

A Study of the Personal Training Program of 3PL Companies in Japan

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Abstract

One of the most important capabilities for a third party logistics (3PL) company is to be able to make and present effective proposals for a customer. In order to make such a proposal for the optimization of a customer's logistics system, it is necessary for the Japanese logistician to receive a systematic education. Considering the importance of a balance of theory and practice in logistics, it seems natural to conclude that a practical training program is an effective way to strengthen proposal capability. This study focuses on what kind of training program will effectively strengthen a 3PL company's capability to design a proposal.

Key Words: third party logistics (3PL), practical training, proposal capability, human resources development

1. Introduction

There has been a great discussion about the level of Japanese third party logistics (3PL) companies. Some studies have claimed that many Japanese 3PL companies have failed to reach their customer's total optimization level. Because many Japanese manufacturing companies are making decisions about logistics by themselves or their subsidiaries (SONY and Panasonic have their own logistics companies), Japanese physical distribution companies have taken charge of single functions, such as transportation and storage.

Eight capabilities are important for a logistician. These eight capabilities — Leader, Business person who knows the “business of the business, Internal champion, Problem solver, Risk taker, External ambassador, Relationship manager, Mentor — required for a logistician of 2020 were shown in SOLE 2011. (Materna, 2011) Furthermore, it can be said that the proposal capability to a customer is also one of the most important capability for a 3PL company.

“Although a logistics specialty program exists in the United States from the university level to the graduate school level, neither a faculty or professional program named Logistics nor the name of SCM are found in Japan.” (Miki, 2003) In a Japanese university, Logistics is still only one of the subjects of a management engineering course, or part of the school of business administration, or the department of commercial science. Therefore after graduating from university, it is necessary for the Japanese logistician to receive a systematic education. The Japan Institute of Logistics Systems (JILS) develops and promotes a lot of training curriculum for logistics. The problem seems to lie in the fact that Japanese 3PL companies remain at Step 1, the operational level, in spite of having taken these curriculums. It is indispensable to discuss how to improve proposal capability. The present study discusses effective

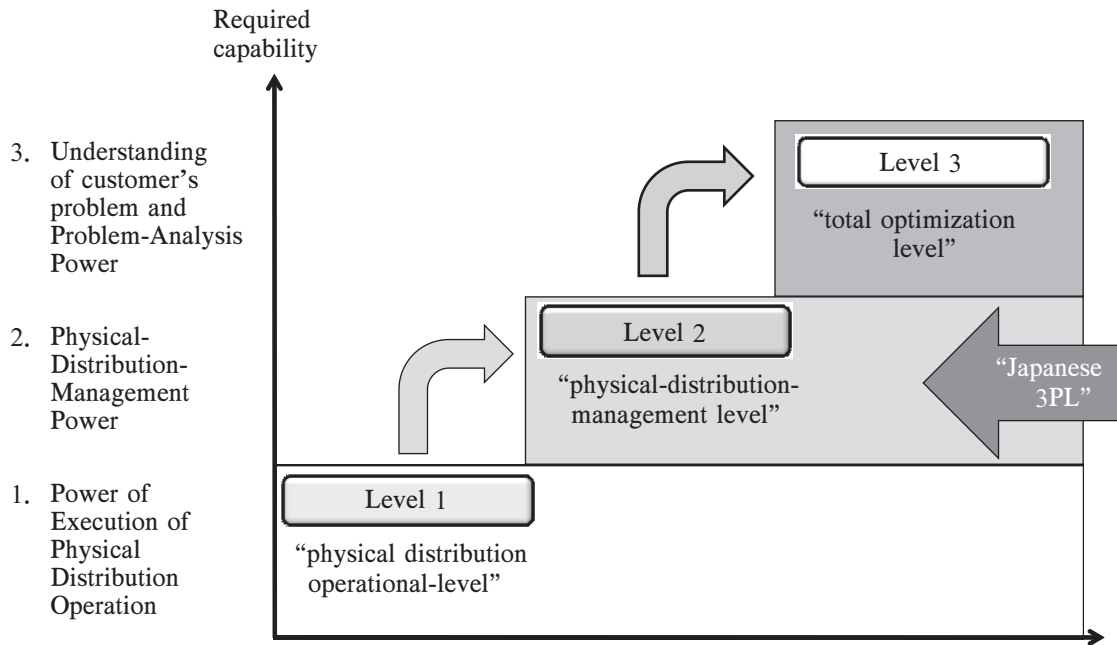


Figure 1 The development stage of 3PL

Sources: Japan Logistics Institute (2008)

training programs for 3PL companies. The study puts its focus on what kind of training program is effective in order to strengthen a company's proposal capability.

2. Research and Analysis

2.1 Set Training of 3PL Company

The Ministry of Land, Infrastructure and Transport (MLIT) has been promoting 3PL to increase efficiency of logistics in Japan. MLIT is promoting the distribution efficiency improvement by the spread of 3PL as a new physical distribution service. MLIT also supports 3PL companies by giving preferential taxation to the human resources development, the formulation of guidelines, maintaining the law, and for delivery center facilities.

