



Institute for Management and
Business Research (IMBRe)
Universiti Utara Malaysia

TC145-1

ACQUISITION OF A TALENT POOL: AK VENTURE STORY

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This case was written by Emy Ezura A Jalil, Adam Mohd Saifudin, Nizamuddin Zainuddin, Ahmad Yusni Bahaudin and Roslan Jamaludin, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Executive Summary

Ninety per cent of world trade has been delivered by maritime. The significant role played by the maritime industry is undoubtedly crucial for world economic growth and prosperity. Therefore, AK Ventures had been chosen to portrait the dynamics of maritime management and operations. AK Ventures is unique because the company is only focused on Maritime, but they also diversified in other sectors in economic such as education (AK Academy), tourism (AK Travel) and property management (AK Property). Due to the vast activities of AK Ventures they can still perform well in all sectors with the minimum human resources and also the span of management of AK Ventures is not a so-called dynamic organisation but somewhat centralised management whereby the focus and the power of authority lie under one or two individuals. From the case it can be observed that AK Ventures does not have any proper strategic planning and human capital and retention plan. However, it can still perform with the full satisfied human resources (base on the interviews). This is very contrary to the human resource management studies. The focus of this case is on human resources planning, retaining, training and development of AK Academy. Applications of those theories and strategies are paramount in understanding, analysing, concluding and solving of the teaching notes.

Case Introduction

Major Xavier Lee had been told to come up with a strategy on human resources for the xx companies under AK Venture plc (AKV). The dilemma is to recruit a group of talented candidates are tedious work. This is due to Malaysia has more than hundreds of tertiary level of an education provider in which the education providers practising rigorous curriculum that focus on academic excellence as well as mastery in soft skills. In AKV, recruitment of human resources are considered "costly and time-consuming"; this is due to the fact of higher turnover, each year there will be some percentages of staffs are leaving from the company. Major Xavier Lee has made some investigations on the trend of the high turnover; mainly recruits are either incompetent or not resilience under pressure. Currently, AKV has 100 staffs and moving towards expansions hence; they require almost double of the current recruitment. The complexity of the maritime companies can be seen by the organisational chart (appendix A) which each position has required a set of skills and intelligence. The strategic approach to recruitment has to be addressed inevitably since, the talent pool from the education providers are scarce with the "cream of the crop" where the pool mainly consists of the mediocre. Major Xavier insisted on rectifying this matter with a team of head hunters to address the depleted talent pool in the maritime industry.

Background

AKV, incorporated in Malaysia and is regarded as a well-known maritime logistics group of companies, with offices in Selangor, Penang and Johor. The maritime logistics group of companies that manages and operates several logistics businesses in Malaysia, including containerised maritime transportation, petroleum-tanker shipping, shipping liner agencies, international freight forwarding, logistics & supply chain management and the related consultancies. The company operates in an exciting, fast-paced and highly competitive environment and believes that human resources are the most valuable asset. They are committed to recruiting and retaining the best and brightest people in the business. Through the talented team of professionals, the company able to deliver flexible, innovative solutions and excellent service to their customer.

AKV's Corporate Profile

Head Office: Kuala Lumpur, Malaysia
Business: Shipping, Education and Property
Major Shareholder: Captain AK Gupta

Directors: Captain AK Gupta and Major Xavier Lee
Chairman & CEO: Captain AK Gupta
President: None
Executive Vice President: None
Director: None

Key Personnel:
Director: Major Xavier Lee
Senior Manager: Ms Esther Ooi
Manager: Ms Rita Kapoor
Executive: Mr Hashim Mat

Other Key Players in this Case Study:

