

Chapter 6

Critical Success Factors of Logistics Organizations

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ABSTRACT

To sustain the growing competition by the domestic players and the international players, these firms are implementing customer service standards to be wary of adopting easily achievable performance standards. But setting standards at unrealistically low levels will not help to establish a competitive advantage. Emphasis on total quality or on creation of the perfect order are very critical to any acceptable quality level set below 100%; the firm should develop customer service policies and standards through customer consultation; the firm should develop procedures to measure, monitor, and control the customer service quality called for by the firm's performance measures and standards. The chapter discusses the various tools, techniques, and highlights the critical success factors for a logistic firm by studying the five top-most logistics organizations on the globe.

INTRODUCTION

The global economy is at crucial juncture in its developmental process. The rate of growth has increased. The growth must be accompanied by a wider regional dispersion of benefits. The growth of economy depends largely on growth of industries and for growth of industries supportive services like, energy, connectivity with good roads, State of art communication network, transportation system of required level, logistic services etc are required to be provided and strengthen. So far as logistics is concerned it can be achieved through massive expansion and improvement in the various modes of transport. Transport system in India comprises a number of distinct modes and services, notably railways, roads, road transport, ports, inland water transport, coastal shipping, airports and airlines. At present Railways and road transport are the dominant means of transport carrying more than 95% of the total traffic generated in the country (Planning Commission of India, 2012). It is noted fact that the transport sector has expanded manifold in the first fifty years of planned development, both in terms of spread and capacity. Along with the increase in quantity, there are several welcoming developments of qualitative in nature,

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such as emergence of a multimodal system in the form of container transport, marked reduction in arrears of obsolete and non performing assets, improvement in the self financing capacity of the sector and the establishment of new centres of excellence for manpower development. However, keeping in view of the vast area of the country the progress can not be termed as sufficient.

With globalization, a phenomenon which began to gather momentum in the 1990s, there has emerged increased integration of economies, markets and production chains around the world. The globalization of the economies of countries has created opportunities for doing business beyond the national boundaries of each country. Due to rapid advancement in information and communication technologies during the last decade, the world has become a global village in area sense. The effects of globalization and information and communication technology are felt in almost all parts of the world. Firms are seeking or have developed global strategies by designing their products for a world market and producing them wherever the low cost raw materials, components and Labour can be found or they simply produce locally and sell internationally. Further new organizational structure suited for multinational organizations that function with cross culture human force are the requirement of changed situation resulting from globalization of world economy. For survival the organization are going global and searching new areas where resources are available for growth and sustainable growth. Globalization and Internationalization of industries everywhere will depend heavily on logistics performance and benefits of cost advantages, as companies takes on increase importance within the firm since the one of the focus point is to minimize the cost, especially transportation, which is considered a larger part of the total cost structure.

International logistics facilitates countries to export products in which they have a competitive advantage and import products that are either unavailable at home or produced at a lower cost overseas, thus allowing for efficient allocation of resources. International logistics management becomes a critical source of competitive advantage for both the firms and the customers. According to the dictionary of Indian Military and associated Terms, Indian logistics is negotiating, planning, and implementation of supporting logistic arrangements between nations, their forces, and agencies. It includes furnishing logistic support major end items, materials or services to, or receiving logistic support from one or more friendly foreign governments. There are push and pull factors which make room for institutional support of the government towards the logistic companies. The push factors are saturation of the home market or strong competition, national economic recession or limited growth in consumer spending, a declining or aging population which will affect the market size, operating costs which are considered too high Labour, rents, taxation, shareholder pressure to maintain profit growth and so be seen to be doing something, inability to find any further competitive advantage in the home market. Pull factors are International opportunity due to the underdevelopment of some markets or weak competition within them, strong economic growth for rising standards of living, population growth in relation to the target market of the producer, a relaxed regulatory framework of employment and plant side development, a geographical spread of trading risks, opportunity to innovate in new market conditions are some of the attraction factors for going global. It is also a plus factor that the Indian logistics is designed and managed from the point of view of controlling the flow of materials into the destinations of production, and finished goods from the manufacturing centres to the ultimate destinations. In the process the steps involved are narrated as hereunder:

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