

DISTINGUISHED PROBLEMS OF LOGISTICS

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There is one main problem. There is difficult to measure logistics success and there is difficult to show contribution of logistics to the company and the value-added created by means of logistics. We have to take into a consideration many different data, sources and measures. But logistics effectiveness is more than only costs and cost reduction.

Logistics interacts with practically every department in a company. Some activities are infrequent. Some are daily. With this broad scope of interaction is connected the organisation chart. The emphasis may be on supply chain management activities or on reengineering. These are flat organisation concepts. They require integration and teamwork, which are the opposites to what the traditional organisation chart, and its functional definition of tasks and responsibilities, dictates.

Only one way we can go is to start to correct the situation. We have to remember that perception can be stronger than reality. We must define who we are and what we do. Logistics is not shipping. It's not warehousing. It is much more. It is a process that stretches from your vendors through to your customers. If our company does not think in terms of logistics, then we must think in the same terms, as does the company. We have to look at our impact and think in the same terms, as does the company. We have to look at our impact and contribution to customers. We have to look at ways to help to grow sales and increase customer satisfaction. Our customers may not know logistics. But they may know supply chain management or continuous replenishment.

Logistics in many companies is not really understood. It can be viewed in wrong or narrow terms. To change the perspective, we must define what logistics is and does. Then define it in terms consistent with how the company talks. It is not an easy task. But it can be beneficial, especially when outsourcing is an option to the company.

Logistics must help to work effectively. This is required by our customers and, in turn, by our company. For effective logistics, there are several key issues: movement of product, movement of information, time, service, costs and integration.

Transport of products is often the way that logistics is viewed in many companies. But there is more. Moves of products should complement the company strategy. If the emphasis is on cost reduction, lower inventories, customer service or whatever, then products must move in a way that is consistent with the emphasis. Product must also flow, not just move. If it does not flow, then there is not a supply pipeline. Instead there are imbalances in inventories with components and finished goods not being where they should be. The movement may be extremely broad in geographical scope. Raw materials and completed units can move between and among all regions of the world. While other departments in the company may focus on select geographical regions for sourcing, manufacturing or sales, logistics must deal with all of these.

Transfer of Information. It is not enough to move product and materials. We must know where they are. We must know what orders are coming in and when they must be delivered. Information (timely and accurate) is vital for sound decision-making. The information must flow between the company and its suppliers, carriers, forwarders, warehouses and customers. It must also move internally among purchasing, customer service, logistics, manufacturing, sales, marketing and accounting. Investment in information technology is not an alternative anymore; it is a requirement for logistics and company effectiveness.

The view of Time. Ability to respond to the dynamics of the global marketplace must be quick. Raw materials and components must be ordered and arrive completely, accurately and quickly. Orders must be filled completely, accurately and quickly. It is no longer months or weeks for lead times. Hours may decide customer service, competitiveness and value-added. Back orders are not tolerated. If company cannot properly respond customers will look for those who can.

Service is more than having to expedite a shipment. Service is a factor of competition, customer requirements, the company's position in the industry, the company culture. Logistics is the link among all this. And the more diverse the geographical scope of vendors, manufacturing, warehouses and customers, the more critical is time. Distance means time. Time delays are not acceptable now. Movement of product and movement of information show their impact here.

Cost is the key measure by which logistics effectiveness is often measured. The highest price does not mean the best service, and it may not be the service we need. Nor does the lowest price necessarily meet our needs. There is no doubt about how important costs are. But the company must be careful. Minimising the cost of the various logistics elements, such as freight and warehousing can suboptimize the effectiveness of the logistics group and of the company in satisfying its customers. Cost has a relation to service. As we define our service against our costs or costs against service, the give and take develops into our operating costs and budgets. Then we have to make sure that the cost can be managed. Otherwise costs can go out of control, or seem to. In addition there may be other issues such as currency conversion and fluctuations. Currency conversion and dynamics can create unfavourable or favourable cost variances, which have nothing to do with logistics performance.

Integration. Logistics is a process. Effectiveness requires that each relevant element of the organisation do its part. However there is a problem with doing this. The organisation chart. The traditional organisation with its boxes and defined responsibilities is a collection of functional silos. This creates an anti-process effect. In addition to internal integration, we must bring together and work with the external partners. Our vendors, including our carriers and warehouses, must understand what we are doing and why. We must share our logistics vision and plan with them. This sharing and understanding will better enable them to co-operate with and assist us. They may be able to offer ideas and gain sharing to further improve the logistics effectiveness and the key issues with it. Integration with our customers is important. Everyone in a company must be working and satisfy customers. Meeting with key customers is very good. This shows how much we value him and want to work with him. This is a competitive advantage. Partnerships and alliances can be developed or enhanced.

Company management may focus on different aspects and elements of life cycle time. It's very possible they do not understand the total process. They may look at how long it takes to enter an order, or the warehouse time to pick and ship and order, the life cycle time from order receipt to ship an order, manufacturing life cycle time, time to prepare purchase orders or other measures of time. These are each elements of the total cycle time; they are not the entire process. Without an understanding of the entire life cycle and its elements, companies can optimise one element and yet suboptimize the overall system. With logistics, the life cycle time is significant and can be complex. Very often company management does not understand the process and what all is involved to get materials into the manufacturing facility, or finished goods into a warehouse and to deliver orders, all within the time constraints to meet the customer's requirements.

The external issues are obvious and get the attention, especially if something goes wrong. External issues involve the carrier who brings material from the vendor to the plant, who moves it from the plant to a distribution centre or who takes it to the customer. There are mode choices to be dealt with. External can also involve an outside warehouse.

