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## ORGANIZATIONAL ATTITUDE TOWARDS INVESTMENT MANAGEMENT IN LOGISTICS

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***Abstract:** This paper shows the current state of investments and their management on the field of logistics. The paper's research is based on a survey that was made using a questionnaire, answers to which revealed some important information that we need to assess the actual state of investments in logistics. In our research we discuss the situation in terms of investments in logistics. We find that in this area we do not have any necessary frameworks, standards or tools to manage them effectively. Furthermore, it has become evident that we are faced with a lack of knowledge and awareness of their importance. The survey also shows that in the terms of investment in logistics there is much room for further development, innovation and change of existing practices. There were some work restrictions during the research as in the volume of work (more time, more people working on the survey and more countries would bring even more confident results), resource, time and finance limitations, the necessary input to achieve completed questionnaires from companies, the lack of understanding investments in logistics and the lack of knowledge. As we show, some companies are rather ignorant to business novelties. The interviewees found it difficult to look at the completed approach to investments where the commercial value (and not technical solutions) is the central concept of an investment.*

**Keywords:** logistics, investments, governance, status report.

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### 1. INTRODUCTION

The main purpose of this article is to present the research of the state of investments in logistics based on a critical analysis. Also some proposals for potential improvements and upgrades of the current state will be presented.

Currently, there is no equivalent research from this area, as this specific area is not well-studied. At the same time we have not found any equivalent research into the state of the art of logistics investment management in the accessible literature. This work shows that it is possible and even necessary to raise investments in logistics to a higher level of management. Its idea is derived from previous research into logistics investments and their role in different aspects of business and its continuity. Research into the effects of investments in logistics as a means of increasing shareholder value can be found as early as 1999, when Walters [1] identified investment management in logistics companies as one of four essential elements of shareholder value planning. Similarly, Lambert and

Burduroglu [2] identified the importance of value creation through investments in the logistics functional area, especially in the view of ensuring that a firm receives adequate rewards for their investments, innovations and performance in logistics (for this, of course the value derived from investments and innovations must be properly measured). Some authors, for example Wagner [3], find that investments, especially those in infrastructure and capital goods, can help logistics companies generate innovative products or services and processes. Finally, the importance of investments in logistics as a building block of efficient logistics is well described by Christopher [4], who sees a continuous programme of improvement, innovation and investments into the logistics framework (consisting of quality, service, cost and time) as a prerequisite to gaining and maintaining logistics competitive advantage.

As a team of logistics researchers we are constantly interested about the position of logistics in organisations in our country and comparing that with other countries in Europe. This interest and comparison are important, because as educators of

the next employment seekers we need to be extensively informed about the role of logistics as much as possible. Besides that our main thought is that investments management in logistics could take logistics to a higher level, which is one of the major goals of this research and paper.

## 2. METHOD

Our survey was based on the method of interviewing with a questionnaire as the main tool of the research. In addition, an analytical approach was included with two most important procedures of analysis and synthesis. The objectives of this research were to present important information, explore the current state of investments in logistics in all of chosen companies in Slovenia and Croatia and to make a critical analysis which helped us to present proposals improvement.

The survey for analysing investment management in logistics covered 42 companies in 2 countries (Slovenia and Croatia), from many different industries, both large and small and also public and private organisations. Our surveyors had to take a balanced and holistic approach with the questionnaire as well as with the process of surveying itself. The questionnaire that we used to interview selected organisations was modelled according to Global Status Report on the Governance of Enterprise IT (GEIT) in 2011 [5].

Val IT was our basics, because according to the article [6], IT and logistics are similar in their position and relation to other processes in an organisation and especially in reference to the perception by the management. The assumption is that the survey from the field of IT can be transferred into logistics with minor modifications because of the significant correlations between both fields.

As we said, the questionnaire that we used in our approach was modelled according to GEIT. The questionnaire consists out of 40 questions on 15 pages, from more general to specific ones. As such, the questionnaire was divided into sections, in our case 3 of them. We were specifically interested in every company's placement (first 9 questions), understanding and knowledge of logistics (from 10th to 20th question), logistics management (with outsourcing, implementation of mechanisms and change of business), innovations and investment management in logistics (Val Log).