The ministry is promoting new 3PL logistics services spreading distribution efficiency (CO₂ emissions reduction) to respond to global warming, by promoting human resource development projects for 3PL implementation, and in the development of guidelines, more efficient distribution methods and other special tax assistance for logistics facilities. One example of this promotion is planning and executing set training for 3PL companies. A 3PL Human Resources Development Promotion Conference that created the MILT, logistics specialists, and each logistics company group was established to promote the talent admitted effective to advance to 3PL in the 2004 fiscal year. The conference has promoted 3PL human resources development and the development of the text for an educational program for 3PL human resources development training.

According to "Results of an investigation about 3PL enterprise of MLIT of Japan (2009)", 70% of logistics company are carrying out this kind of training. Figure 2 shows the ratio of external (58.5%), external+in-house (28%), and in-house only (13.6%).

The reasons for the number of companies carrying out in-house training can be given as a desire to carry out training suitable for its company, and because of the know-how of 3PL

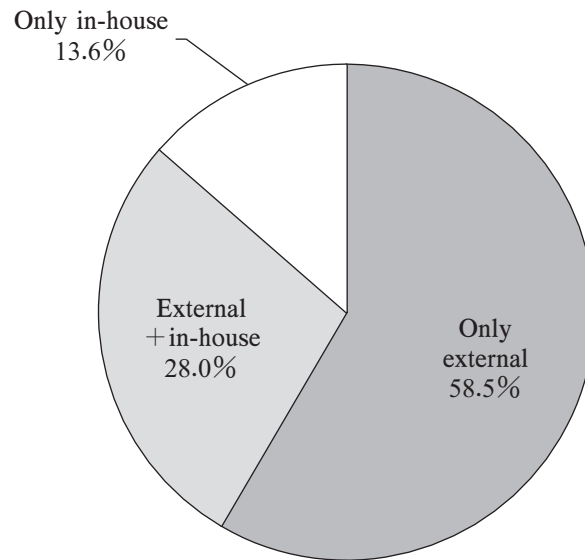


Figure 2 Ratio of using external training and internal training

enterprise accumulated at these companies.

Figure 3 shows that companies which are carrying out personnel training of 3PL has increased in recent years to 39%.

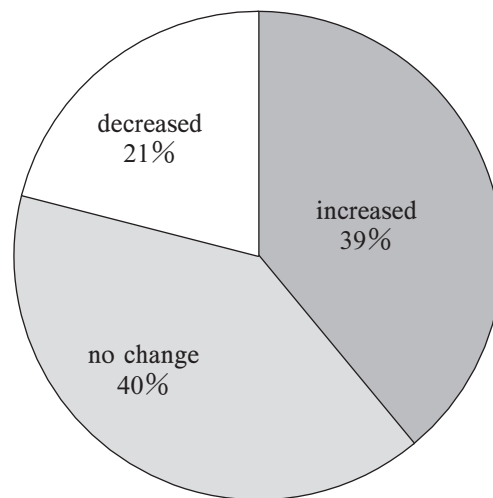


Figure 3 Tendency of 3PL training in recent years

These figures indicate that 3PL training has become more important for the logistics companies.

2.2 Practical Training at 3PL Company

The Japan Logistics Institute (JLI) provides some 3PL companies with in-house training programs and has received high evaluations. The first feature of this program is actually aiming at the acquisition of a contract for 3PL with the customer. Figure 4 gives an outline of the practical training of 3PL company. The features of the program are

- to raise the participant's consciousness by not only lectures but also practical exercises.
- to give the consultant the opportunity to advise on subjects specific to a target custom-

- er, or propose document creation.
- to select a “target customer of proposal sales” for each group from this section.
- to acquire a customer’s contract.
- to check the progress of proposal sales reported by the participants.