None

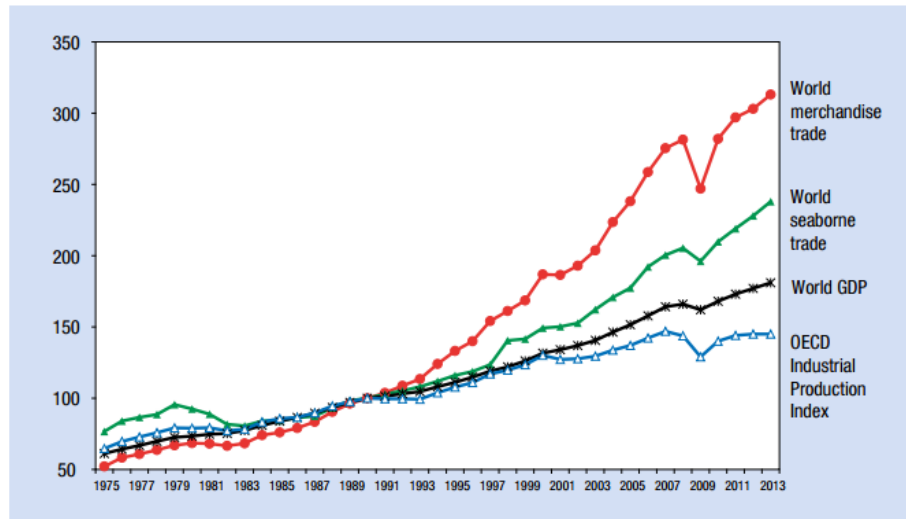
The Opportunity

Overview of the maritime logistics industry (World and Malaysia)

World

In today's interdependent and globalised world, efficient and cost-effective transportation systems that link global supply chains are the engine fueling economic development and prosperity. With 80 per cent of global merchandise trade by volume carried by sea and handled by ports worldwide, the strategic economic importance of maritime transport as a trade enabler cannot be overemphasised. The trade competitiveness of all countries – developed and developing alike, and including landlocked countries – depends heavily on adequate access to international shipping services and port networks. It was estimated global seaborne trade to have increased by 4.3 per cent, with the total reaching over 9 billion tons in 2012 for the first time (UNCTAD, 2013). Driven in particular by growing domestic demand in China and increased intra-Asian and South-South trade, seaborne trade nevertheless remains subject to persistent downside risks facing the world economy and trade (Fig. 1.1).

Figure 1.1. The OECD industrial production index and indices for world gross domestic product, merchandise trade and seaborne shipments (1975–2013), (1990 = 100)



Sources: UNCTAD secretariat, on the basis of OECD *Main Economic Indicators*, May 2013; UNCTAD, *The Trade and Development Report 2013*; UNCTAD *Review of Maritime Transport*, various issues; World Trade Organization (WTO) (table A1a); the WTO press release 688, 10 April 2013, "World trade 2012, prospects for 2013". The value of the index measuring growth in world seaborne trade for 2013 is calculated on the basis of the growth rate forecast by Clarkson Research Services in *Shipping Review and Outlook*, spring 2013 (Clarkson Research Services, 2013a).

Theoretical considerations on the relationship between trade and shipping in maritime economics go back to Koopmans (1939), who observed that without the analysis of seaborne trade, the analysis of shipping markets could not succeed. He also introduces the notion that seaborne trade is inelastic to prices in shipping. Tinbergen (1959) proposed the idea that demands for shipping could be measured by the actual tonnage carried by ships. Their perspective was mainly to find sources for cyclicity in shipping. Trade was such a source, although shipping also creates its cyclicity (see Zannetos (1966)) for an early source on this). In later studies and publications, the relationship between trade and transportation was developed more, and the element of transport costs was introduced as a variable in classic trade models.

The classic approach to model global bilateral trade patterns is a gravity model (for a formal derivation of the gravity equations, see Anderson, 1995). Such a model typically relates bilateral trade flows to national income, population and distance. Distance is often taken to represent transport costs, although this is certainly not a one-to-one correspondence. Various authors have tried to estimate more elaborate (maritime) transport cost functions, in order to gain a better understanding to what extent high transport costs are a determinant of (i.e. a barrier to) trade. Clark et al. (2004) estimate a maritime transport function that includes determinants for distance, product-specific requirements (including value), directional imbalance, total trade volume on a route (to represent increasing returns to scale), technological innovation, anti-competitive practices, and the quality of port and cargo handling the infrastructure. They find that seaport efficiency is an essential determinant for transport costs. From their analysis, they also conclude that transport costs are potentially a barrier to trade, and need to be considered by policymakers. Arvis et al. (2013) also analyse trade costs, which they derive as an implication of the pattern of bilateral international trade.