One of the presumptions of our research was that the position of logistics depends on characteristics of every organisation. With the first group of questions in our questionnaire (every company's placement)

we had information that we needed to acknowledge the position of logistics. We asked about the role and the working area of the respondent, the function in companies' administration, the sector, the number of employees, the number of employees with degrees in logistics, the income, the companies' structure and the business goals.

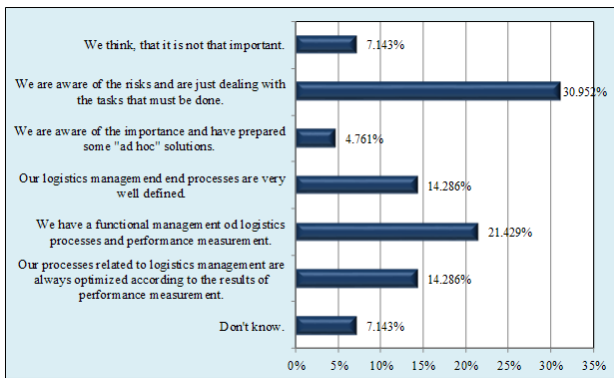
In the second part we focused on the meaning and knowledge of logistics within the company as well as on the organization of logistics, the model of logistics, the role of logistics, potential logistics manager, the impact of logistics on business, projects in logistics, logistics management etc. The data from this part will enable us to establish connections and legality which effect differently organized models of logistics and also investments in logistics.

The third part refers on implementation and management of logistics, outsourcing, implementation of mechanisms, business change, innovation in logistics, investments in logistics or the effectiveness of investment management (as set out in Val LOG – see [6]).

## 3. RESULTS

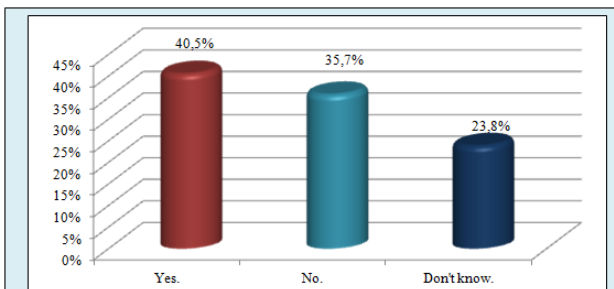
From 42 acquired questionnaires we mostly communicated with the leaders on the strategic level most directly related to logistics, this was the case in 61,7 % of organisations. Mostly, the direct respondents are responsible for logistics or they are a part of the companies' board. The companies are generally from the manufacturing sector (57,1 %), transport and retailing (19 %) and healthcare/pharmacy (7,1 %). 40,5 % of companies are listed among medium-sized enterprises, 35,7 % among large enterprises and 16,7 % among small businesses. Mostly they are privately owned (71,4 %), 21,4 % of them are in the public sector, and 7,4 % in mixed property. The two most important business objectives that companies selected are production efficiency/cost reduction (59,5 %) and service quality (66,7 %).

Below, some specific results of the survey, which we find most interesting and crucial to our research, are presented with charts and explanations.



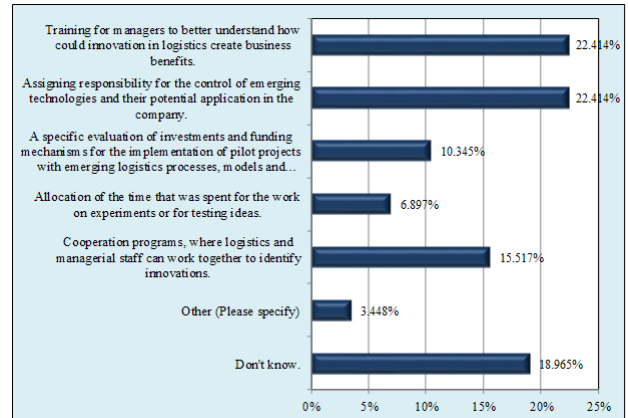
**Figure 1. Question: How would you evaluate the maturity of your business to manage investments in logistics?**

With this question, respondents were required to give only one answer. Almost one third of companies think that they are aware of their risks and are dealing with the tasks that must be done. With 21,429 %, the answer that they have functional management of logistics processes and performance management takes the second place. It attracts attention that 7,143 % of respondents thought that the maturity of business approaches to investment management is not important.



