

People Management Issues at Asian Freight Forwarders Private Limited (AFF Pvt. Ltd.)

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Abstract

This case is about an Indian freight forwarding company established in 1993. AFF Pvt. Ltd. has grown into a full-fledged logistics solutions provider and today is also into tourism as its diversification strategy. The management of the company is deeply concerned with some people management issues that the organization has been facing lately. Some issues of concern were lack of objective performance appraisals, ineffective internal communication systems, cultural issues, compensation grievances and lack of professionalism. The retention of talented employees was a serious concern at the top of the minds of the senior management of the company. This case study gives Human Resource Management students an opportunity to apply their academic learning in a real life business scenario and offers opportunities for effective decision making on Human Resource Management Processes.

Key Words

Freight forwarding industry, India, people management issues, Human Resource Management.

PEOPLE MANAGEMENT ISSUES AT ASIAN FREIGHT FORWARDERS PRIVATE LIMITED (AFF Pvt. Ltd.)

August 09, 2011 was a rainy day in Mumbai – the commercial capital of India. The entire senior management team of AFF Pvt. Ltd had flown down from their head office at Kochi, Kerala to assemble at the 2nd floor of Monarch Plaza, at Navi Mumbai. AFF Pvt. Ltd. - a medium sized freight forwarding company- consisted of 350 employees, 20 offices across 16 cities throughout India and had an international presence with offices in New York and Dubai. The meeting was being held to discuss critical people management issues that the company was facing lately. The atmosphere at the meeting seemed tense and stiff.

As the Human Resources (HR) Consultant to the company, Mr. Joshi had been invited to be a part of the meeting and share his observations with the top management team. Around two weeks earlier, Mr. Siju Divakara the All India Sales Manager (AISM) had briefed Mr. Joshi over the phone, “Mr. Joshi please carry all your reports and observations, our MD would like to hear your diagnosis as well as what action could be carried out to resolve these issues which are now impacting the company’s performance ...” Mr. Siju knew that AFF, with its infrastructure, networking consultancy, communication systems, technical skills and a wealth of resources was well equipped to deal with the operations extending across Asia and North America, however if AFF was going to face problems with its employees, they would lose the battle in the ruthless marketplace. Having a pool of motivated, aligned and dedicated human resources was key to the achievement of the management’s strategy.

HISTORY OF AFF Pvt. Ltd.

AFF was established in India in the year 1993 and has slowly grown to become a name to reckon with in the field of logistics solutions and supply chain management. In 1993, AFF started business operations as a Customs broker. Later in 1997, they moved on to become an IATA approved agent. Today, AFF consists of around 350 employees, spread across 20 offices and 16 cities throughout India and has international presence with direct offices in New York and Dubai. The group has its international presence through its sister concerns Mother Lines INC in the U.S. and Mother Lines LLC in Dubai. Apart from Freight Forwarding (Refer to Annexure 1) which is the core activity of AFF, the company has also moved into Customs clearance, Transportation and Tourism space.

AFF represents more than a thousand exporters in India. AFF Group, head quartered in Kochi (Kerala, India), was established with a vision to make its presence felt in the International Shipping and Freight Forwarding Industry. The group comprises of two partnership firms- AFF & SreeGayatri both of which are Customs House Agents.

From April 2007 onwards, the organization brought all its activities under the single roof of AFF India Pvt. Ltd (Refer to Annexure 2 and 3). They expanded their network to provide more meaningful business solutions to their customers worldwide. The sort of expansion process left them with additional requirement of working capital, a need the management had attended to. This gave them an unbeatable edge over their competitors, some of whom were Flyjac, Alcarlo, Emulines and LCL agencies.

