

## NEWS

### Logistics Executive Group welcomes Bushra Ali to the global team

Logistics Executive Group is pleased to announce the appointment of Bushra Ali, Business Intelligence Specialist to its global Corporate Advisory Team. With a degree in Economics and based in Dubai, Bushra will strengthen the groups research and analytical capabilities, whilst working with clients on market entry and feasibility studies.

### Logistics Executive Group to partner the Last Mile ASEAN event in Bangkok on 28 – 29 September.

The two-day event will immerse you in inspiration, learning and networking with over 150 industry experts from leading e-Commerce, retail, postal operators, courier & express companies and fulfilment & logistics companies to debate current issues and form business relationships on a global scale. To register, visit this link: [www.lastmileasean.com](http://www.lastmileasean.com)

### Logistics Executive Group recently held the 10th Anniversary Gala Celebrity Charity Fundraiser for Oasis Africa in Sydney Australia.

The charity was formed by Logistics Executive in 2005, which is supported by over 100 Logistics & Supply Chain organisations, "Provides Freedom from Poverty through Education" in the slums of Nairobi Kenya and has raised over USD500,000 and educated over 8000 mainly orphaned children. This year's event was attended by over 200 logistics & Supply Chain executives and featured an Aus / African fashion show and performance by Bangkok based international recording artist Deni Hines.

lack of prestige and perceived lower status of operational logistics workers seems to be an almost universal phenomenon, making it difficult for the sector to attract the cream of the crop in terms of talent. Moreover, this poor cultural perception also affects the retention and performance of existing workers, who seem to demonstrate lack of discipline, motivation, attention to detail and commitment to learning necessary for consistently effective performance.

At the administrative and operational ('blue-collar') level, survey results indicate that staff tend to be particularly lacking in their knowledge and receptiveness to training. Most interestingly and pressingly, however, the report highlights that the lack of personal skills, as well as leadership and management skills is especially acute on the managerial and supervisory levels. Since staff at these levels are often recruited from the lower rungs based on technical skills and knowledge, they often lack the training and leadership experience necessary to make strategic decision and long-term plans.

The problem is of special concern to emerging markets with rapidly expanding logistics sectors, and current leaders are aware of it. "The World Bank reports highlights a problem that isn't necessarily unknown to the industry," noted Kim Winter, CEO of Logistics Executive. "However, it provides profoundly useful insight into the depth of the crisis that makes it clear that a more proactive approach to human capital development is integral to meeting year-on-year growth targets for the industry," he added.

The clear majority of survey participants highlighted recruitment at the managerial level to be the biggest HRM challenge they expect to face in both developed and emerging regions in the future. This is seconded by concerns about the ability for firms to keep salaries and benefits competitive in order to attract the best talent. Succession planning and the provision of adequate training follow.



Based on these findings, the authors of the report discuss numerous potential strategies and solutions to help leaders in the industry cope with these human resource challenges. They urge managers to invest in employee retention through training, the improvement of working conditions, more competitive salaries and benefits as well as defining a clear and lucrative path for career advancement.

They also propose significant adjustments to training endeavours, especially in developing markets, with input from 36 experts in logistics education and training from major world regions who were also interviewed for the project. One of the most important among these is the move away from internal training to a healthier mix of both internal and external resources. While most firms in both emerging and developed regions indicated that they already offer such a mix, evidence suggests that developing countries tend to more frequently opt for internal programs that deviate little from 'on-the-job' instruction. Materials, resources and approaches utilized in most training programs also tend to be outdated, and do not focus on preparing employees for the adoption of new technologies that must inevitably be introduced for the business to remain competitive in the current landscape.

However, the quality, accreditation and applicability of external resources must also be carefully gauged before they are utilized for training purposes. As is an established best practice in the industry, the researchers encourage managers to seek programs offered by reputed logistics associations, including the Chartered Institute of Logistics and Transport (CILT), European Logistics Association (ELA) and The Association for Operations Management (APICS). Such programs offer the additional benefit of association membership, which can be an effective motivator and also facilitate career development for company employees. Industry associations such as the Logistics Supply Chain Management Society (LSCMS) also offer numerous training and certification programs that are up-to-date and incorporate a wider range of specialist expertise that can be offered through an internal program.

## UPCOMING EVENTS

**LogiSYM Malaysia 2017**  
24 - 25 October 2017  
Kuala Lumpur, Malaysia

LogiSYM Malaysia 2017 promises to be a highly unique event, with the focus being to provide a platform for mid- to senior-level shippers to hear from the leading solutions in and surrounding the logistics and supply chain industry.

