

COMPLEX LOGISTICS STRATEGY FOR INDUSTRIAL COMPANIES IN SLOVAKIA

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ABSTRACT

Presented paper is a part of the dissertation thesis titled as “A proposal to develop Complex Logistics Strategy for industrial companies. The result of the thesis will be a methodology for developing a Complex Logistics Strategy for industrial companies in Slovakia. The main aim of the paper is to present some trends and strategies in Logistics and clarify the need of resolving the issue of Logistics Strategy based on the theoretical knowledge, case studies and analysis of current state of Logistics Strategies in industrial companies in Slovakia and other European countries.

KEY WORDS

Logistics Strategy, Industrial companies, Slovakia

INTRODUCTION

Logistics Strategy Planning is a complex process that requires an understanding of how the different elements and activities of Logistics interact in terms of trade-offs and the total cost to the company (1). Traditionally, the formulation of Logistics Strategies is done by human experts. Well developed Logistics Strategy can greatly help companies to eliminate time in introducing new principles and thus ensure greater competitiveness. The basis of accomplishment is not only implementation of world news and trends, but also qualified processing and application of already well-known principles and best practices. Correct Logistics Strategy also enables companies to succeed while minimizing current assets usage and maintaining high customer satisfaction level simultaneously (2).

In Slovakia, Logistics is used in many areas, but not complexly. This means that the logistics departments focusing on respectively provide only one type of activity. However, if the companies understand Logistics as complex and individual activities link to each other, companies would be able to achieve considerable financial and time savings. Because focusing on just one or two areas can cause loss in another area. Companies have to realize that, in terms of achieving economic savings, Logistics must be understood as complex activities which are interlinked, interdependent and allow smooth flow from the purchase of raw materials and semi-finished products to sales of finished products as economically as possible, at the lowest cost.

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For the purposes of authoring dissertation the definition of Complex Logistics Strategy (abbrev CLS) was proposed. CLS means "*the way, tool, method aimed to meet customer requirements, supported by a set of strategic decisions involving all relevant areas of Logistics, with an objective to achieve sustainable earning*".

METHODS

All needed and important information has been gained by studying Slovak and foreign literature, case studies and pilot survey. The short questionnaire was formulated for this purpose. The questionnaire consists of the following questions:

1. Company size by number of employees (micro companies were excluded)
 - a) Small-sized companies (10 – 49 employees).
 - b) Medium-sized companies (50 – 249 employees).
 - c) Large-sized companies (more than 250 employees).
2. Do you have methodology for developing a Logistics Strategy? (If you answered B) or C), please follow by the next question):
 - a) Yes, we do.
 - b) No, we do not.
 - c) We plan to elaborate the methodology.
3. Do you develop your Logistics Strategy separately or as a part of Business Strategy?
 - a) Separately.
 - b) As a part of Business Strategy.

TRENDS AND STRATEGIES IN AREA OF LOGISTICS IN SLOVAKIA AND EUROPE

Based on the Slovak and foreign literature research, the trends in Logistics Strategy on which Slovak industrial companies should also focus were determined. These trends can include the followings areas (3):

1. The change in Logistics **status** within the companies. The importance of Logistics is steadily growing and Logistics is becoming one of the main tools of competitive advantage. However, based on the study carried out at universities in Berlin and Darmstadt results that only less than a third of large-sized companies have a separate logistics department or division responsible for the Logistics Management and Logistics Strategy development. Responsibility for the Logistics Strategy formation and development thus still remains at top management, eventually at level below management. Therefore, it is possible to say that many companies are still in the process of defining the scope of specific responsibilities for logistics functions (3, 4).
2. The change of Logistics objectives order. Increasing the level of customer service receives the higher priority compared to decreasing the costs. In the Logistics Strategy development is still important to consider two conflicting requirements as *ability to flexibly and fully meet the customer's requirements*, which is associated with inventories and costs increasing and simultaneously *minimizing inventory*. This fact was confirmed by a survey conducted by PwC (Pricewaterhouse Coopers) in 2013. Mainly CEOs of large-sized companies were interviewed. They indicated that increasing the level of customer service is one of the main Strategic Logistical objectives and is in top-three areas in which CEOs had invested in last year (5).