ORGANIZATIONAL DILEMMA

The senior management of the company had recently received negative feedback from the employees of the company with reference to several people management issues leading them to believe that the company would foresee a crisis in the near future. They collectively felt the need to take some immediate action to bring about positive changes in several aspects of the organization. There had been a couple of worrying incidents, for instance, a senior and critical employee Vishnuprasad Venkateshwaran had recently left the company to join AFF's main competitor. The top management felt that this move might inspire other key employees to follow suit. On April 26, 2011, a much worried Mr. Siju spoke to Mr. Joshi for the first time based on the recommendation of a friend in another company. After introducing himself, he had shared, "Mr. Joshi, my friend Murli has given me your number. He is the Deputy General Manager of Reldo Enterprises. He mentioned that you have completed an Organizational Development assignment with them last month. I needed to discuss some people issues our company is facing and enquire if you could help us." The first preliminary meeting took place between Mr. Joshi and Mr. Siju on May 04, 2011 at the Monarch Plaza office of AFF. During the meeting, Mr. Joshi was slightly surprised to discover that the organization which had seen rapid growth did not have a dedicated Human Resources department. It was possible that the management was unable to understand the people issues very clearly on this account. Intrigued by what he had heard, Mr. Joshi agreed to work with AFF and met Mr. Siju a couple of times after the initial meeting to finalize a road map of what needed to be accomplished over the forthcoming few months. Mr Joshi realised that Mr. Siju was under immense pressure to carry out corrective action but that he was at a loss of what interventions would actually be fruitful. Mr. Joshi met the Managing Director as well who mentioned, "Our focus should be to build up employee confidence in the company and the Management. Do our employees understand the management and its decisions? Well, I feel today they don't understand us anymore. As an organization, we seem to be losing our values (Refer to Annexure 4), our people think that others are growing and we are not. People are just not accepting our systems anymore." After a short brainstorming, the senior management team had agreed to address the problem- what policy changes and HR systems were required at AFF to ensure retention of highly motivated and result oriented employees.

Over the next month Mr. Joshi visited the Head Office in Kochi (Kerala) and carried out several one on one interviews with the senior managers. After interacting with the Managing Director, all the five Directors, two General Managers, and three Brand Managers of the company, he conducted a dipstick survey and gathered some feedback from 17 executives from the Mumbai office about their perceptions of AFF. They were asked to answer three simple questions viz. "Describe AFF in one word" (refer to exhibit one), "You love AFF because" (refer to exhibit two) and "One thing that needs to change here is" (refer to exhibit three). The summary of the feedback is given below in the three exhibits.

Exhibit one: "Describe AFF in one word"

Confident	Efficient	Energetic
Enthusiastic	Ethical	Excellent
Growing	Growth oriented	Homely
Humane	Hungry for growth	Interesting
Opportunity provider	Sincere	Supporting
Teamwork	Young	

Source – Executives of AFF Pvt. Ltd.

Exhibit two: "You love AFF because"

• It has provided me with the opportunity to grow
• It has shown confidence in me even when I was new to the field
• It is a good company to work with
• I feel good working here, high job satisfaction and good infrastructure
• Growth in career
• Very supportive work environment
• I think here I have ample opportunity for growth
• Experienced my growth with the company's growth
• It has given me good exposure
• I was given responsibility to handle different functions
• I could set my vision and purpose here

Source – Executives of AFF Pvt. Ltd.

Exhibit three: “One thing that needs to change here is”

•	Become more professional
•	Decision Making should be speedier
•	Active HRD dept should be operational to curtail attrition
•	People should feel tempted to join this organization
•	Delegation should improve
•	Information system should improve
•	Communication and transparency should improve

Source – Executives of AFF Pvt. Ltd.

Reflecting on his initial meetings as the HR Consultant of the company, Mr Joshi recognised that the critical incident that had triggered the alarm among the senior management of the organization was the resignation of Mr. Vishnuprasad Venkateshwaran, a senior manager at AFF. Since Vishnu was a charismatic and democratic leader, his decision of leaving the company prompted other employees to reconsider their loyalty to the firm. AFF associates had started looking for greener pastures. In little time, many people had left AFF thereby increasing the attrition rate of AFF like never before. The management soon realized that they must take stock of things so that the situation didn't get out of control.

Mr. Joshi found that the management of AFF liked to believe that some of the strengths of AFF were team spirit, good planning and efficiency. As per the board members, another key organizational strength was transparency. However things seemed to have changed over the years. While interviewing the younger staff, one of the executives exclaimed “I am surprised that we do not have a full fledged HR department in our company. We need to have an operational HRD team to look into attrition issues. Despite such a wonderful working culture, why are people leaving? The Management must address these issues.