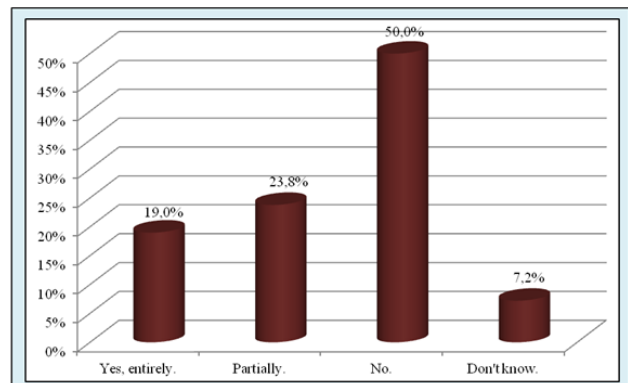
**Figure 2. Question: Are you planning or will you plan to implement any initiative to promote innovation in logistics?**

In contrary to the expectations, 40,5 % of companies are planning (or will plan) to implement some initiatives to promote innovations on the field of logistics.



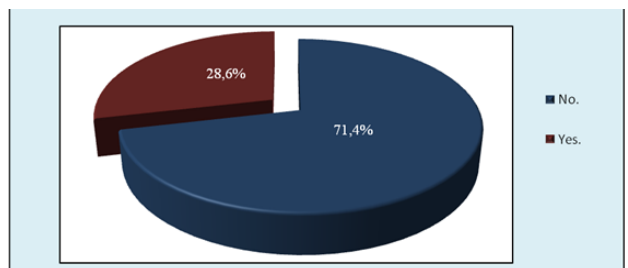
**Figure 3. Question 31: Please specify the mechanisms that have been introduced or you are planning to introduce them in 2012 for the promotion of innovation in logistics in your company.**

This question did not require that only one answer from the respondent. It seem like training for managers (for better understanding of innovation in logistics) and assigning responsibility for the control of emerging technologies are the main two mechanisms that have been (or plan to be) introduced for the promotion of innovations in logistics.



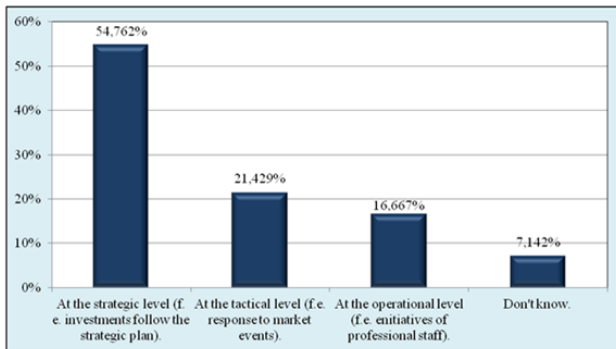
**Figure 4. Question: Do you have an evaluation metric of performance of investments in logistics?**

Half of the companies do not have any evaluation metric on performance of investments in logistics, in addition that 7,2 % of them do not know about this matter.



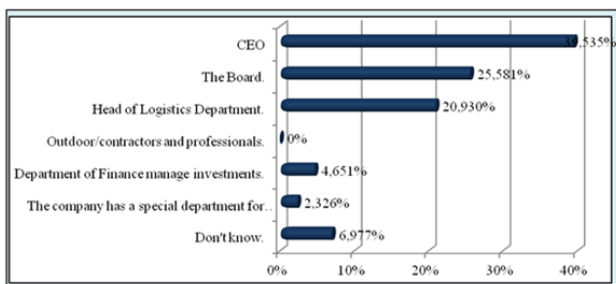
**Figure 5. Question: Have you ever encountered the concept of investment management performance in logistics (Val Log)?**

In contrary to the expectation it looks like Val Log is a distinct expression, 71,4 % of respondents are familiar with it.



