

Becoming a Global Logistics Entrepreneur: PKT Logistics Group Sdn Bhd

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Prologue

Dato' Seri Michael Tio (DMT) just finished his dinner with his family. He was waiting for his coffee, and his mind reminded him about the next week's meetings. DMT has always been busy with multiple business activities after becoming a Chief Executive Officer (CEO). One thing always comes to DMT's mind is that PKT Logistics has become a genuine global player. DMT is a successful and confident logistics entrepreneur; DMT is also concerned about PKT's future and keeps the consistently working of PKT. Under the leadership of DMT, PKT develops the necessary leadership and value system that drives PKT sustainability with resilience.

DMT is planning to address the PKT board in which he can suggest the future direction of the PKT that can lead the PKT into success in 2025-2030 and become a real global player in the logistics market.

History of PKT Logistics Group

PKT Logistics Group Sdn Bhd, a leading logistics services provider based in Malaysia, stands as a beacon of social responsibility. With a firm commitment to utilizing local human resources, constructing environmentally friendly warehouses, and actively engaging with communities, PKT operates holistically. The company traces its roots back to 1974 when Dato' Tio Sook Keo established Port Klang Trading. Later, the company transformed and was renamed PKT Logistics Group Sdn Bhd. Presently, the Chief Executive Officer of PKT is Dato' Seri Michael Tio (DMT), leading the organization towards continued success.

During the late 1990s, PKT embarked on a business venture with a Korean partner amidst the ASEAN financial crisis. This collaboration proved a turning point as PKT ventured into the Korean car business, establishing connections with over 50 clients nationwide. This unexpected development opened up new opportunities for PKT, ultimately shaping its trajectory in the logistics industry.

"When I returned to Malaysia, I discovered that local companies did not provide one-stop logistical services. As a result, I set out to transform my company into a full-service logistics provider."

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PKT's prowess in the logistics industry gained further recognition when it secured a notable appointment as the logistics service provider for Naza, a prominent Malaysian corporate conglomerate. In 2001, PKT proudly introduced Malaysia to its first completely knocked down (CKD) Kia model, marking a significant milestone in its journey. This venture propelled PKT into automotive logistics, setting the stage for its future endeavors.

Expanding its horizons, PKT strategically partnered with Oriental-Hyundai, an esteemed collaboration affiliated with the Berjaya Group. Through this partnership, PKT successfully ventured into the Korean automotive business, managing the logistics for Hyundai, a renowned Korean vehicle manufacturer. Recalling this pivotal moment, DMT acknowledged, "That was when we got into the car logistics business," recognizing its pivotal role in shaping PKT's trajectory.

As PKT gained momentum in the automotive logistics sector, it began serving an increasing number of international companies. However, DMT foresaw the need for diversification to ensure sustainable growth and bolster earnings. The industry's inherent volatility became evident, with revenue fluctuations resulting from various crises.

DMT explained, "With the car logistics sector, we hit around RM200 million in revenues in roughly five years, but there was another disaster in 2008, which we dubbed the world financial crisis."

During this tumultuous period, PKT faced the harsh reality that luxury products, such as high-end cars, were among the first to be affected as consumer spending hit. Consequently, sales plummeted by a staggering 40%.

This experience during the recession served as a valuable lesson for PKT, reinforcing the need to diversify its service offerings beyond the automotive logistics sector. Recognizing the importance of adaptability and resilience, PKT embarked on a strategic journey to expand its portfolio and explore new avenues for revenue generation. While the automotive logistics sector had peaked, PKT's unwavering determination and visionary leadership laid the foundation for a diversified future characterized by sustainable growth and enduring success.

The non-automotive sector, primarily driven by the fast-moving consumer goods (FMCG) industry, emerged as a dominant force propelling growth. PKT Logistics Group, with its innovative strategies, not only weathered the crisis but also thrived in the face of adversity. With a clear vision for the future, PKT set its sights on elevating FMCG sales to account for 40% of its total sales by 2013. Expanding its reach beyond Malaysian borders, PKT established a strong presence in several countries, including Thailand, Vietnam, Indonesia, Cambodia, Laos, Taiwan, India, and Korea, primarily through its automobile logistics operations.