COMPOSITION OF WORKFORCE

Most of the senior managers were from South India. While local people (people who were local residents of the city/town where the AFF office was set up) were selected for the staff functions, managers from South India were preferred for the managerial positions. Women employees were encouraged to leave office by 6 pm regardless of their marital status. The senior management at AFF felt that every individual has a primary responsibility towards one's family that should not be ignored. They believed in the values of work and personal life balance. However, some of the managers had a different opinion. One of the Branch Heads had stated, “We have to learn to be more professional. Some of our policies amount to discrimination in favor of a particular community and positively for women employees as well. Professionally run organizations do not operate this way.” He was visibly upset and annoyed with AFF systems.

LEADERSHIP RELATED ISSUES

The middle managers of AFF felt that they needed inputs in leadership skills. “Our staff should feel that their needs are protected. For this, our middle managers would have to win their confidence. Employees do not speak freely with their seniors. ‘What if he is in a bad mood’ is what the employees worry about before knocking on the door of their senior's office” were some concerns raised by one of the Directors, Mr. Vivek Swaminathan of the company. Mr. Swaminathan had stated, “In order to improve the relations between the staff and the management of the company, the middle level managers have a crucial role to play.” The senior management of AFF felt that the leadership skills of the middle management should encourage the employees to feel comfortable in ‘speaking up’ before the middle managers. To win the confidence and the full trust of the staff members, middle managers needed to be more sensitive, tactful and humane in their approach.

The senior management of the company also felt that their control was getting diluted with changing times. With more employees joining the company, the feeling of intimacy between the members had reduced. The company's growth was rapid and the priorities had shifted to achieving sales figures and targets. One of the Directors, Mr. Raja Sundaram had commented, “Our network of offices gave us a business advantage. Our mindset has always been the promotion of our business.” The management did not consistently appreciate the positive things about the employees and had often delayed disbursing incentives / credits. The relationship between the management and the staff had thus become sour.

COMPENSATION RELATED ISSUES

Salaries at AFF were lower than the industry standards. The management of the company felt that they were doing the right thing by paying less, as the competitor's work pressures were different from those at AFF. One of the Directors of the company Mr. Muthuswamy felt, “My employees will not be able to work with the kind of pressure at our competitors and they will come back. We give a lot of importance to human considerations.

People have joined as peons and have become senior officers today. The sole criterion is that one has to find a replacement and then get himself promoted. How do you get people to understand what they deserve?"

WORKPLACE CULTURE

The company laid a lot of emphasis on humanistic values. Employees' growth in the organization was not necessarily related to his/her educational background. In the past, recruitment was done only through known sources and a lot of emphasis was laid on human considerations; for example, "Is this candidate in need of a job? Can we hire him?" The top management also believed that the company had a very homely work atmosphere. Apart from their salaries, the employees were provided with food and accommodation. Attrition was never known to be a problem at AFF previously as whoever joined, stayed back. Despite the low salaries, only four people had left the company in the last nine years. None had joined AFF's competitors but had gone overseas. The senior management was convinced this was because of the good working environment and a warm culture within the company. With the change in the external environment though, AFF was facing various pressures.

MEETING AT MONARCH PLAZA, CBD BELAPUR ON 09TH AUGUST 2011

Once the meeting was underway and Mr. Joshi had shared all his observations and diagnosis with the team, a Director of the company said with a sigh, "We need to listen to and solve our employee problems. However we are not always able to communicate the right things at the right time to all the concerned people." What happened for the next three hours was a roller coaster ride in terms of the team facing the problems upfront, showing willingness to confront some daunting challenges and discussing all the people related issues openly across the table.

After a complex discussion for over three hours, the Managing Director restlessly got up from his chair, looked over the French window and the pitter patter rain drops and he concluded, "Our systems are weak. Communications must trickle down to lower levels. We want to create a sense of belongingness and we want to improve our personal relations with our staff. We want to motivate our people. To keep our staff motivated, we must know what they expect from us. We should have a good feedback system in place. We have miles to go before we sleep....."

Over his last sip of coffee, Mr. Sundaram stated, "We have to listen more to our people and understand their problems, educate them and bring in more discipline at workplace. We have to stabilize the organization; set discipline in branches, create confidence in our employees, maintain our positive relationship with our clients and retain our employees. In short, we have to sort out all our problems."

