

Seminar 6

Topic:

Logistics process as an object of management. Logistics management

1. Logistics management. The role of management in the development of logistics systems.
2. Functions performed by the organization's logistics divisions.
3. Practical achievement of success in logistics, four conditions for its achievement.
4. Types of activities of the logistics service in the organization.
5. Contents of the company's logistics mission.
6. Traditional and logistic approaches to managing material flows in an organization.

1. Logistics management at an enterprise is the administration of the logistics system, that is, the performance of basic management functions (organization, planning, regulation, coordination, control, accounting and analysis) to achieve the goals of the logistics system.

Functionally, logistics management involves the following : supporting the corporate strategy of the enterprise by optimizing resources in managing the main and related flows; improving interaction between the divisions of the enterprise that provide supply, production and sales for a stable market position of the enterprise as part of the macrologistics system; improving interorganizational relationships with contractors.

An important part of logistics management is the strategic aspect, which is an activity related to setting goals, global and common tasks for the enterprise's logistics system and maintaining the enterprise's relationships with the external environment. This enables the enterprise to achieve those goals that correspond to its internal capabilities and to respond flexibly to the impacts of the external environment.

The main strategic and tactical goals of logistics include the following: minimization of overall logistics costs; improvement of the quality of logistics service; minimization of investments in logistics infrastructure; logistics outsourcing.

Goals in logistics are an expression of the final desired results of the activity or the future state of the enterprise's logistics system as a result of management decisions made by a logistics specialist. Identification, formulation and analysis of methods for achieving the goals of the functioning of the logistics system are carried out by searching for various options for the state of the logistics system.

2. Functions of the logistics service at the enterprise:

Function 1. Development and formation of the logistics system . Changes in production technologies, organizational policy of the enterprise and market conditions require revision of the existing logistics system. Consequently, in some cases it is necessary to reorganize the entire logistics system of the enterprise. *Therefore, there is no limit to improvement for the logistics of the enterprise. Any positive changes in the logistics system of the enterprise lead to an increase in the competitiveness of the enterprise, an increase in the volume of material flows, which, in turn, requires subsequent improvement of logistics technologies.*

Function 2. Defining the strategy of logistics systems. The logistics system functions at the macro and micro levels, where the logistics strategy is formed. The logistics manager at the enterprise is responsible not only for planning and approach to strategy formation, but also for monitoring the implementation of strategic plans.

Function 3. Administration and coordination of commercial and technological processes. The logistics service should not only interact with all divisions of the enterprise when managing the material flow, but also mutually coordinate the performed logistics functions. *As a result, the resolution of interfunctional conflicts at the enterprise.*

Function 4. Taking into account the specifics of logistics for enterprises.

When forming a logistics system for an enterprise and developing a logistics strategy, it is necessary to take into account the specifics of various industries and other factors.

An important issue in logistics strategy is the centralization or decentralization of the logistics service. Management responsibility can be divided between different organizational units of the enterprise or concentrated in one logistics manager.

In the last decade, there has been a clear trend towards grouping and centralizing the management of all physical processes at the enterprise, which implies the creation of a single logistics service that manages all logistics processes. This approach allows for the removal of many conflicts between the various functional units of the enterprise.

In addition, centralization provides certain benefits in the area of shipment consolidation, more efficient cost and expense analysis in the performance of logistics operations. The form of grouping and the degree of centralization depend on the range of products and the market environment in which the enterprise operates.

The logistics manager at the enterprise coordinates the following functions: transportation; control of stocks and production plans; inventory management; customer service and improving the efficiency of warehouse operations at regional warehouses; management of the enterprise's warehouse facilities; research in the field of logistics and improvement of the logistics system.

Decentralized organization of logistics management assumes that all decisions related to the management of material flows are made at the level of enterprise divisions or branches of the enterprise.