The point that ports play an essential role in facilitating trade has been made for years. For example, Haralambides and Veenstra (1996) analyse the interaction between ports and the development of trade. They observe that countries' ambitions to follow an export-led growth strategy has resulted in

government retrenchment from ports, and port reform, with both negative and positive consequences. On the one hand, ports have become more efficient, mainly due to the involvement of international operators, while on the other hand, liberalisation in many countries has resulted in large redundancy programmes for port workers. The authors argue that the efficiency of port operations is not the only relevant indicator, but the entire economic context of a port should be considered: the competitive environment, access infrastructure by land, and the way in which a government or port authority attempts to recoup some of the port reform costs (for the redundancy of port workers, among others) from other parties. Wilson et al. (2003) put port efficiency in a broader framework of four indicators for trade facilitation:

- Port efficiency;
- Customs environment;
- Regulatory environment;
- Service sector infrastructure

Port efficiency is a measure for the quality of transport infrastructure. Customs environment measures direct customs-related costs and transparency of customs as well. Regulatory environment measures a country's approach to regulation and the service sector infrastructure measures the level of national business service levels. Much of this conceptualisation of trade facilitation is very location-or country-based. The modelling of trade flows with gravity models is also rather one-sided in the sense that flows are explained by variables representing exporting and importing countries individually (for a definitive source, see Anderson, 1979). The only variable that represents relationships between countries is usually transport cost, for which distance or the CIF/FOB price ratio are used as proxies (Carrère, 2006). As a result, the trade facilitation contribution of the link between any pair of export and import countries is not made explicitly in much of the trade economics literature.

An exception is a work of Hummels and Schaur (2012) who investigate the diminishing trade effect of the market power of shipping companies. Their work confirms the difference in the way shipping lines treat developing and developed countries in terms of transport prices. In other words, shipping lines present themselves differently in different parts of the world, depending on product value, high import and export tariffs and lack of competition on a trade route. Carrying this line of thinking further, it could be that some of the unfavourable treatment of developing countries by shipping lines carries over to the developed countries. There is a case where this mechanism seems to be at work: the import of fresh fruit from South America to Europe, via the Port of Rotterdam. This is a classic CIF trade, where the exporters book the transport. Shipping lines invest very little in their local liner agents in South America, which results in much physical paperwork. The paperwork is then sent to the receiving parties in Europe, who cannot benefit from the higher level of digitisation that shipping lines usually offer in Europe. This leads to the transfer of some of the inefficiencies on one side of a trade lane to the other side of the trade lane. In the next section, we will explore in some more detail how transportation through ships also brings complexities to international trade that could be interpreted as trade barriers.

Malaysia

The maritime industry plays a pivotal role in facilitating Malaysia's growing trade, leading to it is ranked among the world's major trading nations.¹ the importance of its maritime sector is underlined by the fact that an estimated 95% of the nation's trade is carried via ocean-going vessels.² given the nation's reliance on maritime transportation as an indispensable enabler of its international trade, it is not an exaggeration to state that the maritime industry serves as a backbone to its economic prosperity. With the growing importance of the maritime sector to facilitate Malaysia's ever-

increasing international trade and to propel its economic growth, the role of services supporting this sector has become more pronounced. The patterns and dynamics of production and the globalisation of trade have shaped the demand for materials and goods like never before. Goods and materials of a stunning variety are moved in increasingly huge volumes, across further distances and in a shorter time and lower cost to meet growing global demand and reach consumer markets quickly and efficiently. In meeting these objectives, more than just vehicles, infrastructure and systems are required to physically move goods far and wide at the lowest cost and shortest time possible. This gargantuan task requires a whole new approach in moving goods and in the management of the supply chain. Crucial to meeting this task are supporting activities such as the handling of administrative, legal, insurance, financial, tax, logistics and Customs matters to facilitate the transboundary movement of all kinds of cargo via maritime means. The supporting activities require an array of talented pool of professionals that is adaptable and resourceful in the dynamic surrounding of the maritime logistics sector.

