

# PKT Logistics Group Sdn Bhd: From Family Business Growing into a Global Logistics Services

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## Prologue

Dato' Seri Michael Tio (DMT) is having lunch before the strategic group meeting of PKT Logistics on a wonderful day in March 2021 in Shah Alam, Selangor, Malaysia. As a successful and confident entrepreneur, DMT is also concerned about the PKT values system and likes to take the PKT to the next level. Making Malaysia a hub of ASEAN. PKT comes a long way in the leadership of the DMT, and the PKT value system helps bring great success to the PKT and builds the strong reputation for the PKT to stand out from the competition and become a leader in the logistics and supply chain industry.

DMT is planning to address the strategic group meeting and like to propose the future direction of the PKT that can lead the PKT into success in 2025-2030.

## History of PKT Logistics Group

PKT Logistics Group Sdn Bhd is a Malaysia-based logistics services provider that operates as a socially responsible company, providing logistics services while utilising local human resources, building environmentally friendly warehouses, and engaging with communities. PKT was founded by Dato' Tio Sook Keo in 1974 as Port Klang Trading, later renamed PKT Logistics Group Sdn Bhd. Dato' Seri Michael Tio (DMT) is the company's Chief Executive Officer.

PKT began doing business with a Korean partner in the late 1990s, at the height of the ASEAN financial crisis, with over 50 clients in the country. PKT stumbled into the Korean car business in this way.

"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."

PKT has been appointed a logistics service provider by Malaysian corporate conglomerate Naza, introducing its first completely-knocked-down (CKD) Kia model in Malaysia in 2001. Then, through Oriental-Hyundai, a Berjaya Group-affiliated partnership, PKT entered the Korean automotive business by managing Hyundai, a Korean vehicle company. "That was when we got into the car logistics business," DMT said. As a result of this success, PKT began to provide its services to more international companies. However, DMT believed that PKT's automotive logistics sector had peaked in 2007 and needed to

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## KEYWORDS

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diversify its services to increase earnings. The reason for this is that revenue has been uneven as a result of the crisis, and this will slow them down a little in terms of sales and revenues. "With the car logistics sector, we hit around RM200 million revenues in roughly five years," DMT adds, "but there was another disaster in 2008, which we dubbed the world financial crisis." During a recession, PKT realised that individuals first ceased buying luxury products like luxury cars, and as a result, sales plummeted by 40%.

PKT must then transform. After that, he and his team discussed the company's next expansion phase. Apart from increasing its share of the FMCG profit pie, PKT announced further objectives for the following few years in 2008 (Figure 1).



Figure 1. Goals in 2008 – 2020

Wawasan 60:40 was one of them. Wawasan 60:40 aims to capture the revenue split between the automotive (60%) and non-automotive (40%) segments. The FMCG industry will predominantly drive the non-automotive sector. The PKT firm flourished with implementing the new strategy and withstood the crisis. PKT plans to increase its FMCG goods sales by 40% in 2013. Through automobile logistics, PKT is present in Thailand, Vietnam, Indonesia, Cambodia, Laos, Taiwan, India, and Korea. PKT has surpassed a half-billion-dollar revenue milestone. However, in 2014, a second crisis occurred due to falling oil prices and the depreciation of the Malaysian ringgit. At the time, Malaysia's ringgit rose from RM3 to RM4.5 against the US dollar, while the oil price dropped from USD100 per tonne to USD30. Malaysia was one of the countries affected by the crisis, and its GDP shrank somewhat in 2015-2016. "At the time, we were suffering not just from the business but also psychology," DMT explains.

Wawasan 5M5 was another mid-term strategy. In 2015, it aimed to reach 5 million square feet of storage area, up from one million square feet previously. PKT's next vision was Wawasan ASEAN30. By 2015, the goal is to have a 30 per cent revenue contribution from nations outside Malaysia from automotive logistics. PKT is eager to gain a more significant portion of Malaysia's FMCG logistics sector. Investing in information and communications technology (ICT) is necessary to compete with multinational corporations (MNCs). DMT believes that technology can help businesses grow, and PKT is currently the industry leader in automotive logistics, FMCG and food and beverage logistics (F&B). PKT aims to increase its revenue to RM1 billion with its Wawasan 1B goal, which has a variety of programs and targets in place. It was calculated using revenue from 2018, which totalled RM800 million. The RM1 billion was scheduled to be achieved through Wawasan 1B targets in 2020, but due to another crisis, the achievement was delayed. The facility closed down this time, and they could not

conduct any manufacturing from March to August 2020. Returning to Wawasan 60:40, this strategy assists PKT in surviving because the Non-Automotive segment generates 40% of revenues.