Analysis of logistics systems shows that there is no universal model of a logistics system applicable to all enterprises. Therefore, when implementing a logistics approach, it is necessary to evaluate the existing structure of the enterprise

and its external environment and, based on this, make a decision on the organizational structure of the logistics service.

To effectively solve problems, the logistics service must have the necessary base, which includes methodological, resource, information, material, personnel and financial support.

Methodological support – consists of a whole series of provisions regulating the activities of the entire spectrum of functional areas of logistics, including individual procedures and operations.

Resource support – is a fleet of vehicles (if you have your own transport), a fleet of warehouse equipment and lifting devices (if you have your own warehouse) and other equipment used in the process of goods movement.

Information support – consists of communications (general or corporate) that connect all structural divisions of the logistics service with each other and with other divisions of the enterprise, and also provide communication with the external environment – suppliers and consumers.

Material support includes the provision of material and technical resources necessary for the effective operation of the logistics service.

Staffing – availability of qualified personnel in the logistics service.

Financial support consists of drawing up a budget, which is a financial plan and a basis for controlling expenses. The consolidated budget is several types of budgets and estimates for different areas. For example, a budget of income from product sales, an estimate of costs for the acquisition of necessary material resources, an estimate of current expenses (for wages, rent, utilities), capital investments, etc. Management accounting is introduced to control the expenditure of funds. Management accounting data is used not only for control, but also to evaluate the efficiency of the logistics service.

Thus, the complication of market relations and increased competition currently leads to the transformation of logistics systems, which is expressed in the following: the speed of the material flow increases; the intensity and complexity of the information flow increases. The consequence of these trends is the increase in

the instability of logistics systems. To increase their stability and reliability, it is necessary to integrate the divisions of the enterprise with each other and the enterprise as a whole in the logistics chain with suppliers, commercial and logistics intermediaries.

The function of the organization is to establish permanent and temporary relationships between all departments, to determine the order and conditions of the production or trade process. The process of combining people and means of labor serves to achieve the goals set for the organization.

With **the traditional approach** to organizing management, each link of the logistics system has its own management system, oriented toward its own goals and efficiency criteria. The output material flow of each previous link of the logistics system, formulated taking into account its goals and criteria, is the input for the subsequent link. The result of the activity of all enterprises is assessed by the indicators of the output flow of the last link.

The parameters of the total material flow in the traditional approach are formed as a result of independent control actions carried out sequentially in each of the divisions of the enterprise or in a separate enterprise of the macrologistics system. Therefore, the parameters of the total flow are random, unpredictable and uncontrollable, and the task of managing the end-to-end material flow is not solved, since the category of "end-to-end material flow" itself is not distinguished.

As a result, such indicators of the material flow as the cost of its organization, reliability of delivery, quality of products or services at the exit of the enterprise are far from optimal values. In other words, the traditional system of material flow management lacks integrative properties.

Integration of parts of the logistics system leads to synergy – the multiplication of forces of the participants in the logistics process as a result of unification.

Another characteristic feature of traditional management systems is the fragmentation of logistics functions among different services of the enterprise - marketing, supply, sales, warehousing, production. At the same time, the

immediate goals of these services may not coincide with the goal of rational organization of the end-to-end material flow at the enterprise as a whole. Therefore, to effectively solve logistics problems, it is necessary to create a logistics service.

3. Practical achievement of success in the field of logistics . A company engaged in industrial production or provision of various types of services in the logistics system must focus on practical achievement of success. For this, each company must necessarily fulfill four most important conditions.

Condition 1. It is necessary to have a precise formulation and list of functions of each individual employee of the logistics service at the enterprise, namely: job title, organizational relationships (accountability), boundaries of responsibility, duties and rights.

Condition 2. The enterprise must have the necessary information about the number of logistics personnel required in the near and distant future; what knowledge and skills they must possess; which organizations and firms can provide the required number of employees in the near and distant future. In this case, the following information is required: the volume of expected work, the scale of the company's expansion, the required number of employees, the position on the labor market.

