

An Empirical Investigation on Determining HR Practices and Challenges in International Logistics Industry in India

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Abstract

The advent of globalization coupled with ambitious trade targets, has seen India experiencing a growth spurt in international trade in the past few decades. This in turn, has given rise to the growth of ancillary industries like Custom House Agents (CHA), Freight Forwarders, Packaging industry, International Logistics etc. Each of these is a niche yet sizable industry in itself generating substantial employment opportunities. However, the employees working in such domains need to have a thorough understanding of the procedures and regulations of exporting and importing countries and also the international regulatory compliances. Moreover, such regulations vary from country to country and so the required documentation. This necessitates the organizations too to keep their employees updated through regular training interventions for effective operations. The purpose of this paper is to study HR challenges in terms of sourcing, training, developing and retaining the resources with necessary skills and knowledge in International Logistics Industry in India. The research is focused on human resource practices and challenges specifically related to white collared jobs in this industry. The research is based on empirical study of HR challenges in Logistics Industry in the city of Hyderabad, India. The findings revealed the specific areas of challenges with respect to HR practices in this industry. It further discusses the job and skill transformation requirements with digitalization of the documentation being implemented due to the changing practices in international trade and logistics. The paper goes on to discuss career opportunities, image attractiveness and the available training in the market to suit the needs of Indian logistics industry.

Key Words: HR Practices, HR Challenges, International Logistics, Skill Gap, Training and Development, Compensation and Benefits, Employee Engagement

Introduction

Logistics industry in India has evolved from being labour intensive in 1960's to technology-oriented system of the present times (Sridevi, J 2015). Logistics industry in India is growing at a fast pace and how well the customers' logistics cost will be reduced depends on the infrastructure, technology and how well the new types of service providers work (Chandra, Pankaj & Nimit, 2007). Chandra et al argued that the regulatory and taxation policies framed

by government along with the focus of firms to reduce cycle times would add value to the customers. For this, companies need to have better tools and strategies. Research in are of logistics management is gaining the interest of academicians and industry experts (S, Nakhava & Pratik, 2015).

The logistics sector in India is growing big. A report by ICRA, a domestic rating agency, says the sector would grow by 8 to 10% over the medium term, which is an improvement over 7.8 per cent of industry growth rate over the last five years. In 2018, logistics is estimated to be around 160 billion US dollars. ("Indian Logistics Sector: Shining bright!", 2018) In 2020, logistics in India is estimated to reach 215 billion US dollars (Shah, 2019). In her article, Shah quoted infrastructure enablement, regulatory boost and deep tech leverage as the factors that boost logistics industry in India.

A report by India Brand Equity Fund (IBEF) says Indian Logistics sector crosses 9 trillion by 2020. With growth trends of Indian logistics industry, the employment potential is also growing at a fast pace. Since there is so much of employment potential in this industry, it becomes important to study the human resource practices of the companies involved in this business. The current study is intended to carry out an empirical investigation of human resource practices and challenges.

Literature Review

India Warehousing Market Report (2018) reports that logistics cost in India accounts for 13 to 17% of GDP, which is almost double that of the developed countries like US, Hong Kong and France. The higher cost can be attributed to the inefficient intermodal and multimodal transport systems. The logistics value chain comprises three units; transportation, warehousing and administration. Logistics involves a lot of coordination and integration, which is made efficient through supply chain management. While this sector is attracting investors from various domains on one hand, it is being encouraged by government on the other hand through multi-modal logistics park and possible grant of industry status. In addition to the 100% foreign direct investment being permitted under the automatic route, the government of India has also announced infrastructure status to the logistics industry. This decision would enable the companies to access funds for logistics and warehousing at lower cost, longer tenure and enhanced limited. This would enable the companies to raise substantial funds from External Commercial Borrowings (ECB), insurance companies, pension funds, banks and from India Infrastructure Financing Co Ltd for longer tenures. Between January 2014 and January 2018, around USD 3.4 billion of 22,100 crore rupees have flown into this sector. The actual investments would be higher as these cover the major investments by organized sectors.

Mitra (2008) says the global logistics industry is estimated to be worth USD 300 billion. The industry is characterized by high costs of operation, low margin, shortage of talent, infrastructural bottlenecks, demand from clients to invest in technology and one-stop solution to all their needs and consolidation of acquisitions, mergers and alliances. Indian freight forwarders face stiff competition from multinational freight forwarders for international freight movements. There is lack of skilled and knowledgeable manpower in the logistics sector. Management graduates do not consider logistics as the prime job. To improve the status of the industry, she recommended the service providers to move beyond the level of brokers and truckers to attract and retain the talent.

François, Arvis, Mustra, Lauri, Shepherd, Saslavsky (2010) in the World Bank report say the trade and growth is affected by performance of logistics industry. The score on Logistics Performance Index (LPI) in economically lesser developed countries has been recorded low, one reason being the poor quality of infrastructure.