Apart from the previous goal, PKT has formed new visions to move forward and become a successful logistics service provider in the regional and global market after 12 years (Figure 2).



Figure 2. Goals in 2020 – 2025

PKT has maintained its goal of completing the Wawasan ThreeBees by 2025, underpinned by built-in resilience from circuit breakers implemented in 2008 to focus on recession-proof verticals. The Wawasan ThreeBees established a target for the company to create RM3 billion in revenue over the following five years. Three supporting visions serve as a road map to help the company achieve this goal. Wawasan V50 aims for a 50:50 income split between recession-prone and recession-proof areas in PKT. As for Wawasan, ASEAN20 aims to boost PKT's digital income contribution from ASEAN countries to 20 per cent, while Wawasan Digital20 aims to double it. Moving goods and services will continue to be in demand as firms focus.

### Corporate Culture

PKT has implemented the PKT 5H Culture (Figure 3) to strengthen the business culture, which comprises Healthy, Happy, Honesty, Hard work, and Humble.



Figure 3. PKT 5H Culture

PKT Logistics recognises diligent employees, promotes a healthy lifestyle, encourages honest and humble behaviour, and fosters a positive work environment. PKT encourages openness by providing an open seating layout that removes barriers. It allows employees to communicate more effectively, collaborate more efficiently, and work faster. PKT provided a full-service gym, a daycare centre where employees could send their children, lounges where employees could relax, management and company vacations, an honesty zone, a spa, and various other amenities that increased their employees' satisfaction and confidence. Clients remember employees' service, not the product itself, as what made them pleased and loyal. As a result, DMT set out to take care of PKT's people first. They equated having a happy workforce to having productive employees. DMT built PKT's workplace as enjoyable, fostering knowledge generation and service culture. PKT works in the following ways:

#### 4.1 Corporate Social Responsibility

Consumer awareness of companies' environmental and societal impact has increased dramatically over the past few decades. The discussion of Corporate Social Responsibility (CSR) in business is an important moral, ethical, and financial consideration. It encompasses various activities, such as employee well-being, human rights, and environmental protection. PKT is a firm believer in giving back to society in a sustainable manner through a variety of innovative activities.

DMT narrates it as "CSR is not about how you spend your money. It is about how responsible you make your profits,"

DMT believes the company's primary priority should be to ensure its profitability, after which it should consider social issues. DMT also points out that CSR begins at home; therefore, PKT builds its corporate empire with this philosophy that "spreads joy by giving" to others and "happiness when others are happy."



Figure 4 CSR in PKT

DMT has created substantial community support through his company's CSR efforts. Another PKT CSR (Figure 4) implementation is as follows.

- PKT's Jom Bersara Secara Sambilan (JBSS) initiative recognises retirees' societal contributions. This program allows retirees to pass on their expertise and experience to the next generation of workers while earning a living without feeling left out in

today's fast-paced culture. PKT gives training in various vital areas to help them improve their abilities, and they are granted flexible working hours, which are limited to 4 hours per day based on PKT's demands. Retirees will be placed in less physically demanding areas, such as accounts, finance, operations, or the bistro.