3. The focus on the processes quality and the need “to do things differently”. This is closely linked to the change of Strategic Logistical objectives order. This fact is mainly confirmed by the experience from automotive industry, which shows that the efficiency and quality of logistics processes are more important than cost savings [6]. Logistics Strategies thus change their orientation from the initial focus on costs savings through efforts to maximize the quality and elasticity of the logistics processes to the need to "do things differently" ie. by the individualized manner to customers.

RESULTS OF PILOT SURVEY FOCUSED ON LOGISTICS STRATEGY IN INDUSTRIAL COMPANIES IN SLOVAKIA

The mentioned pilot survey is not finished yet; therefore presented results are now just informative. The questionnaire was sent to 150 companies who were asked to complete the survey anonymously. The return on the questionnaire till today is 25% (38 companies). As you can see in Figure 1, 42% of companies are large-sized, 35% is medium-sized companies and 23% is small-sized companies.

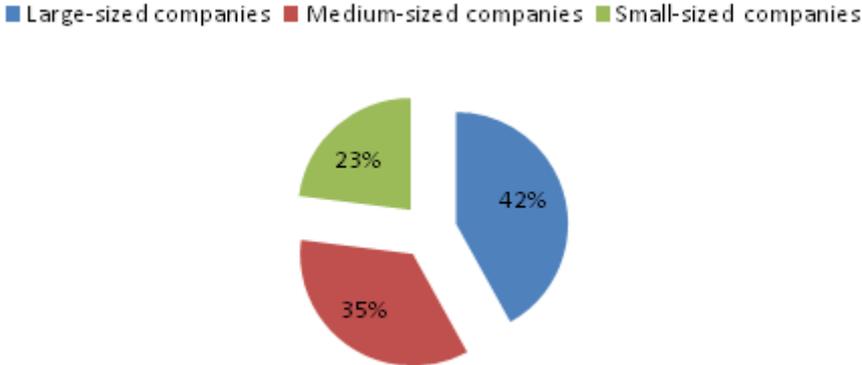


Fig. 1 Company size by number of employees

Figures 2, 3 and 4 below show how many Slovak companies (matter of the size) have the methodology for developing Logistics Strategy. Companies were separated by their size.

