

LOGISTICS POTENTIALS OF SUCCESS AS THE FACTORS AFFECTING FIRM PERFORMANCE

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Abstract

Firms are permanently looking for ways to achieve expected market and economic outcomes, which are the basis for superior performance as well as strong, long-term competitive advantage. The most important market outcomes are: (1) customer satisfaction, (2) customer loyalty, and (3) market share. In turn, the most important economic outcomes are: (1) profit, (2) profitability, and (3) return on investment (ROI). In achieving such performance and advantage the important role is assigned - among others - to the so-called logistics potentials of success. Logistics potentials of success are significant parts of the "general" firm potentials of success, which comprise: (1) resources, (2) capabilities and (3) competences. The aim of the article is to identify the premises and symptoms of logistics potentials of success influence on firm superior performance related to expected market and economic outcomes as well as to strong, long-term competitive advantage. In accordance to "general" firm potentials of success, logistics potentials of success comprise: (1) logistics resources, (2) logistics capabilities and (3) logistics competences. Such potentials can be perceived as factors influencing expected market and economic outcomes achievement by a firm, which are the most significant symptoms of firm success. The expected market and economic outcomes are then also the basis for firm superior performance as well as for strong, long-term competitive advantage creation.

Keywords: Logistics potentials of success, market outcomes, economic outcomes, firm performance, firm competitive advantage

1. INTRODUCTION

In the recent years one may notice an increasing significance of business logistics, perceived as an integrated concept of materials, goods and information flow management [1-6]. Logistics is more and more often perceived as the very important factor affecting firm success and firm performance (including effectiveness, efficiency and differentiation) [7], as well as the significant factor affecting firm competitive advantage creation [8,9].

The aim of the article is to identify the premises and symptoms of logistics potentials of success - including logistics resources, logistics capabilities and logistics competences - influence on firm superior performance. Such performance is strongly related to expected market and economic outcomes achieved by the firm as well as to strong, long-term firm competitive advantage creation.

2. THE NATURE AND SIGNIFICANCE OF THE LOGISTICS POTENTIALS OF SUCCESS

Firms constantly search for ways to achieve the superior performance as well as to create strong and long-term competitive advantage, which seems to be the central "point of interest" in contemporary business management. The basis of firm superior performance are expected market and economic outcomes achieved by a firm. Achieving such outcomes is also the basis for firm competitive advantage creation. Among the factors influencing firm performance as well as firm competitive advantage creation a very important role is assigned to the so-called „firm potentials of success”, which may be understood as factors or groups of factors affecting firm success. These potentials comprise: (1) resources, (2) capabilities and (3) competences, including core



competences and metacompetences. The very significant part of “general” firm potentials of success are “logistics potentials of success” which comprise, respectively: (1) logistics resources, (2) logistics capabilities and (3) logistics competences [4,8,9].

In recent years one may notice that the logistics concept is supposed to become more and more important in business management area. The growing logistics importance is closely related to the role and significance of the logistics concept in the context of business management as well as firm success and competitive advantage creation. It means that logistics, including logistics potentials of success (logistics resources, logistics capabilities and logistics competences) are supposed to become more and more “strategic issue” in contemporary business management [7,9]. The “roadmap” showing the way from firm logistics potentials of success to firm superior performance and its competitive advantage presents **Figure 1**.