- Anak Belajar Ibu Bekerja (ABIB) program aims to provide career possibilities for women living in the areas surrounding PKT's facilities. PKT also offers training in various key areas to help them improve their skills. They can work from 8.30 a.m. to 12.30 p.m. (morning session for four hours) or from 12.30 p.m. to 5.30 p.m. (afternoon session for 6 hours) to avoid disrupting their household.
- Our human resource team will link Facebook followers with career opportunities from our customers and clients at our Career Day. Our PKT Talent Hunter group has grown to over 18,000 members eager to work for PKT, and those who pre-registered for the Career Day were given on-the-spot job interviews.
- PKT's Smart Trucker program, which promotes graduates as truck and prime mover drivers, is one of the company's initiatives to improve the logistics and transportation business. PKT noted that unemployment is one of the most pressing challenges in the current circumstances. The program is also in place to encourage recent graduates to serve as truck drivers for four years, with high pay and guaranteed advancement after that time. PKT is devoted to providing all essential support in this program, including training to obtain a commercial driver's license, advanced technology, a well-designed workplace, a relaxing environment, and logistics training, including document processing, product delivery, etc. PKT's brand image has been enhanced as a result of this.

#### 4.2 New Talents Creator

Malaysia has the potential to become the ASEAN logistics hub. Nonetheless, achieving this goal requires a robust local talent pool to support a coordinated effort among business partners to create a significant logistics ecosystem. The World Shipping Council rank Port Klang 12th among the top 50 international container ports, with 12.24 million twenty-foot equivalent units (TEU) of containers handled in 2020. Tanjung Pelepas, on the other hand, came in 15th place for TEUs with 9.85 million. These estimates are likely to climb due to the rapid growth of e-commerce, increased interest in the ASEAN region, and the country's strategic location along the maritime route. "This means that as the business grows, more logistics specialists will be required to support it," DMT exclaimed.

DMT explained. "Malaysia is at the most strategic point of the maritime line's route," he continued. "The Straits of Malacca is the world's busiest shipping route. Every single vessel

that connects East and West must travel through here. Thus, it is clear that we will be the ASEAN logistics hub next".

Suppose local logistics businesses aspire to become ASEAN logistics hubs like Singapore. We must progress up the value chain to become seventh-party logistics (7PL) companies that provide complete client solutions. The 3PL and 4PL combine warehousing, freight, distributors and agents, while the 4PL operates as an integration agent designing, constructing and running extensive supply chain processes.

DMT stated, "Malaysia is a regional logistics hub with all the required elements but lacks sufficient logisticians. We provide industry-related education for the next generation to develop its profession in the logistics industry, which has so great a potential by having campuses within our logistic centres." It is mainly accomplished through Peninsula College's educational arm, which integrates educational institutions.



Figure 5 Peninsula College and its campuses

PKT, one of Malaysia's significant logistics solutions providers, owns Peninsula College. Peninsula College offers certificate, diploma, degree, and master's degree programs in various fields, including logistics management, business studies, hotel management, computer science, tourism, accounting, and, coming soon, engineering. Peninsula College has four (4) campuses (Figure 5) linked together.

### *The Ship Campus*

The Ship Campus, which will be Peninsula College's national headquarters, will be located inside the One Auto Hub in Batu Kawan Industrial Park, Penang. Peninsula College offers tertiary education certifications in collaboration with the University of Plymouth in the United Kingdom. Logistics management, business management, accountancy, ACCA, tourism, and computer studies are just a few courses available. Based on an iconic cruise ship design, the Ship Campus will accommodate approximately 4,000 students once completed. PKT's CSR program includes a project called the Ship Campus. The Campus-in-Industry model, where colleges are placed within an industrial park, is used on Peninsula College's state-of-the-art campuses throughout Malaysia. Students can work closely with industry partners and work part-time while they study.

### *Lighthouse Campus*

Lighthouse Campus has world-class facilities to provide students with the most excellent learning environment possible. PKT offers a Diploma in Logistics Management through its Lighthouse Campus, located within One Logistics Hub, one of Malaysia's top logistics warehouses.

### *City Campus*

Peninsula City Campus is located in Klang Parade Mall, one of the Klang Valley's main attractions. It is Peninsula Education Group's first campus, opening in 1998 and boasting a 20-year track record of educational success. The school's beautiful 'Britishfied' interior creates a terrific setting for students to be motivated and learn effectively. The campus is bordered by 100+ stores, including Apple Store, Samsung, Parkson, IT centres, gym, bookshop, gourmet cuisine places, and many more, providing excellent study-work options to students from all across Klang Valley.