Trade logistics are significant for the export diversification and the ability to attract global investors. Agencies performance with respect to regulatory documents like sanitary and phytosanitary requirements is lagging in many countries. In addition to this efficiency in operations in terms of coordination when goods cross national frontiers and use of information technology also impact the international trade.

Asthana (2012) mentioned India's economy is growing rapidly towards becoming the global leader. In such scenario, the growth of logistics industry is quite significant for consistency. The Indian logistics sector and its growth are highly dependent on the growth of its soft infrastructure – education, training and policy framework. India's fast paced economy which is rapidly becoming a world leader, needs the vital support of logistics industry for its growth. The effectiveness of the logistics service providers depend on the efficiency of the entry-level employees. To develop such skills, Asthana advocates education and training to be a part of the course content at the management level education. An improvement in the efficiency at all the levels in the hierarchy would take the industry to the next level both in domestic and international market.

Gammelgard, Larson (2011) carried out a study on supply chain management through survey and interview focused on competencies and logistics skills requirements. Through the study, Larson found teamwork as the most significant skill requirement among other critical skills like gathering and sharing information.

Nagarajan (2014) in her study report carried out in Tamilnadu, found talent acquisition and retention as the major problems faced by service providers in transportation industry. She found out compensation, challenge, career growth and work-life balance, job stress as the challenges

faced by the industry in retaining the personnel. She further argued that the logistics companies should take these challenges seriously so as to keep the employees motivated.

Jhawar, Garg, Khera (2014) too insisted on the importance of skilled manpower in logistics industry. They argued that investing in human resources helps in organizational effectiveness in terms of business and brand building.

Ding, Kam, Zhang & Jie, (2015) carried out a study in China and identified recruitment, selection, training and development as the most significant of all the HR practices in logistics and supply chain management industry. With respect to the rewards, they argued the conventional method of rewarding individual employees might not be suitable to motivate teams and suggested redesigning the rewards systems.

Hanini, Hashim, Sariwati, Shariff (2016) in their Malaysian based study found out that there were many challenges in managing supply chain management in halal industry. Hanini et al suggested imparting required knowledge and developing skills through training in supply chain management would enhance the quality of personnel in halal industry in Malaysia.

CongPham, Mcdonald, Kieu (2019) in a research report from Vietnam, insisted on information sharing as the most vital factor in enhancing the performance of logistics. They further argued that developing countries are lacking in it. They also found out technical knowhow, trust among the stakeholders, security risks and company policies as the major impacting factors on information sharing.

Patrick Etokudoh, Boolaky, Gungaphul (2017) worked in this area in Nigerian oil and gas industry and found that contract management, relationship management and change management skills would help overcome the challenges in logistics outsourcing in the context of vendors' capabilities, host community issues, joint venture influence and employee reactions.

Yazdi, Hanne, Gomez & Alcaraz (2018) studied Third-Party Logistics and found the criteria the companies consider to select the third party logistics company. The study indicates the information sharing and customer relationship management among other factors for choosing the company.

Anastasiou (2012) mentioned, for efficient logistics performance, human resource management is crucial. Data sharing, effective communication both internally and externally, policy on employee rewards and recognition are crucial to the effective performance in supply chain management.

Shah, Mathur (2003) Frank (2018), Kumar (2018) worked in this area and found transportation and logistics contribute to growth of any economy. The global logistics sector is

with a valuation of USD 4 trillion. On average, logistics accounts for anywhere between 8% and 20% of a country's Gross Domestic Product (GDP). India's logistics cost represents 13% of GDP, approximately USD 260 billion. The next big growth driver will be logistics company in India. Logistics is a high-cost, low-margin business.

Seturam, (1999) said the problem of organized players is compounded by unfair competition with unorganized players, who can get away without paying taxes and following operating norms stipulated in the Motor Vehicles Act such as quality of drivers and vehicles, volume and weight restrictions, etc.

Tan, K., Lyman, and Wisner (2002) Pradhan, Bagchi (2013) argued the growth of transport infrastructure including railways, roadways, and airways along with gross capital formation will lead towards sustainable economic growth in India.

Singh (2016) said companies that invest in information technology & communication with technical aspects would be able to do better & and attain rapid growth.

Kam, E & Ding (2009) found that supply chain and logistics are more about teamwork than individual performance, improving competency HRM should start practicing team rewards and training & development.

Kam, B., E, E., & Ding, M. (2010) argued Human Resources Management systems are using rewards to attract, and performance management to retain employees, but have not paid attention towards programmes provided for career advancement and professional development opportunities to employees in logistics industry.

Gammelgaard, Britta, Larson (2001) in their study report said, in logistics and supply chain management, communication skills, team work, analytical reasoning, decision making, problem solving skills play an important role hence during T&D these areas should be covered in detail.