The team turned to Mr. Joshi for some answers and the way ahead. As their HR consultant however, Mr. Joshi knew that rectifying the problems was easier said than done. He was unsure whether the company was open to undergoing second order change. He wanted to know whether the management of the company was open to critical feedback, whether they would accept that they had made mistakes and now needed to undo the damage. He was concerned whether the middle managers would agree to receiving Leadership training and whether he could count on their commitment for this intervention. He was also wondering if the employees of AFF would be able to overcome their inert resistance to all these changes and whether they would be self motivated to imbibe new processes. But it was his job to tell the management that times had changed and AFF needed to bring in transformational changes to survive and flourish.

On this note, Mr. Joshi requested the senior management team for some time to work out a set of interventions based on his primary diagnosis. He knew that he would have to rely on their support and requested for the same. The group decided to meet in another two weeks to discuss the recommendations of Mr. Joshi.

REVIEW QUESTION –

If you were Mr. Joshi, the HR consultant, what recommendations would you make to the management of AFF Pvt. Ltd. for improving the HR systems of the company?

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ANNEXURE 1

Overview of freight forwarding in India

Freight forwarding refers to moving of freight ("forwarding") of cargo, from one place to another. A freight forwarder, forwarder, or forwarding agent, is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. A freight forwarder or a travel agent for freight is an entity that is primarily responsible for booking or arranging space for shipments across geographic locations (both within and outside a country) via carriers. Forwarders contract with a carrier to move the goods. A forwarder does not move the goods but acts as an expert in supply chain management. Freight forwarders do not use their resources to ship cargo themselves but their business model lies in arranging for its carriage by others. A forwarder contracts with carriers to move cargo ranging from raw agricultural products to manufactured goods. Freight can be booked on a variety of shipping providers, including ships, airplanes, trucks, and railroads. Different freight forwarders use different combinations of these options to pin down upon most economical and safest route for their respective destinations. Offshoots of freight forwarding companies are the courier companies. Courier companies operate through road transportation as well as airfreight. Some forwarders handle domestic shipments only. 'International freight forwarders' typically handle international shipments. International freight forwarders have additional expertise in preparing and processing customs and other documentation and performing activities pertaining to international shipments.

Information typically reviewed by a freight forwarder includes the commercial invoice, shipper's export declaration, bill of lading and other documents required by the carrier or country of export, import, and/or transshipment. Much of this information is now processed in a paperless environment.

Freight forwarders are involved with processes of extensive documentation and transportation of their shipments. Typically a freight forwarder would review information such as the commercial invoice, shipper's export declaration, documents required by the carrier or country of export, import or transshipment.

The major challenge for any freight forwarding company is to execute the entire transport operation, specified in each contract, for a charge or fee which covers the total transport operation and, in turn, pays the actual carriers for the transport services rendered to it.

Out of the thousands of freight forwarding companies in the world, some of the best known brands are DHL, FedEx, and United Parcel Service. Some freight forwarding companies specialize in niche domains and have created their identity in the business environment, like Activair which is known to be one of the largest freight forwarder for the book industry. Almost all freight forwarding companies in the world hold memberships with some networking bodies or the other, to name a few, IATA (International Aviation Transport Association), BIFA (British International Freight Association) and FTA (Freight Transport Association).

Companies that maintain an updated database on freight carriers are the freight brokers. These brokers select the best available freight forwarding company based on the customer requirements. Two well known examples of freight brokers are Markettrans Transportation Services Inc. and The Freight Rate Company. These also offer various value-added services that encompass transportation, logistics, and distribution.

Typical activities in freight forwarding include:

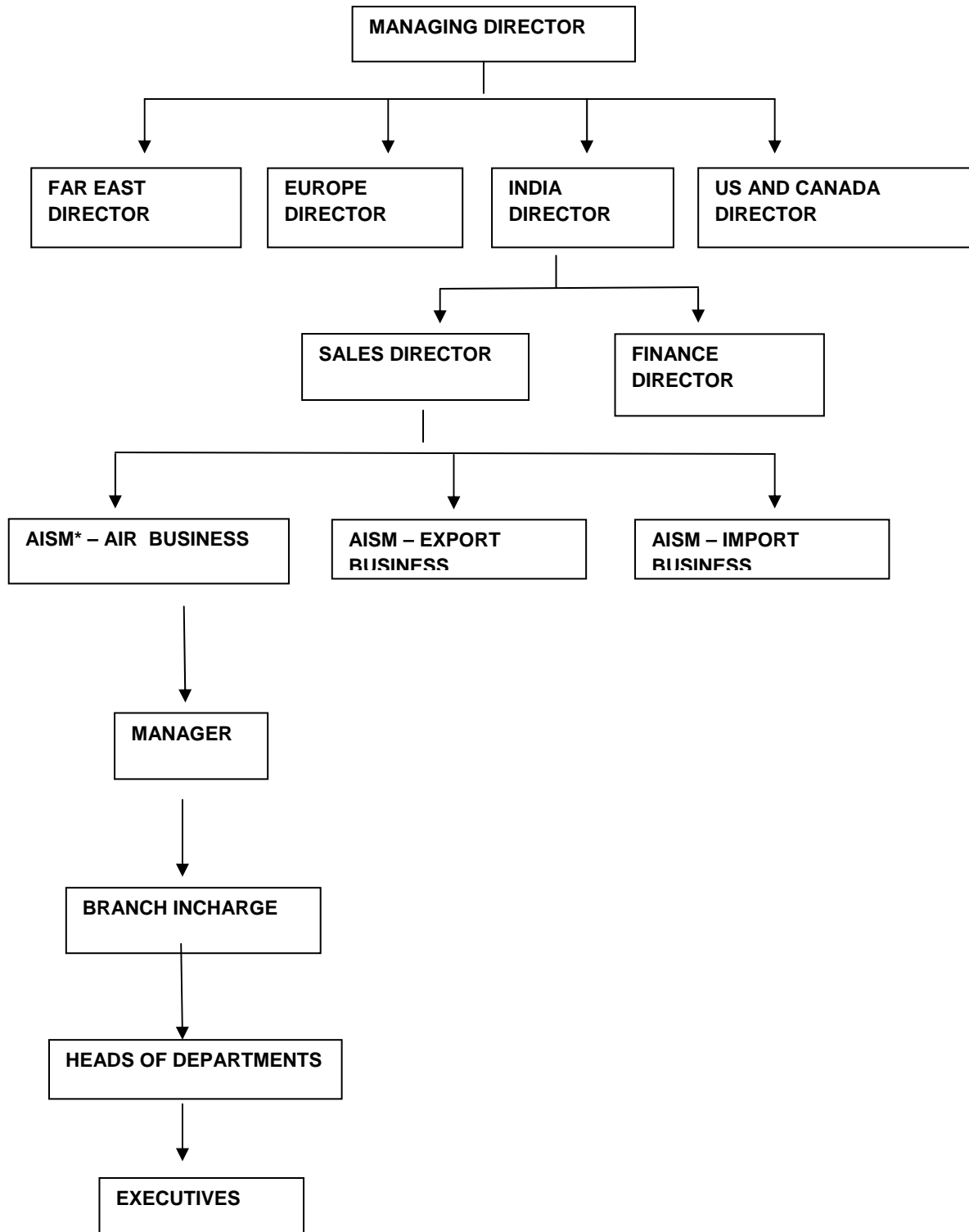
- investigating and planning the most appropriate route for a shipment, taking account of the perishable or hazardous nature of the goods, cost, transit time and security;
- arranging appropriate packing, taking account of climate, terrain, weight, nature of goods and cost, and the delivery and warehousing of goods at their final destination;
- negotiating contracts, transportation and handling costs;
- obtaining, checking and preparing documentation to meet customs and insurance requirements, packing specifications, and compliance with overseas countries' regulations and fiscal regimes;
- offering consolidation services by air, sea and road - ensuring cost-effective and secure solutions to small shippers with insufficient cargo to require their own dedicated units;
- liaising with third parties to move goods (by road, rail, air or sea) in accordance with customer requirements;
- arranging insurance and assisting the client in the event of a claim;
- offering tailored IT solutions and electronic data interchange (EDI) connections;
- arranging payment of freight and other charges or collection of payment on behalf of the client;
- utilizing e-commerce, internet technology and satellite systems to enable real-time tracking of goods;
- arranging air transport for urgent and high-value freight and managing the risk door to door;
- arranging charters for large volume, out-of-gauge or project movements by air and sea;
- acting as broker in customs negotiations worldwide to guide the freight efficiently through complex procedures;
- dealing with special arrangements for transporting delicate cargoes, such as livestock, food and medical supplies;
- arranging courier and specialist hand-carry services;
- working closely with customers, colleagues and third parties to ensure smooth operations to deadlines;

- maintaining communication and control through all phases of the journey, including the production of management reports and statistical and unit cost analysis;
- acting as consultant in customs matters;
- Maintaining current knowledge of relevant legislation, political situations and other factors that could affect the movement of freight.