### *Straits Quay Campus*

This campus is inside Straits Quay, Penang's first and only seaside retail marina, located along the island's northern shore. The Royal Selangor Visitor Center, Sam's Groceria, and Penang's first dedicated Performing Arts Center are among over 100 retail businesses, including restaurants, bistros, and boutique shops. Students can experience peace of mind during their tertiary education journey by being away from the city's bustling neighbourhoods. When the lovely marina sea view is combined with the sun's warm rays, everyone may go for a walk, exercise, or relax with family and friends at any time of the day.

PKT provides a robust integrated facility where promising talents can be upskilled. *"MNC personnel is looking for a decent working environment and culture, as well as greater job prospects,"* according to DMT. *"We are already hiring MNC talent,"* he continued. *"They can help teach and groom our local workers to their standards if more of them are working with us."*

## 4.3 Environmental Conservation

Environmental conservation refers to protecting, preserving, managing, or restoring natural environments and their ecological populations. Conservation is described as managing natural resources for current public benefit and long-term social and economic viability. In other words, environmental conservation is the entire process of ensuring that the

environment's quality does not decline and that the environment that has deteriorated in any way is restored to its previous better state. Everyone should preserve our environment because a better environment benefits us all.

Everyone has an obligation to perform social responsibility to preserve a balance between the economy and the ecosystems. Maintaining the balance between the two is part of social duty. It applies to everyone who impacts the environment, not just businesses. CSR is a voluntary concept where companies incorporate social and environmental issues into their operations and stakeholder interactions. It is to discuss the environmental impact of an organisation's actions. An organisation's environmental responsibility is the obligation to act in a manner that safeguards the environment. PKT has introduced environmental conservation at the workplace due to this fact. The following are some of the initiatives:

- PKT has collaborated with Lembaga Perindustrian Nenas Malaysia to plant pineapples at The Sea of Pineapples to demonstrate pineapple plantation in a business context. The 1.5-kilometre stretch of landscaping along the property known as the Sea of Pineapples features various pineapple types. It keeps the climate cool along the KESAS Highway while providing educational and recreational opportunities for visitors and staff.
- The Nature Walk, located at One Auto Hub in Batu Kawan, is Malaysia's most extended Japanese garden. One hundred eighteen white and pink Tecoma trees (*Tabebuia Rosea*) have been planted along the 12 Waves to create a cherry blossom-filled atmosphere. Visitors would stop their automobiles from taking photographs of the fallen wilted flowers, which turn the pavements into a beautiful and colourful carpet.
- The Lighthouse at One Logistics Hub in Shah Alam includes a rainwater harvesting system certified by the Green Building Index (GBI Gold). The rainwater that falls on the building will be collected and used to wash and water the plants surrounding our facility.
- To turn sunlight directly into electricity, a solar photovoltaic (PV) system has been built on the roofs of our car parks and buildings. This method enables us to convert solar energy into helpful something regularly.
- Natural ventilation is provided in the warehouses by employing many aluminium louvres installed throughout the space. The louvre lets in indirect light while allowing natural air to flow freely around the warehouse. Translucent sheets were strategically put on warehouse walls to capture natural light to brighten the warehouses and reduce the need for artificial lighting. The warehouse's internal temperature is always substantially cooler than the outside temperature during the day, thanks to the excellent heat insulation thermofoil put beneath the roof. Timers are also used in warehouses to turn lights on and off at certain times to save wastage.

## **A Way Ahead**

Due to DMT's business philosophy and leadership, PKT has become a global and socially responsible logistics organization. DMT built PKT's organizational structure and business model based on the values that drive the business to deal with international partners, bringing continuous internal and external success. To be a more dependable and reliable business partner for global firms, the PKT needs to take a closer look into the PKT culture to adjust it to the changing needs of the global partners. It will help PKT gain a competitive advantage in logistics and establish itself as a reliable business partner worldwide for other organisations.

DMT knew that the PKT is having difficult times as market competition is becoming intensive. DMT must consider continuing with the current 5H-based culture or considering other options to become a global firm. How to improve internationalization and builds global talent to overcome various hurdles to compete in the market, including know-how, obtaining new technology, modern infrastructure, and, most significantly, advancing up the value chain, despite the several challenges.