The remarkable progress made by PKT was evident as it surpassed the significant milestone of half a billion dollars in revenue. However, 2014 presented a new set of challenges as falling oil prices and the depreciation of the Malaysian ringgit triggered a second crisis. The Malaysian ringgit experienced a sharp rise from RM3 to RM4.5 against the US dollar, while the price of oil plummeted from USD100

per tonne to USD30 per tonne. Like many other countries, Malaysia felt the impact of this crisis, leading to a contraction in its GDP during 2015-2016.

During this tumultuous period, PKT faced not only business-related difficulties but also psychological challenges.

DMT elucidates, "At the time, we were suffering not just from the business but also psychology."

The adverse economic conditions tested the company's resilience and demanded a steadfast commitment to overcome obstacles and emerge stronger.

Despite the trials and tribulations faced during this crisis, PKT's unwavering determination, strategic planning, and adaptability ensured its ability to navigate the storm. PKT's resilience and commitment to excellence positioned the company to forge ahead and embrace new opportunities for sustained success.

PKT Logistics Group envisions a future marked by expanding its operations beyond Malaysia's borders, aiming to achieve a significant milestone known as ASEAN30. By 2015, the company sets its sights on attaining a remarkable 30% revenue contribution from nations outside Malaysia, specifically in automotive logistics. Simultaneously, PKT eagerly seeks to solidify its position in Malaysia's FMCG logistics sector, recognizing the need to invest in information and communications technology (ICT) to compete effectively with multinational corporations (MNCs).

With a strong belief in the power of technology to drive business growth, DMT has positioned PKT as an industry leader in both automotive logistics and FMCG, particularly in food and beverage logistics (F&B). PKT aims to soar to new heights, increasing its revenue to an impressive RM1 billion. This ambitious target was meticulously calculated based on the company's 2018 revenue, which totalled RM800 million. That milestone was unfortunately delayed due to another crisis that struck. The facility faced temporary closure, resulting in a halt in manufacturing operations from March to August 2020.

Nonetheless, PKT's strategic approach was pivotal in the company's survival amidst challenges. This approach ensures that the non-automotive segment, responsible for generating 40% of the company's revenues, provides a vital buffer against market fluctuations. By maintaining a balanced revenue distribution, PKT fortifies its resilience and sustains its growth trajectory amid uncertainties, exemplifying its commitment to long-term success.

Logistics Entrepreneur

DMT is Malaysia's logistics visionary, a modern, socially and humble business magnate. He is a young, forward-thinking entrepreneur emerging as a new leader for further transformation, particularly in the logistics and supply chain. He studied Accounting as an undergraduate at the University of Hull

and then International Finance as a postgraduate at Reading University in the United Kingdom. He is known by monikers like DMT among his co-workers, friends, and customers. DMT is, without a doubt, a phenomenally energetic individual who advocates for better performance and knowledge in the profession.

DMT began to demonstrate his entrepreneurial potential at a young age. His father instilled in him the entrepreneurial gene. During his undergraduate years in England, DMT began displaying his entrepreneurial skills when he exported luxury cars back to Malaysia for re-conditional cars. *"My father has always encouraged me to pursue a business career," DMT continued. "So I started purchasing and selling used cars in Malaysia".*

When he returned to Malaysia in 1996, he joined his family's business. Since 1996, PKT has gone through various transformation programs under his leadership. Four visions were penned for the corporate and personnel transformations during these changes.

DMT's philosophy for PKT was to work hard to develop the company and transform it into a passive income stream. His company's mission is to inspire his employees to work hard and achieve the company's objectives. As CEO, he ensures that his entire company embraces his vision and works hard to achieve it. In a nutshell, he advises, "Implant the same Passion." DMT's motivation comes from a desire to be unique, which he achieves through creativity. It is not new if someone else has done it before! This is the same advice he gives to his employees regarding management and executing their responsibilities.



Figure 1 Business Philosophy

DMT is a forward-thinking and inspiring visionary who can share his idea with his employees, followers, and society and get them to commit to it. For example, when DMT took over from his predecessor, he aimed to increase annual revenue and market share and establish PKT as a global logistics leader, not just in Malaysia. DMT concluded that differentiating PKT from its competitors through a service-oriented perspective would help him achieve his goal. As a result, he organised his company model around a service-based value creation viewpoint, including internal and external PKT redesign. He discovered that designing and determining the service value and quality is more significant for employees and customers. DMT has now established a solid reputation in the logistics industry. Furthermore, with the philosophy of "Dream of it, talk about it, Plan for it, Work on it, and Get it" (Figure 1), he expanded the company to become a logistics leader in offering customised, integrated, comprehensive logistics solutions.