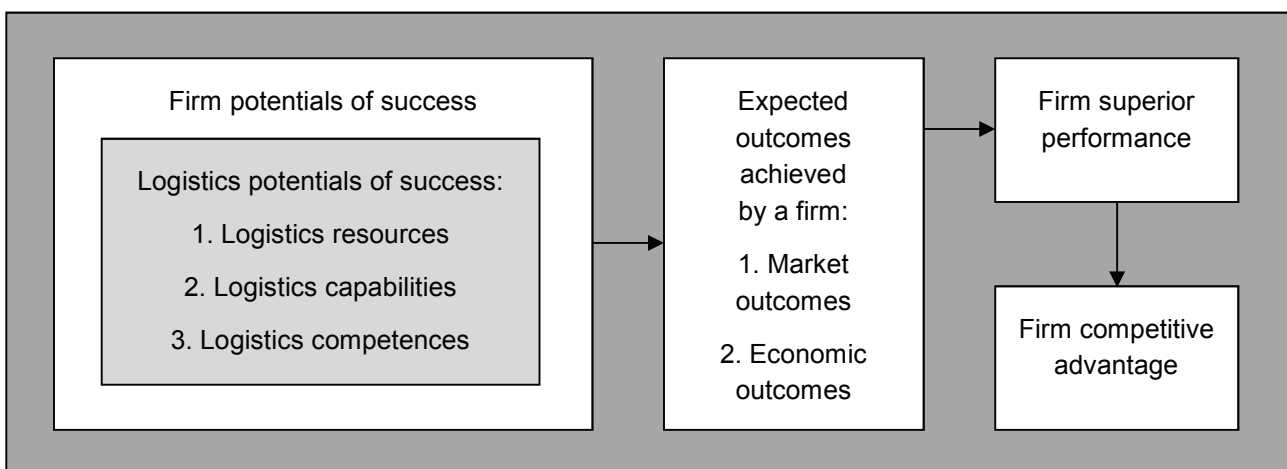


Figure 1 The “roadmap” from logistics potentials of success to firm superior performance and its competitive advantage

The logistics potentials of success may be perceived as a group of firm potentials of success concerning the whole business logistics area, which are factors affecting market and economic outcomes achievement by a firm. In particular, logistics potentials of success, including logistics resources, logistics capabilities and logistics competences are key factors of a firm success, leading to firm superior performance and long-term competitive advantage. Such logistics potentials: (1) require changes in business management system and processes determining expected outcomes achievement, (2) condition achieving and maintaining competitive advantage, as well as (3) stabilize and strengthen firm competitive position on the market.

3. EXPECTED MARKET AND ECONOMIC OUTCOMES AS THE BASIS FOR FIRM PERFORMANCE AND FIRM COMPETITIVE ADVANTAGE CREATION

Logistics potentials of success create circumstances and possibilities for firm success. The most important symptom of such success is when the firm reaches the expected market outcomes as well as the expected economic outcomes, which - both - are the basis for firm performance as well as for firm competitive advantage creation. According to Day’s and Wensley’s concept, within the expected market outcomes one may point out: (i) customer satisfaction, (ii) customer loyalty, and (iii) market share. In turn, within the expected economic outcomes one may point out: (i) profit, (ii) profitability, and (iii) ROI [10] (see **Figure 2**).

The term “performance” is a notion frequently used within business management area as well as within business logistics area, although it is not always consistently understood and interpreted. The symptom of the lack of consistency may be the interchangeable use of such notions as “performance”, “efficiency”, “effectiveness”, “productivity”, etc. Subsequently, there is a wide range of various views, depending on the



authors, concerning the nature of the basic performance dimensions, such as efficiency and effectiveness. In the evaluation of logistics influence on “general” business management performance, besides logistics effectiveness and logistics efficiency, during the recent years one may also notice such terms as logistics changeability, logistics adaptability and logistics differentiation. All these terms may be perceived as the key parts of logistics performance concept and understood as its dimensions determining the structure and level of overall market and economic outcomes [11].