Maritime Transport and Logistics Management

In the last decade, international trade agreements and regional trade integration initiatives have significantly reduced the tariff-based barriers to trade. Substantial barriers to trade remain, however. These remaining barriers are often termed 'non-tariff barriers'. In many bilateral and multilateral negotiations, attempts are also made to reduce these barriers, but this turns out to be much more complicated than reducing import and other tariffs. The reason for this is that a number of these so-called non-tariff barriers are closely related to, or caused by, the main conduit of international trade, namely logistics and international transportation, and the non-fiscal government supervision in the international movement of goods. Ocean transportation has always been connected with trade. This relationship goes back hundreds, perhaps thousands, of years.

During the period of the great explorations of the world, trading and transport was always one operation. This practice continues, with the large trading houses in the world – Glencore, Cargill, Vitol, Trafigura, ADM, Noble Group, Louis Dreyfus, Bunge and some lesser-known (but not smaller) companies such as Koch, Gunvar, Mercuria, Wilmar International, Arcadia, Mabanaff – controlling a large part of the world bulk fleet, mainly through long-term and short-term charter contracts. In the mid-19th century, however, ocean shipping also became a business activity on its own. The advent of the steam engine brought reliability and predictability far beyond what sailing vessels could offer. This separation of shipping and trade, however, brought a host of new challenges. One that is still debated to this day is the exemption of cartel legislation for liner shipping that originates from the beginning of the 20th century. In Europe and the USA, these exemptions have only recently been abolished.¹

Another topic that has been hotly debated among maritime economists is how shipping and ports facilitate trade. Perhaps the biggest supporter of this idea was the United Nations Conference for Trade and Development (UNCTAD). This United Nations initiative started in 1964 with the ambition to change global trade by providing the poorer countries with an independent role in trade and transportation (Taylor and Smith, 2007). Its golden years were the 1960s and 1970s, when, among others, the Code of Conduct for Liner Conferences saw the light (see, for instance, Neff, 1980 or Sturmeijer, 1986). This Code of Conduct was a typical instrument to (re-)forges the link between trade and transport: one of the provisions said that transport companies from two trading countries should be allowed to carry equal parts of the trade and leave a limited trade volume to be carried by third parties.

This idea later became known as the 40/40/20 rule. The implied result of this rule was that any trading country should thus form its transport capacity, in order to carry the allotted 40 per cent of its trade. Trade facilitation has developed from a narrow idea about the possibility to move goods between countries through ports to a much more extensive concept, encompassing the global trade environment in countries and between countries (Wilson et al., 2005). As a result, it is no longer the simple opportunity of moving goods that defines trade facilitation, but also the ease with which this can be done. This chapter addresses the relationship between ocean shipping and trade, by examining to what extent shipping nowadays still is a facilitator to trade. For this purpose, we first briefly introduce the trade facilitation school of thought in shipping and port management. We then describe in some detail the mechanism of international trade, as well as the specific role of shipping within this mechanism. We aim to connect this to the ongoing work on non-tariff barriers, both theoretical and empirical, that has taken flight in recent years. We finish with some concluding remarks and an outlook on further research.

Strategic Human Resource Management

Strategic HR practices. Strategic HR practices are those that are theoretically or empirically related to overall organisation performance. Although not all HR practices are strategic, there is growing consensus about which practices can be considered strategic (Buckley et al., 2019). The practices that are consistently considered strategic HR practices are internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms, and job definition (Berman et al., 2019). However, talent management came to light when many authors agree that talents imply people as individuals who represent `a high-performing workforce` (Berger & Beger, 2018) and are critical for an organization`s sustainable competitive advantage (Berman et al., 2019) and for increasing the performance of an organization and its success (Buckley et al., 2019). Therefore, managing talents assumes `an organization's efforts to systematically attract, identify, develop, and retain skilled and valuable employees – talents`, either in view of their `high potential` for the future or because they are fulfilling business/operation critical roles" (Campbell & Smith, 2010, p. 2 in Bogićević-Milikić, 2019). As such, talent management is concerned with all the HRM processes, with a precise focus on the attraction, development and retention of talents (Berman et al., 2019).