Time is one of the critical issues in logistics. There are external and internal factors, which must be recognised if time is to be reduced effectively. Management must understand the process and the co-operation and integration required. Their customers will not accept excuses, mistakes and failure.

Whether you are a manufacturer, wholesaler, retailer or other form of business, you must have an accurate picture of your inventory. This picture should be computerised. Inventory represents capital tied up, capital, which can be used for other purposes. And inventory, along with freight, is one of those problems areas which can either be a problem or a symptom of a problem.

With the increasing emphasis and interest in supply chain management, continuous replenishment and just in-time programs, good inventory information is mandatory, not optional, for success in today's markets. Inventory control should be integrated into all company programs, customer service, sales, manufacturing, purchasing and logistics.

Transportation is a basic element of the logistics process and the supply chain, which runs from vendors through to you to your customers. It involves the movement of product, service/speed and costs, which are the key issues of effective logistics. It also impacts with the other two logistics, movement of information and integration within and among suppliers, customers and carriers.

A transportation strategy, to be effective in supply chain management, is not playing one carrier off against another. It is not beating down rates. Rather it is a way to respond to the dynamics of our business, its customers, suppliers and operation. The strategy, regardless of whether you are involved with domestic or international, is much more and should recognise: customer requirements, mode selection, carrier relationships, measuring and flexibility.

The supply chain involves continuous and efficient movement of product from vendor to manufacturer to customer. Therefore the transportation program must reflect and meet the customers needs. The time and service aspects of transportation are vital.

We are in the early stage of the new logistics century. How it all comes together with supply chain management and with 3rd-parties is still formative. The growth and driving forces may be different from what we see now and perceive will happen. The third-party logistics market will explode in the former socialistic countries. Users and providers will not be able to keep up with it. There is precedence for this view. Look at what happened with manufacturing. Not long ago firms did most of their own manufacturing. Then they outsourced some components, tooling and other odd items and work. Then it exploded. Now look at it. Look at the amount of finished goods and other items we import from throughout the world. The same thing may happen with logistics. And logistics departments will not be able to stop it from happening and may not even be able to control it. There is a huge market opportunity for global contract logistics providers. I believe this future is much larger and important than what is happening now, which is mostly in domestic areas.

When we use the term "Global", we talk about imports, we talk about exports, we talk about movements and we talk about more. For example, time zones. People in the Far East, Europe and North America are all net working at the same time. There is too great a difference in the time zones. This means there must be firm understanding plans and strategies by each element. Or, there are cultural factors. Different cultures view and understand business topics differently. These understandings and their complexities can compound if the strategies and plans for doing business are not the result of collaborative effort with input by all groups. Plus the company is very decentralised. Different global areas have to meet their own needs, yet must work together to share product and information to make it happen.

Logistics costs savings, less rework, and lower inventories, less hassle within the company and with the suppliers. Better sales responsiveness and more sales. This did not cover every aspect with global logistics, but hopefully it gave you some understanding, especially as to the six key issues of logistics. There is movement of product, movement of information, time, service is important, as is cost, and there is integration. WorldWide Web/Internet.

Resume

Logistika nabývá pro podniky stále větší význam. Jednotlivá řešení se orientují různými směry a to jak na národní, tak i mezinárodní úrovni. Jedná se o oblasti obchodu, účetnictví, řízení, nákupu, zákazníků, přepravníků a pod. Nejvýraznější problémy bývají v oblasti začlenění logistiky, řízení nákladů a maximalizace rozsahu služeb. Většina výkonných pracovníků podniků však ve skutečnosti ani neví, co logistika vlastně obnáší.

Logistika je proces, který spojuje a ovlivňuje celý podnik ale i podnik s externími podniky, zákazníky, dodavateli, přepravci a pod. Logistika je odpovědná za tok výrobků od dodavatele až po naši dodávku zákazníkovi, včetně pohybu ve výrobě, skladech, třetích stran, které zajišťují např. balení, distribuci a pod. Není to pouze odeslání a přijímání zboží. Není to pouze doprava nebo skladování. Je to ve skutečnosti mnohem více.

Logistiku musíme chápat jako proces. Zahrnuje širokou škálu jednotlivých činností počínaje u dodavatele a konče u zákazníka. Jedním z kritických faktorů podnikání je čas. Postupně s vývojem nových technologií narůstají požadavky, aby byly výrobky dodány na trh včas. Zákazníci již nechtějí skladovat více zboží než je nezbytné. Proto musí být dodavatelé schopni velmi rychle reagovat na jejich objednávky. Tento požadavek rychlé odezvy dodávky na objednávku provází celý dodávkový řetězec.

Logistics is the most difficult responsibility in a company. It is constantly being pushed and pulled from many directions, both internal and external. Sales, Accounting, Operations, Purchasing, Customers, Vendors, Carriers. Making the challenge even greater is the conflict in Logistics responsibilities, control costs and maximise service. Many company executives do not understand what logistics is or what it really does.

Logistics is a process that interfaces and interacts with the entire company and with external companies, vendors, customers, carriers and more. Logistics is responsible for the movement of products from your vendors right through to the delivery at your customer's door, including moves through manufacturing facilities, warehouses, third-parties, such as repackagers or distributors. It is not shipping and receiving, nor is it traffic or warehousing. It is far more.

Logistics is a process. It encompasses a broad scope of responsibilities, extending from the vendor through to the customer. One of the critical issues in business is time. With quickening obsolescence and technology advancement, new products must be brought to market quickly. Customers do not want to carry any more inventory than they must. So their suppliers must be able to respond quickly to delivery orders to them. This demand for time reduction exists throughout each link of the supply chain.

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