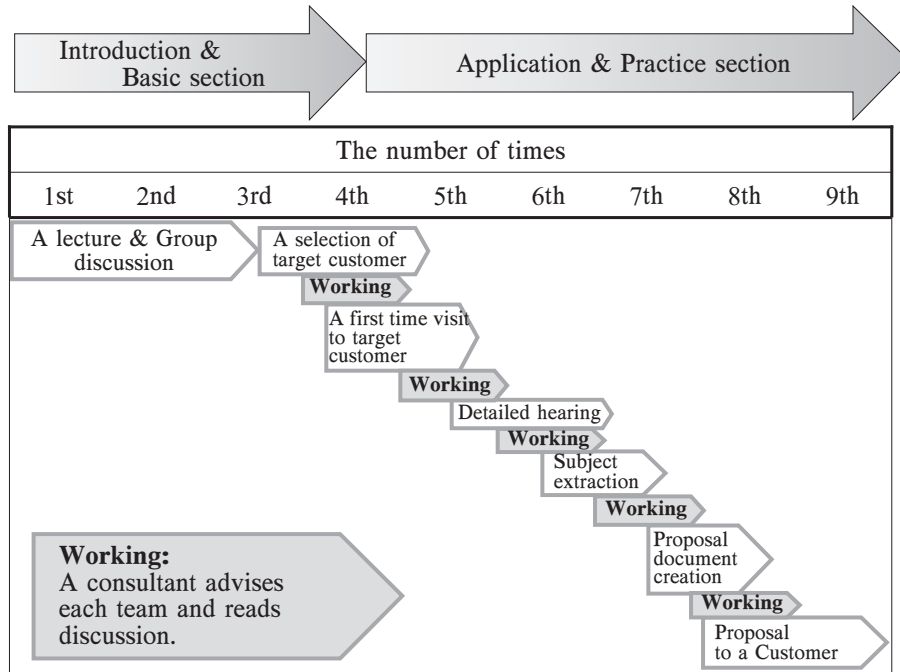


Figure 4 An outline of the practical training for a 3PL company

The program consists of three sections: introduction, basic knowledge, and application and practice, over nine days. After the 4th day of the training, there are working hours with the consultant for the acquisition of a contract. In group work, consultants advise each team and facilitate discussion, so the participant has to obtain a contract by actually using the mastered method. The contents of the curriculum are as follows.

Figure 6 is an example of a progress management table.

This figure expresses time on a horizontal axis, and the steps to a contract on the vertical axis. The difference between the plan, shown with a solid line, and the track record shown with a dotted line, is clearly shown; therefore the distance to a 3PL contract is visualized and the basic instruction of the consultant in charge of training and the steps to realize the training are reached one by one.

Table 1 shows results of the training. For example, company A has 7 teams, and the total number of companies trying to approach were 28. It’s difficult to make proposal of solution to all 28 companies, so they did to only 9 companies. Moreover the contract was gained only 2 companies. Finally it should be noted that the percentage of teams gaining contracts is 30% (Table 1).

Additionally, figure 7 shows that 95% of participants are satisfied with the training.

3. Discussion

What kind of training program contributes to the development of a Japanese 3PL company? The points which are important to estimate set training and master the knowledge

Table 1 Results of the training

Company	The number of teams	The number of companies					The ratio of teams gained the contract
		Approach	Information gathering	Investigation and analysis	Proposal of solution	The contract was gained	
A	7	28	18	11	9	2	29%
B	6	24	3	5	5	2	33%
C	7	28	16	1	8	2	29%
D	6	22	13	7	7	1	17%
E	4	31	21	12	9	2	50%
Sum total	30	133	81	46	38	9	30%

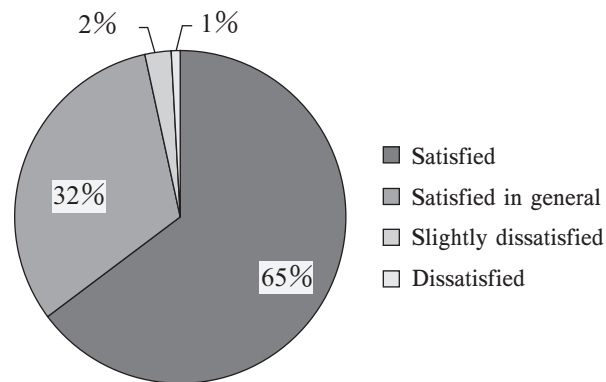


Figure 7 Evaluation by training participants

leading to performing an exact physical distribution operation and serving as a fundamental specialist in logistics are taken up in Chapter 2.1. However, in order to aim at Step 3 (a customer’s optimization) which is a true 3PL from Step 2 (physical-distribution-management level), the acquisition of general knowledge is not enough. In order to further reform the level of the customer, a custom-made training program designed according to the target industry and the scope of service peculiar to a logistics company is required.

According to Chapter 2.2, a practical training program obtains a constant result. Therefore the key factors for success are examined. First of all, it is necessary to acquire knowledge about the present condition of the industry of the target company and their technology, including IE (industrial engineering) in order to clarify the training needed correctly. No company offers to receive consultation from a person who does not understand the technical terms of the industry of its company. Moreover, in order to clarify the subject, a recognition of the present actual condition of the company is indispensable. The second factor to be considered is the place that is given to the participant to practice the mastered knowledge and technology. It is important for an actual customer to analyze and to discuss the step of a proposal. The third factor is the position of the program, that it is not only mere training, but also a part of business. For example, if a participant gains a contract from the customer while he is in the program, the participant’s personnel evaluation is raised and the company gains business.

In analyzing the result, I found that 30% of teams in the practical training program of JLI gained contracts during the training period of about six months among the five-company training participants of 30 teams as shown in Table 1. Thirty-eight customers received a proposal during the application of the investigation and analytical skills experienced by the lecture and all teams proposed a solution to the customer. Therefore, although it is a restric-

tive sample, it can be said that a practical training program is effective in strengthening proposal-sales power.

4. Conclusion

Considering the importance of a balance of theory and practice in logistics, it seems natural to conclude that a practical training program is an effective way to strengthen proposal capability. Therefore, it is important not to limit training to the acquisition of theory in a classroom, but to prepare an opportunity to apply the theory practically.

A further study of how a practical training program for logisticians is improved should be conducted. To do this it is necessary to confirm the validity of this conclusion by applying the training program to other companies. Secondly, analyzing the attributes of the contract customer for every characteristic of a logistics company would be of value to develop a more effective training program. In future research, we will take these themes into account.

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