[www.logisym.com/events/logisym-malaysia-2017/](http://www.logisym.com/events/logisym-malaysia-2017/)

**Indonesia Transport, Supply Chain and Logistics**  
10 - 12 October 2017  
Jakarta, Indonesia

Indonesia Transport, Supply Chain and Logistics (ITSCCL) is the Indonesia's the most anticipated international event in Indonesia for the world's Transportation, Supply Chain & Logistics players. It's where you need to be to strengthen your presence, build business alliances and develop potential businesses with Indonesia. present as the preferred venue to strengthen presence and enhance visibility of logistics and supply chain solution in Indonesia marketplace.

<http://www.transport-supplychain-logistics.co.id/>

**The 12th Annual GPCA Forum**  
27 - 29 November 2017  
Dubai, UAE

Transforming to meet continuing and new headwinds is an imperative for the chemical industry, and one which the 12th Annual GPCA Forum will meet head on and discuss. Register now and save up to 500USD. Please contact us to receive the Quote Code.

[www.gpcaforum.net](http://www.gpcaforum.net)

Another increasingly popular avenue for external training is private enterprises that offer tailored programs for a variety of crucial skills and competencies in logistics. An example is Logistics Executive Group's Logistics Academy, that offers internationally accredited training programs ranging from specialized short courses, certificate based and diploma e-learning products to MBAs in collaboration with reputed partners including the Australia Logistics Academy (ALA), Council of Supply Chain Management Professionals (CSCMP) and SMC University.

While hand-on learning experience can be gathered on-the-job, it can be further facilitated through games and simulations, such as McKinsey's famed Model Warehouse approach, and even VR technology. Such measures can help business maximize efficiency in the longer run through the prevention of costly mistakes as well as faster gains on worker efficiency.

Nonetheless, the upfront cost of investing in such training endeavours remains debilitating for most firms in emerging markets. This is especially given the dispersed nature of these markets, in that they are often dominated by MSMEs who do not have adequate resources to spare and cannot reap the benefit of economies of scale in the long run. Furthermore, smaller companies are also often bootstrapped to the point where they cannot afford to divert employee time and attention from revenue-generating activities. However, a recent surge in M&A activity in many of these regions, including MENA, China, India and Latin America suggests that these markets are already in the process of responding to these pressures through consolidation.

The rise of international 3PLs also bodes well for addressing the lack of adequately trained staff in the sector. In order to offer specialized services and expertise for various regions, 3PLs already have the incentive, and increasingly, the scale, to set aside relatively generous training budgets for their employees that also prepare employees to adjust to local and environmental factors in different regions. However, since logistics is a "boundary-spanning" activity, human capital errors and inefficiencies at any point in the supply chain have consequences for the overall performance of the firm. Therefore, firms must be cautious about relying on outsourcing part of their activities to iron out human capital inefficiencies across the entire pipeline of their operations.

Finally, given the crucial role logistics and supply chain management plays in the performance of most economies, the public sector in both developed and developing regions cannot afford to remain detached from the sector's current and, most likely prolonged, human capital crisis. Among the most useful steps governments could take include establishing coherent regulatory frameworks and competence standards for the sector as well as investing in vocational programs and public-private partnerships that promote training and skill development. In fact, the latter (establishing quality vocational training and apprenticeship programs) is cited as the main factor behind the success of various European countries, including the UK and Germany, in mitigating their human capital crunch.



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Bushra Ali is a business intelligence specialist at Logistics Executive Group in the Middle East. She has a degree in Economics and Chinese from Williams College, Massachusetts, USA. She specializes in market research and economic analysis using qualitative and quantitative tools including STATA, R and Python. Her past research spans topics including behavioural economics, consumer behaviour, renewable energy markets, education and social entrepreneurship. Her research has been published by the London-based Overseas Development Institute (ODI). In addition to English, she is fluent in Mandarin, Arabic and Urdu/Hindi.

## The 4th Asia-Pacific 3PL & Supply Chain Summit

20 - 21 November 2017  
Novotel Clarke Quay, Singapore

The 4th Asia-Pacific 3PL & Supply Chain Summit brings together leaders in logistics, supply chain, manufacturing/retail and eCommerce throughout the region. Over 200 attendees choose to make this high level gathering their primary event for addressing the key challenges that face the increasingly dynamic supply chain and logistics industry.

<https://events.eft.com/3pl-asia/>

## ABOUT US

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

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