NSDC (2020) reports a closer look at pay and progression policies is required, as we can see the growth and profitability outlook for the industry is positive, sharing the benefits of growth with employees would be important. Pay scales in the segment of logistics have also not been very attractive resulting in a situation where the segment has almost become the last resort for a serious career seeker

Gilmor (2005) suggested HR teams should work on better sourcing and recruitment in logistic industries as there is evident shortfall of employees in logistics companies.

Mayer (2018) Panitz (2017) considered logistics sector as an important sector to facilitate increased international trade in consequence of globalization and digitalization.

Rasmussen & Simonsen International Pte Ltd (2008) recommended proper training as a very significant factor for employees handling customer service in logistics industries because quick responses will lead to customer satisfaction.

Sahay, Mohan (2003) found infrastructure and technology development is a must for improving logistic industries performance in global market.

Research Objective

1. To determine HR challenges in International Logistics Industry in India

Research Methodology

The study is a combination of exploratory and causal research. Exploratory research design is used for gaining in depth knowledge about different HR challenges faced by logistics industry. The study is carried out in Hyderabad city in Telangana state. 26 variables were identified from literature and were considered for factor analysis in SPSS. Purposive (judgement sampling) sampling has been used for primary data collection. Primary data was collected through survey and interview methods. Interviews were conducted with employees and HR Managers and top managements of the companies. A well-structured questionnaire was distributed to 100 employees of all three levels in Cargomen Logistics, ARK Logistics, ARK Lines and Kenshine Shipping Pvt. Ltd. Likert scale was used to record responses and they were asked to rate variables (challenges), where 1 indicated strongly Disagree to 5 Strongly Agree.

Data Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.668
Bartlett's Test of Approx. Chi-Square	1025.727
Sphericity	df
	Sig.
	378
	.000

Table 1: The KMO

Factor	Variables	Factor Loading	Variance Explained
1. Organizational culture	Employee Sourcing & recruitment	.186	12.478%
	Transfers	.665	
	Employee attrition	.668	
	Leadership	.684	
	Work Culture	.820	
	Job Security	.771	
2. Training and Development	Training interventions provided	.524	11.175%
	Technical skills of the employees	.668	
	Soft skills of the employees	.784	
	Company specific training	.523	
	Process specific training	.580	
	Industry exposure	.503	
3. HR Policies	On job mentoring	.522	9.867%
	Appointment conditions	.745	
	Retention policy	.769	
	Transfer policy	.612	
	Expatriation policy	.417	
	Leave policy	.417	
4 Compensation and benefits	Exit policy	.340	8.556%
	Fixed pay scales	.259	
	Variable pay	.346	
	On site projects compensation	.397	
	Fringe benefits	.636	
	Appraisal and increment policy	.537	
5 Employee engagement	Expatriate compensation	.308	8.180%
	Career path	.534	
	Rewards Recognitions	.737	
Total	Employee average tenure	.511	50.256%

Table 2: Factor Analysis

For identifying the HR challenges in logistics industry, 28 variables were considered for factor analysis in SPSS 20 which extracted five factors or constructs of HR Challenges namely:

Organizational Culture, Training and Development, HR Policies, Compensation and benefits and Employee Engagement. These five factors explained 50.256 of HR Challenges in Indian Logistics Industry (Table No 2).

On first factor i.e., Organizational Culture six variables were loaded which explained highest percentage of variance i.e., 12.478 %. Hence, logistics companies should focus more improving organizational culture in order to keep employees motivated for work and loyal towards company. Second most important factor is training and development. It explained 11.175% of variance. Seven variables were loaded on second factor on which the industry should focus for better organizational effectiveness. The third factor is HR policies. These are the ones that either attract or repel capable human resources into an industry. With six variables loading on to this factor, HR policies explained 9.867% of variance. The fourth factor is compensation and benefits. Six variables loaded on this factor, which explained a variance of 8.556%. The industry should work on this factor so as to get source out best human resources. The fifth factor is Employee Engagement on which three factors loaded. This factor explained 8.180% variance. This factor plays a major role in productivity and retention of the employees in any organization. Hence, the HR departments should pay attention towards employee engagement.

Findings and Conclusion

The study revealed that there are significant challenges in HR practices in logistics industry in India. The areas of challenges are industry and organizational cultures, recruitment & selection process, training and development areas. It is also found that the employees are not satisfied with the compensation standards of the industry. The study also revealed that there is somewhat lack of awareness among the job seekers about the logistics industry as a potential opportunity. Employees also don't seem to be psychologically engaged with the work because of all the above reasons and also not much motivating HR policies in this industry.

Recommendations and Future Direction

HR departments of the logistics industry should work on the challenges found through this study namely improving the organizational culture, training and development, employee motivation, restructuring the compensation and benefits and creating employee engagement. HR policies should be restructured so as to better talent acquisition and employee retention. Awareness should also be created among the jobseekers about the present and potential future opportunities of logistics industry.

Further in-depth research should be carried out on how to overcome the challenging areas mentioned above namely improving organizational culture, training and development, HR policies, compensation and benefits and employee engagement.

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