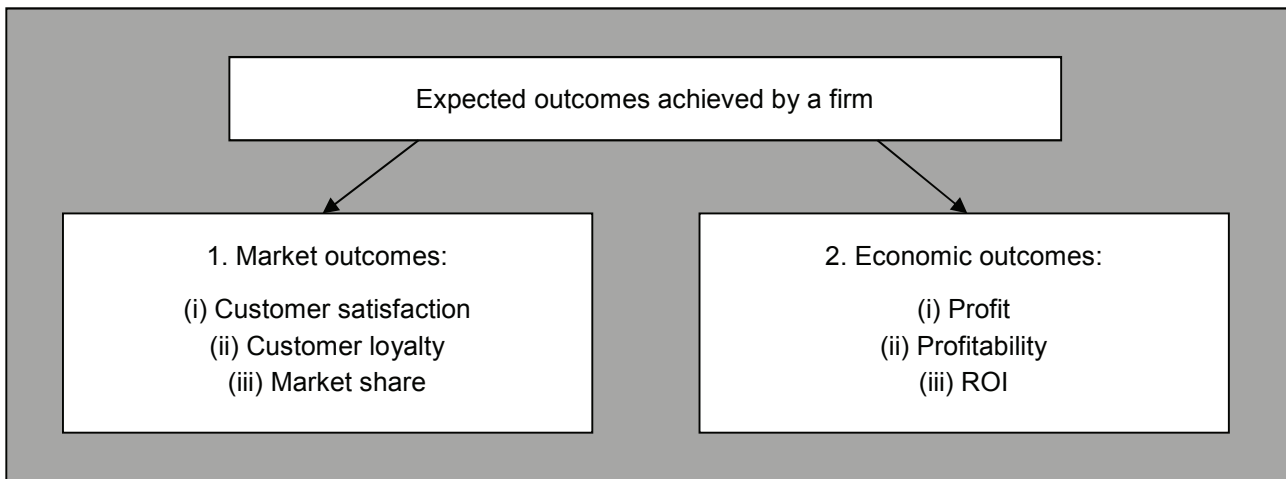


Figure 2 Market outcomes vs. Economic outcomes (Based on [10])

The level and growth of “general” business management performance significantly depend on the development and implementation of contemporary management concepts. One of the most significant concepts affecting firm superior performance as well as firm competitive advantage is the concept of business logistics, including logistics potentials of success. Business logistics concept may be perceived as a firm performance “orientation” as well as a crucial factor affecting firm performance growth. Within the logistics area, there are many factors affecting not only the growth of logistics performance, but also the growth of firm performance. The improvement of logistics performance level and mutual relations among its different components have a positive influence on firm performance, first of all including the achievement of expected market and economic outcomes by a firm.

4. THE PREMISES AND SYMPTOMS OF LOGISTICS SUCCESS POTENTIALS INFLUENCE ON FIRM PERFORMANCE

Logistics and particularly logistics potentials of success may be located among the “areas” which can significantly influence and shape the changes in business management system. Logistics potentials of success as “change determinants” (i.e. determinants of change, factors influencing change) in business management facilitate reaching the expected market and economic outcomes more efficiently and more effectively. The final result of such influence is firm superior performance as well as firm competitive advantage.

Significant valuation of strategic aspects of contemporary logistics is associated with the “departure” from the classical perception of logistics strategy as a functional strategy, often only complementing or at least - to a certain extent - supporting the entire firm strategy as well as the strategies of individual businesses, to formulating a comprehensive firm (corporate) strategy, taking into account the possibilities of using the logistics potentials of success. Within such perceived logistics strategy, the key importance is assigned to firm efforts leading to ensure the level of service expected by customers, timeliness and reliability of deliveries, completeness of deliveries, etc. Then, the logistics concept, based on active involvement of logistics potentials of success in achieving the set goals, can be an important determinant of creating and delivering the values

expected by customers, and - as a result - achieving firm success as well as creating a competitive advantage by the firm.

Logistics potentials of success, supporting the firms' aspirations to gain and maintain a lasting, long-term competitive advantage on the market, require both their "embedding" within the adequate logistics strategy, as well as the acceptance (selection) and implementation of the proper orientation of the firm, affecting the directions and ways of using these potentials. Strategic management of logistics potentials of firm success can be based on three basic orientations, which are the most important premises of the logistics potentials of success impact on the firm performance [12-15]:

- Process orientation.
- Market orientation.
- Supply chain orientation, also known as information orientation as well as market channels orientation.

Strategies related to process orientation enable the integrated solutions using in the area of management of logistics activities that are the components of individual processes within the firm and in its relations with market partners. In implementing such strategies an important role is assigned to the solutions enabling the allocation of logistics resources and capabilities as well as logistics competences to the processes being carried out, which influence the set goals achievement and tasks performance in the areas of procurement (supply), production (operations) and distribution (sales). Within the process orientation it is assumed that all logistics processes and activities are elements (parts) of the value added system. The logistics strategy is then related to the "pursuit" of competitive advantage achieving by maximizing the performance of individual processes in the areas of purchasing, production, deliveries planning and scheduling, physical distribution, as well as returns.

Strategies related to market orientation are usually formulated at the level of individual strategic business units or even individual businesses within the firms. The basis for shaping and developing such understood strategies is the orientation of all implemented processes and activities for the customers' needs and wants meeting. It requires, among others, the proper designing and functioning of market knowledge gathering systems as well as the development of procedures enabling the diffusing of this information within the entire firm and its individual businesses. As a result, the logistics potentials of success can be subordinated to the implementation of tasks related to creating and supplying values expected by customers and solving their problems. In the market orientation, an attention is paid first of all to the benefits resulting from the achievement of potential synergy effects thanks to the coordinated implementation of logistics processes and activities in the area of physical distribution in which various strategic business units are involved. The basis for the competitive advantage creation are then the logistics potentials of success related to the concept and process of customer service.