Talent Pool

Talent acquisition is the process of finding and acquiring skilled human labour for organisational needs and to meet any labour requirement. When used in the context of the recruiting and HR profession, talent acquisition usually refers to the talent acquisition department or team within the Human Resources department. The talent acquisition team within a company is responsible for finding, acquiring, assessing, and hiring candidates to fill roles that are required to meet company goals and fill project requirements. Talent acquisition as a unique function and department is a relatively new development. In many companies, recruiting itself is still an indistinct function of an HR generalist. Within many corporations, however, recruiting as a designation did not encompass enough of the duties that fell to the corporate recruiter.

A separate designation of talent acquisition was required to meet the advanced and unique functions. Modern talent acquisition is a strategic function of an organisation, encompassing talent procurement, but also workforce planning functions such as organisational talent forecasting, talent pipelining, and strategic talent assessment and development. Recruiting professionals often move between agency recruiting and corporate recruitment positions. In most organisations, the recruitment roles are not dissimilar: the recruitment role is responsible for sourcing talent and bringing

qualified candidates to the company. However, modern talent acquisition is becoming a unique skill-set. Because talent acquisition professionals many times also handle post-hire talent issues, such as employee retention and career progression, the talent acquisition role is quickly becoming a distinct craft. Some recruitment industry advisors even advocate for a talent department unique from the HR department, because talent acquisition and development is so intertwined with a company's ultimate success and effectiveness. Major Xavier has to see the paradigm shift of the HR roles from recruiting to acquiring talented candidates to the group of companies.

Nevertheless, he and his team had seen the success story of tertiary education in Malaysia and saw the opportunity for the group companies to venture on one subsidiary that dedicated to talent acquisition — developing an education and training Centre that dedicated to maritime industry suddenly not an option but a strategic decision. Therefore, Major Xavier has to figure out the demand for a maritime professional in Malaysia, especially in Penang. Besides, he requires some assistance from his team to map the obstacles and challenges in maritime logistics, which he has to develop a strategic centre. This strategic centre requires to centrefold the acquisition processes that somehow able to retain and sustain the “cream of the crop” for such dynamic industry.

The Strategic Moves

- **Strategic Human Capital Planning:** There is no proper planning for human capital. They plan when the needs arise or impromptu planning. To chart the human capital strategically is difficult for AK due to focus department. All being done by one person, that is Mr Xavier Lee, the Director of AK Academy.
Furthermore, the parent company, that is the AK Ventures, consist of few other subsidiaries such as AK Academy, AK Travel and AK Property Management, besides the main focus of the business that is Supply Chin Maritime. However, all the subsidiaries management and operations being done by Mr Xavier Lee from day to day operations and the planning of AK Ventures. This is because AK Gupta only trusts and work accountability of Mr Xavier Lee.
- **Education and Training Development:** Training and development for AK Venture staff only executed through first-come, first-serve basis. So the training needs of the staff are upon request from the staff.
- **Acquisition Talent pool strategies:** Human capital planning is lacking on all subsidiaries of AK Ventures as it is operated day to day basis only.
- **Development of AK Academy:** Base on the financial results and business turnaround, the potential of the possibility of AK Academy to expand and develop is very positive. However, the approach and adopted by Captain AK Gupta on managing and developing this company will lead to slow down the development of AK Ventures.
- **The current retention plans for talented professionals:** The retention plan of AK Ventures is not appropriately planned inclusively with the development of AK Ventures but rather by fulfilling the request of employees. This approach will help the employees to be satisfied, thus will retain the satisfied employees with AK Academy.

The Unavoidable Tasks

Major Xavier has to prepare a report to support his strategic decisions on the development of talent acquisition plans in front of his board directors. The inevitable shortages of skilled workers in the maritime sector have given pressure for companies as such AKV to plan a workable solution for future acquisition of talents. The Major is concerned that he may not have sufficient information to make a logical decision about which direction to go, but he knows that if he does not act now when the funds are available, he will lose his chance and be stuck with a predicament. He calls you in to help him by assessing the situation and recommending a practical and practical course of action. Think over the situation and prepare an annotated plan of how you would approach advising the AKV to sustain aspiring and inspiring future talent.