One of the new management approaches, which DMT extensively uses social media in daily work, is self-branding and visibility in the sector. Indeed, he urged his employees to communicate openly and tune with today's youthful and modern generation. Numerous reports about Dato Michael Tio's evidence have surfaced, particularly his Facebook page, which appears at the top of the first page of Google search results. In addition, by making Facebook mandatory in PKT, he took a significant step

forward in leveraging technology. Through the PKT-DMT Facebook community, Facebook is now PKT's intranet and communication platform. Customers and partners communicate in their Facebook community to share new information about their desired solutions.

Global Market: Next Move

PKT aspires to accomplish several goals in the coming years. PKT has developed its brand image and holds the most prestigious licenses in costumed brokerage and other services. They have grown their business through working with overseas partners. PKT developed a joint venture with Asia Pacific Express, a Korean firm, to expand worldwide, which brought PKT into the Korean market. They have partnered with Massa Logistics and Okamoto Logistics Co., Ltd to focus on the automobile business. PKT has established a strong brand in the logistics business in Malaysia and throughout the region. It has changed its name to a limited business, increased its annual revenue, and decided to be one of Malaysia's top five. PKT is also collaborating with international partners to develop its operations. PKT works with Japanese partners like Utoc Express, Utoc Logistics (Mitsui group) and Mitsui OSK Lines Ltd.

PKT knew that running a low-value firm would not be sustainable. As a result, they redesigned their organization as a knowledge-creating service company, and their business strategy was changed to service-based value co-creator. They set a new goal: to make PKT the most competitive multinational corporation logistics service provider, with a higher proportion of the global market. Because PKT is no longer fighting locally, its strategy attracts worldwide corporations as consumers. "We aspired to become a multinational logistics company (MNC) with a global reach and the ability to handle international clients," DMT adds. They are establishing themselves as a high-end logistics provider and must demonstrate that they are good locally before expanding their firm abroad. As a result, PKT is continuing its globalisation strategy while adhering to its core values and ideals.

Regarding strategic strategy and achievement, PKT has progressed well towards ASEAN regions and is a worldwide logistics organisation. As a foresightful leader in logistics services, DMT emphasises, "We will enter countries that will provide us with good growth potential." We aim to be renowned as a regional logistics company before expanding into the worldwide market." PKT has built relationships with international logistics partners from various nations to expand globally. PKT is run by 400 enthusiastic staff ready to manage around 200 high-profile customers such as Kia Motors, Hyundai Motor Company, Mitsui OSK. Lines Ltd (MOL) and Mazda Logistics Co., Ltd. PKT built its physical infrastructure and enhanced generation warehouse to manage all business aspects.

PKT differentiates itself from its competition with its leader, DMT. PKT has established a service-oriented mindset following the company concept of "Dream of it, Talk about it, Plan for it, Work on it, and Get it." As a result, he redesigned his business strategy as a service-based value generation approach and revamped the organisation inside and publicly. DMT took the lead in expanding the company to become a logistics leader in offering bespoke, integrated, complete logistics solutions in the ASEAN area. PKT's intranet and use of social media for communication is a norm.

Epilogue

Forward-thinking and becoming global logistic entrepreneurs are DMT's dreams and are very much realized by PKT. PKTs have an organizational structure and business model based on the service value, continuous improvement and building knowledge that guides the business activities in the PKT. However, the coming times are much more challenging than the first decade of the 21st century. Globalization and technology are becoming the driving forces of the 21st century and increasing competition, paving the way for looking for a competitive edge by connecting properly with the stakeholders.

DMT needs to plan PKT's transformation to remain successful for the third generation. The essence of PKT's success is the entrepreneurial mindset of the firm and the entrepreneurial passion that drive PKT. Handling the supply chain and generating value remains the core of the logistic business that drives the success of PKT. What would be the following action plan for PKT to remain competitive in the region and establish its name globally?