Strategies related to the supply chain orientation are based on the aspirations concerning the use of the logistics potentials of success of all firms forming this chain, and cooperating with each other to ensure uninterrupted, transparent flows of materials, goods, information and financial resources, from the sources of raw materials to the final customers. The contemporary, wide interpretation of the supply chain concept in the context of flow processes synchronization, apart from the materials, goods and information flow coordination, also includes the coordination of financial resources flow along the entire supply chain [16]. Strategies based on this orientation allow the development of effective and efficient ways of involving logistics resources and capabilities as well as logistics competences of all firms in the supply chain in achieving the set goals and performing tasks.

Strategies based on the supply chain orientation also create the circumstances and opportunities to achieve synergy effects, thanks to the simultaneous use of the logistics potentials of success of all firms in the supply chain. In this orientation the benefits resulting from the integration and coordination of logistics processes and activities carried out within the entire chain are mainly exposed. Thus, this orientation can be the basis for the

development of cooperation between supply chain firms. Such cooperation is based primarily on the integrated flow management of materials, goods, information and financial resources.

Apart from the premises of the logistics potentials of success impact on the firm performance, one may also notice the most important symptoms of such impact. Among these symptoms an important role may be mostly assigned to the so-called “strategic options related to logistics potentials of success”. Within the management of logistics potentials of success three basic strategic options may be distinguished [17, 18]:

- Creating its own logistics potentials of success by the firm, among others through investments in logistics systems, shaping and enriching logistics processes, or the development of logistics infrastructure.
- Gaining logistics potentials of success through their acquisition (taking over) from competitors.
- Development and enrichment of logistics potentials of success in cooperation with other firms within the supply chain or network.

The first of the above solutions, i.e. creating own potentials of success, is connected with the necessity of incurring - often quite large - expenditures (costs), which condition the expansion of the resource base and the development of the firm logistics capabilities, and - as a result - the development of logistics competences. At the same time, it is very important to choose those potentials of success that can mostly contribute to achieving the firm goals related to its domain of activity, strategy, organizational structure, etc.

The second of the above solutions, i.e. taking over the logistics potentials of success from competitors, also requires incurring certain expenditures (costs). Apart from the difficulties of acquiring these potentials - taking into account, in particular, barriers related to their purchasing - the main problem is the proper assessment of the adequacy of these potentials in relation to the goals that the firm intends to achieve. The logistics potentials of success used in achieving the goals set by one firm do not have to meet this condition or only fulfill it to a low degree in the case of another firm.

The third of the above solutions concerning the management of logistics potentials of success, i.e. their joint development in cooperation with other firms in the supply chain or network, first of all requires the defining of the scope of tasks and responsibilities of individual firms. This is related to the contribution (participation) of each firm to the development of logistics potentials of success, taking into account the logistics resources, logistics capabilities and logistics competences of suppliers, manufacturers, distribution companies and other firms within the entire supply chain.

5. CONCLUSION AND FURTHER RESEARCH

Logistics potentials of success are deeply embedded within the resource stream of strategic management. In this stream a special role is attributed to the factors that enable the firm to gain and maintain strong, long-term competitive advantage. Within such factors one may distinguish first of all resources, capabilities and competences. The results of the various theoretical and empirical research conducted both in the world and in Poland indicate that logistics resources, logistics capabilities as well as logistics competences can significantly contribute both to superior firm performance concerning expected market and economic outcomes achieved by a firm as well as to strong, long-term competitive advantage achievement by the firm [9]. Then it may be said that the logistics potentials of success are the key success factors of the firm.

Among the main directions of further research devoted to the impact of logistics potentials of success on firm performance as well as firm competitive advantage creation, the significant role should be assigned to the wider and deeper operationalization of these potentials, in particular logistics competences, integrating existing logistics resources and logistics capabilities. Such operationalization could significantly contribute to a more accurate identification of individual potentials related to the logistics area, which are the key factors affecting both firm performance as well as firm competitive advantage creation.



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