Condition 3. The enterprise must find and select a future manager (employee) of the logistics service for a specific, concrete position, and not select a position for a future employee. In the latter case, his incompetence may lead to negative consequences. Targeted recruitment is mandatory; it is necessary to check the suitability of candidates for the position in terms of knowledge, skills, and competence.

Condition 4. When implementing logistics in the activities of the enterprise, it is necessary to train specialists of the services related to the processing of material flows. A common mistake of management in this case is that training begins at the grassroots level. To achieve success in the field of logistics, it is

necessary to implement logistics from the management, and managers must master logistics methods and have a logistic mindset (a holistic vision of the enterprise processes).

4. Types of activities of the logistics service in the organization.

- **Material and technical supply** . Purchase of raw materials, basic and auxiliary materials, semi-finished products, components.
- **Management of the movement of material resources** . Procurement, movement and distribution of blanks, parts, units and assemblies according to technological operations of the production process.
- **Warehouse management** . Organization of acceptance, control, storage and release of material resources to consumers.
- **Transport industry** . Selection of optimal transport options, delivery of material resources to consumers, operation of transport vehicles, development of optimal routes for their movement.
- **Inventory management** . Storage of material resources, determination of optimal volumes of stored stocks, forecasting the level of stocks of material resources.
- **Manage order procedures** . Define procedures for receiving and processing orders, time of receipt of finished goods, etc.
- **Organization and management of the process of selling finished products** through direct or indirect distribution channels.

The logistics service also performs the functions of forming and developing the logistics system, determining the strategy for developing logistics systems at the macro and micro levels, administering and coordinating commercial and technological processes.

5. Logistics mission of the enterprise

The tasks of enterprise logistics cannot be considered in isolation from the strategic goals of its business. In this sense, the concept of "mission" is often used, defining the philosophy of the company in the sales market.

When formulating the enterprise's mission, its top management must answer two main questions: what the enterprise is currently and where it is striving. Thus, the mission is the basis that determines all further strategic and tactical goals and objectives of the enterprise and the decisions made on their basis.

The development of competition has led to the fact that today's consumers, with their set of expectations formed by the best companies, demand higher quality goods and services at the lowest price, quick response to their requests and immediate availability at the time of purchase and use. An organization is increasingly assessed not only in terms of product and service quality, but also the ability to deliver goods on time in small quantities to the immediate point of consumption.

The potential of logistics allows the company to achieve its goals within the framework of its mission, since it is a strategic factor in the context of increasing competition.

The logistics mission should provide the enterprise with a system of vision of the high quality of its products and services, competitiveness, integration of supply, production and marketing activities, and be the organization's credo, positioning it in relation to the market and competitors.

6. Traditional and logistic approaches to managing material flows in an organization.

With **the traditional approach to organizing management**, each link in the logistics system has its own management system, oriented toward its own goals and performance criteria.

In **the logistic approach**, control actions are applied to individual phases of the material flow movement by a single logistic control system. These control actions are formulated based on the general goals and efficiency criteria of the logistic chain being studied.

The fundamental difference between the logistics approach and the traditional one is the following: the allocation of a single function for managing previously disparate material flows; ensuring the technical, technological,

economic and methodological integration of individual links in the material supply chain into a single system at the macro and micro levels.

The following main functions are performed during the management process : **planning, organizing, motivating and controlling**. Each of these four management functions is vital for the organization. At the same time, planning as a management function provides the basis for other functions and is considered the most important of them, while the functions of organizing, motivating and controlling are focused on the implementation of the tactical and strategic plans of the organization.

Planning involves deciding what the goals of the logistics system should be and what the employees of the enterprise should do to achieve these goals. In essence, this is preparation today for determining what is required for tomorrow and how to achieve it. The plan should represent a socio-economic model of the future state of the logistics system. The plan is a map of the path that the logistics organization should take over a specific period of time. Plans can be strategic, tactical and operational.