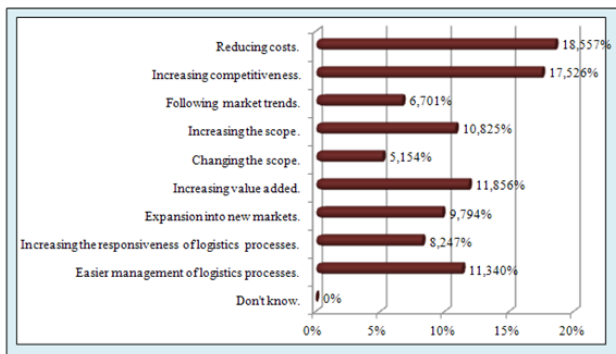
**Figure 6. Question: At what level does your company start to think about investing in logistics?**

Mostly, the strategic level is the one where plans and decisions about investment in logistics are made.



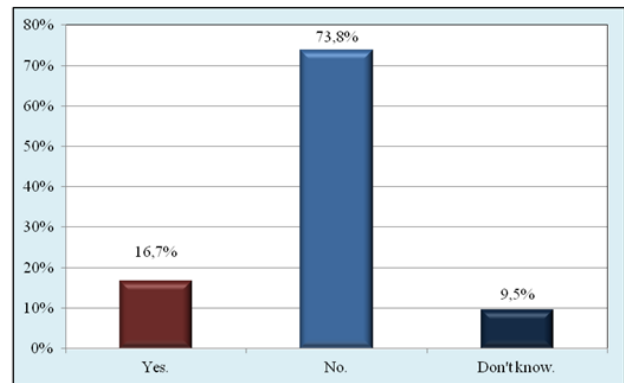
**Figure 7. Question: If your company decides to invest in logistics who is managing or controlling these investments?**

In accordance with this, CEO and the Board are mostly the ones who manage or control investments in logistics.



**Figure 8. Question: What do you think are the main reasons for investment in logistics?**

The most respondents are sure that reducing costs and increasing competitiveness are the two main reasons for investing in logistics (these two reasons were expected given the global crisis situation).



**Figure 8. Question: Does your company use any tools for managing investments in logistics?**

The fact that the question this question was mostly answered negatively shows that companies are not familiar with the tools that can be used for managing investments in logistics (therefore a lack of knowledge in this field is obvious).

#### 4. CONCLUSION

The survey and its analysis revealed a significant degree of accord on the contribution of logistics to business success, the challenges and opportunities connected to logistics, the impact of the economic crisis and views on logistics outsourcing and social networking. The survey findings lend themselves to a variety of conclusions and issues to consider. There are still significant opportunities for many enterprises to transition logistics role to a more proactive one. This can be done through the use of an appropriate organisation structure encompassing roles for managing business relationships and standardised process to effectively bridge the business demand with the logistics supply. Innovations in logistics offer ample opportunities for logistics to play a more pro-active role. The right governance enablers can ensure the transparency of logistics supply and demand and facilitate decision making about demand and its prioritisation on pursuit of value delivery to the enterprise.

The final conclusion is that the position of logistics depends on organisation's size, structure, the model and the role of logistics, the impact of logistics on business, logistics management etc. The survey also showed that the sector (public/private) of an organisation does not particularly influence its position of logistics.

We propose to extend this research in all dimensions. With its extension we could cover more Slovenian companies, and also extend the research to all neighbouring countries as well as increase the number of participating organizations. The survey

can be spread throughout Europe and maybe someday even globally.

This sort of survey can improve investment management and take logistics to a much higher level. In our country and in all the neighbouring states logistics is not as evolved as it could be. We think that the involvement of logistics has a large contribution to the well being of economy and nowadays, in the time of recession is this matter of great importance.

This study has put down a precedent in this area, as the deep insight into the implementation of logistics and its investments has never before been made.

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