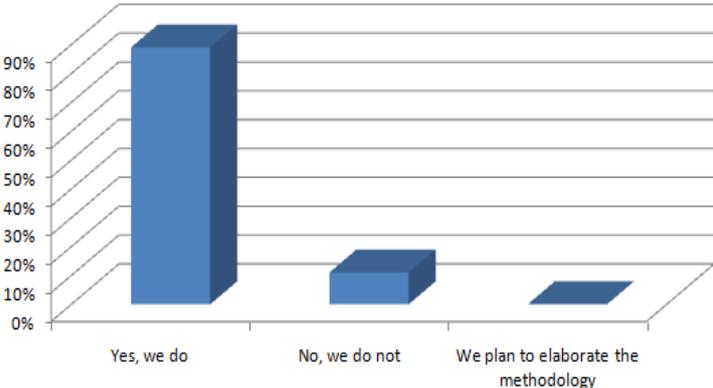


Fig. 2 Large-sized companies with methodology for developing Logistics strategy

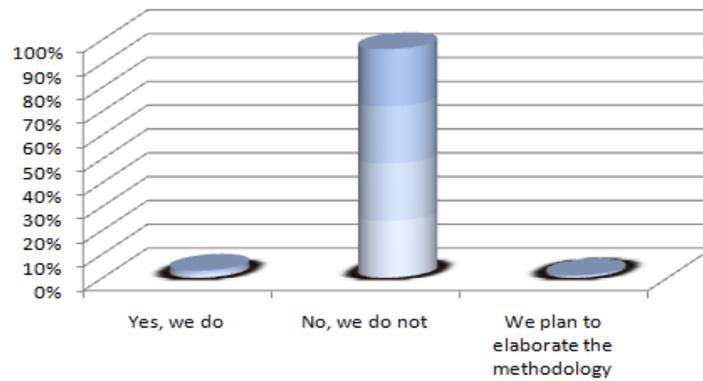


Fig. 3 Medium-sized companies with methodology for developing Logistics strategy

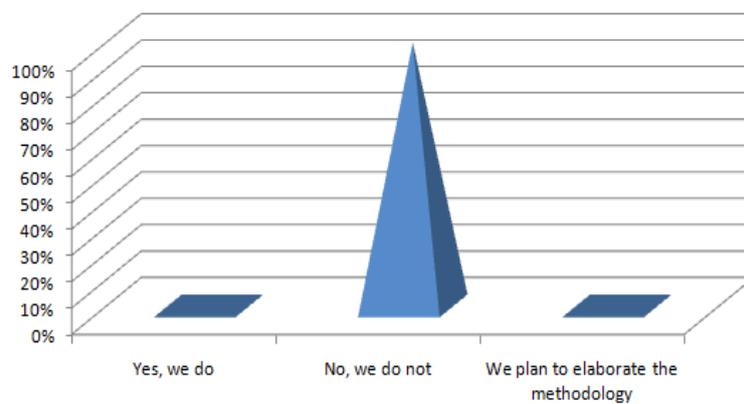


Fig.4 Small-sized companies with methodology for developing Logistics strategy

Most of the large-sized companies which responded to question number 2 said that they have a methodology for developing Logistics Strategy (89%). Only 4 (3%) of medium-sized companies have elaborated methodology for developing Logistics Strategy and 100 % of small-sized companies do not have it at all. One of the medium-sized company responded that they plan to develop methodology, but they have a lack of professional strategy logistics planners.

Third question was focused on companies which do not have or plan to elaborate methodology for developing Logistics Strategy (large-sized companies were excluded).

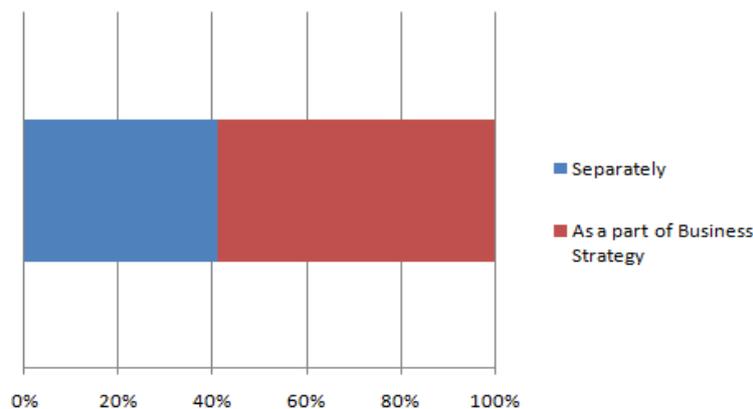


Fig. 5 Logistics strategy as a part of Business Strategy in medium-sized companies

The survey shows that all of the small-sized companies develop their Logistics Strategy as a part of their Business Strategy. In the case of medium-sized companies less than half (41%) develop Logistics Strategy as a separate strategy (Figure 5).

CONCLUSION

The main aim of this paper was to summarize trends in Logistics Strategies, clarify the need of developing Logistics Strategy as a complex strategy and compare results of the survey in Slovak companies. Based on the previous literature research in my dissertation thesis and pilot survey I would like to suggest a new and important role of CLS for industrial companies, which will help them to consolidate their position in a competitive environment. The methodology will be proposed for medium-sized companies; seeing that the large-sized companies already have elaborated methodology for developing Logistics strategy. However, the issue of CLS is not very well known among the strategy logistics planners, developing this strategy should be a big challenge for them. It is true that even experienced logistics planners spend a long time searching for relevant information and the correct techniques to formulate the most appropriate strategy. The methodology for developing a CLS which will be an outcome of my thesis could help even the less experienced strategy planners and will be understandable for everyone. The benefit will be the application of a CLS to a variety of medium-sized industrial companies.

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