Strategic planning (highest level) is an attempt to look into the long term, to assess trends developing both within the organization and in the external environment.

The strategic planning process consists of the following phases: assessment, task setting, prioritization and implementation.

At the middle level of management, they are engaged in tactical planning, i.e., intermediate goals are determined on the way to achieving strategic goals and objectives in the logistics system.

The basis for developing a logistics system is operational planning. In operational plans, standards for logistics activities, descriptions of work, etc. are developed; they fit into a system in which everyone directs their efforts to achieve the general and main goals of the logistics organization.

The function of the organization is to establish permanent and temporary relationships between all departments of the logistics organization, to determine

the order and conditions of operation. This is the process of uniting people and resources to achieve the goals set by the logistics organization.

To build a logistics structure, one of the typical organizational structures can be used: linear, functional, matrix, divisional, etc. The classics of management indicated that in an organization, each functional unit (department, department or sector) is obliged to perform part of the overall work. And each such part is necessary to achieve the overall goals of the organization.

The organizational structure of a logistics company can be built linearly or based on the activities of functional groups.

A matrix structure can also be chosen, where logistics functions will permeate all the company's activities horizontally.

An important function of logistics management is *motivation*. Human behavior is always motivated. He can work hard, with inspiration and enthusiasm, or he can shirk work. *Motivation* – is the process of motivating oneself and others to act to achieve personal and organizational goals. To use this function, it is necessary to apply existing modern theories and methods of motivation.

The developed methodology increases the efficiency of goods delivery to consumers and improves the level of customer service. In addition, the use of motivation together with control over the execution of work (for example, using a real-time tracking system for the company's vehicles) leads to a significant reduction in delivery costs. One of the tasks in this case is the correct selection and assessment of the criteria for the activities of the participants in the logistics process. The following criteria can be defined as such criteria: the total number of tons taken out by the driver; the number of serviced points; the quality of goods during transportation. Specialized software can be used to automate this operation. So, a work plan for the organization has been drawn up, its structure has been created, work places have been filled and the motives for employee behavior have been determined. There is one more component left that needs to be added to the management functions - control.

Control – is the process of measuring the actual results achieved with the planned ones. In the process of control, you can get answers to the following questions: what have we learned; what should be done next time; what is the reason for deviations from the planned; what impact did the control have on decision-making; was the impact of the control positive or negative; what conclusions should be made to develop new goals?

The task of distribution control can be viewed as the transformation of data into information. To accomplish this task, it is necessary to create an appropriate database and develop procedures for extracting the necessary information.

Productivity can be defined as the ratio of a system's output to its input. For logistics, the output is the provision of customer service, and the input is the nomenclature of logistics elements (inventory, storage and loading, unloading, transportation, order processing). Improving productivity requires, first, understanding the current situation and, second, identifying opportunities to improve the current situation.

Control consists of managing output and input in accordance with predetermined performance standards and identifying corrective actions where necessary.

Ideally, distribution control should be considered a continuous activity, but control of the overall distribution system is a time-consuming and costly activity. In this regard, a distinction should be made between day-to-day and strategic system control.

Strategic control of the system is carried out, for example, in the following situations:

- ✓ the company implements significant changes in its marketing strategy (for example, moving from sales through intermediaries to sales directly to end users);
- ✓ the enterprise significantly changes the direction of its business activities;

- ✓ a new range of products, new large consumers appear, or when production of old products ceases and large consumers are lost;
- ✓ the geographic structure of the company's shipments is changing significantly;
- ✓ five years since the last strategic assessment.

Along with strategic distribution control, *tactical* control is carried out, the purpose of which, as the name suggests, is mainly to control deviations from the plan and to notify management of the need to take corrective measures. The main requirements for tactical distribution control are the following: a set of standards; timely information on costs; the existence of a database.

These requirements are implemented through a management and analysis program. With the introduction of information technology, the need to simplify control and processing procedures has become more acute, especially in connection with the growth of the volume of available information.