At more senior levels, the role may also involve managing staff and overseeing activities within a department or specializing in a particular area, such as sea freight or air freight.

ANNEXURE 2

AFF PVT LTD – ORGANOGRAM



AISM* All India Sales Manager

ANNEXURE 3

AFF PVT LTD – BRIEF PROFILE

AFF Group, head quartered in COCHIN, was established in 1993 with a vision to make their presence felt in the international Shipping and Freight Forwarding Industry. Over the decade AFF has grown rapidly and made inroads into important satellite ICDs and set up offices at all the major gateway ports of India. With the growing demand for personalized service from the valued customers, AFF today operates from 16 cities in India and have international presence with direct offices in Dubai, New York & Los Angeles. AFF has a span characterized by ceaseless expansion and has established intensive worldwide alliances to cater to the needs of the customers. With the closely knit network and infrastructure, they provide comprehensive freight forwarding service by Sea, Air and Land to over 70 destinations worldwide. Further they cater to many remote destinations on inducement.

AFF has constantly redefined and upgraded every aspect of the services rendered in anticipation of the customers' growing needs which has paid rich dividends.

AFF, with its core activity in Freight Forwarding, has further ventured into Customs clearance, Transportation and Tourism Industry as part of their diversification strategy.

Services Offered by AFF

The activity of customs documentation and cargo clearance is executed under the license of AFF and Sreegayatri. They undertake the job of both Export & Import shipments by Sea and Air.

- ✦ Clearing and Forwarding / Custom broking of Export & Import Consignments
- ✦ Customs EDI registration formalities
- ✦ Container Consolidation, Dock destuffing / devanning
- ✦ LCL, FCL and Freight Booking
- ✦ House / Factory Stuffing Consignments Nationwide
- ✦ House to House Freight Forwarding
- ✦ Private Warehousing Export / Import Consignments
- ✦ Drawback Claims
- ✦ Octroi-Exemption Facility (N-Form)
- ✦ Logging of Export Entries in DEEC Book / Pass Books
- ✦ Proof of Exports & DEPB License verification
- ✦ Fumigation of Export Consignments and Phytosanitary Certificates
- ✦ Assisting SGS Inspection
- ✦ Certificate of Origin / GSP Form A from Chamber of Commerce
- ✦ Documents Legalization from the Consulates
- ✦ Duty calculation for import consignments
- ✦ LUT / Bank Guarantee / Bonds Execution formalities with Customs
- ✦ Transportation & Pick-Up
- ✦ Door delivery for consignees after due import customs clearance
- ✦ All other Services related to Shipping both Exports & Imports

As a corollary to being an accredited leading CHA in this Metropolis for over a decade, they have been among the pioneer CHA provided with direct connections with the customs under EDI systems in Mumbai as well as in Delhi. They have also developed dedicated software and network of EDP systems for prompt and comprehensive communications within our set-up as well as with the Customs as also with Agents- Associates.

ANNEXURE 4

AFF Pvt. Ltd. – Vision

Our Vision is to become a world class entrepreneurial and profitable organization where,

- We are an integrated part of our customers' logistic activities.
- The focus is on excellence and results.
- Every individual strives for personal as well as professional growth.
- Barriers to effective communication do not exist.
- Information sharing is not considered a threat.
- Leadership is defined as the service of subordinates.
- coming to work every day is a joy.

AFF Pvt. Ltd. – Philosophy

We realize that it is our Customers who keep us in business and we want them to be with us – ALWAYS.

We will stick to the foundation and retain the HUMAN touch with our CUSTOMERS while adapting the systems and e -products with the change in business carried out worldwide.

We believe in "Customer is the profit and everything else is overhead"