

## LOGISTICS UNDER GLOBALIZATION

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*Abstract: The relationship between logistics and globalization is complex due to the influences arising from multiple causes. Globalization enables logistics operators to work in any part of the world without being restricted by legislative or political restrictions of various countries.*

*Globalization involves assembling a supply chain of various operators that compete in their work in order to give a high quality service and to meet frequently changing customer desires.*

*Logistics operations are linked to the value chain that is a real tool for identifying new ways of creating increasingly value for the customer.*

*Logistics efficiency means linking the three specific areas (supply, production support activities and physical distribution) in creating value, being an integral part thereof.*

*With globalization, competition between logistics companies moved from national level to international level.*

*The world economy has changed a lot lately, globalization requiring a new logistic dynamics. Globalization has brought not only benefits by providing opportunities generated by access to new markets but powerful competitors fighting for gaining loyalty of the same customers.*

*Globalization must offer solutions for sustainable development in the long term, to ensure the economic balance for effective use of resources, fighting poverty, hunger and unemployment.*

*Keywords: globalization, logistics, competition, value chain*

### **Contemporary logistics**

Logistics activity of the company consists of a permanent research aimed at optimizing the resources that the company has available to domination and coordination of information flows of raw materials, materials and finished goods entering or leaving the company.

The study of logistics as a distinct field in economics is relatively recent. The first concerns in the field were expressed at the beginning of the twentieth century, the field of absolute logistics in the United States and Western European countries being done in decades 7 and 8. First details of the study of logistics appear in the works of Crowell regarding the operations on physical distribution of agricultural products. Subsequently, logistics is approached from a marketing perspective in the works of Clark (1922). Many works in logistics encompassed methods and economic and mathematical models which belonged to the domain of operational research that found their applicability, besides the logistics activity, in other areas such as distribution, industrial planning, execution.

The delimitation of logistics as a distinct field of study was due to its strategic and tactical importance, with significant economic implications on the organization. Heskett defined logistics in 1978 as a process that includes all activities involved in managing physical flows of products, coordination of resources, seeking to achieve a high level of service at the lowest cost.

Porter, in his works on the value chain highlights the logistics' implications on the competitive advantage of the company.

Conceptual evolution of freight logistics is not limited to simply replacing the term physical distribution with logistics. Depending on the economic and business environment in each country, the role and significance of logistics are the result of a series of steps that followed in the early 50s of the twentieth century until today.

A reference staging in the USA, for example, is the one suggested by Professor Donald J. Bowesox. The content of the stages is the following:

- coordinating operations. Initially, there was concern for coordinating the physical distribution operations, namely transport, storage and processing orders. The purpose of these activities was to provide timely customer service.
- personnel grouping. This stage was prompted by the companies' decision to increase efficiency of physical distribution activities management and materials' management.
- integrated logistics. In the ninth decade of the twentieth century, the new concept of integrated logistics was shaped, integrated logistics system respectively. The terms describe the movement of goods through a chain of consecutive links of value added that are designed to ensure products reach the time and place in the appropriate amount and form.
- strategic logistics. A significant step in the evolution of logistics is the emergence of the concept of strategic logistics in the 90s. With this new perspective is defined the use of logistic competence and logistics alliances from the entire marketing channel in order to achieve the competitive advantage. Strategic logistics is based on inter-organizational alliances that allow the combination of a company's assets and performances with the services provided by other logistics operators.

To describe the situation of companies that have managed to achieve a higher level of logistical competence, the concept "leading-edge logistics" was used. This category of organizations uses logistics as a competitive weapon in order to gain and maintain customer loyalty.

The historical development of logistics in other markets was relatively similar, influenced by concepts imported from the USA.

The main factors that have spurred the development of logistics, in the U.S. first, and then developed Western European countries were:

***a. developments in the markets by:***

- their particular extension - the geographical and temporal distances between suppliers and consumers increase, which causes distributors to improve the delivery of goods;
- change of the relationships between supply and demand - the markets have turned from sellers' markets to buyers' markets;
- more frequent changes in requirements and consumer preferences oblige providers to continually adapt their offer and deliver promptly the goods to remain competitive in the market.

***b. improving production technologies*** - as a result of scientific and technical progress, there have increased the quantities of goods produced and delivered to the market, the

emergence of mass production and the need for continuous and rapid delivery of goods produced, at the frequency and the quantity demanded by consumers;

**c. continuous product improvement and adaptation to changing customer requirements** - this leads to a higher consumption of time for developing new products, increasing costs and therefore the need for careful management of the supply flows with material resources and the supply flows of finished products to minimize logistics costs for the company;

**d. affirmation of new technologies and management methods in logistics** - the results of operational research, systems theory, simulation, decision theory, the theory of waiting threads, asserting information technology in logistics processes and so on, have led to a continuous improvement of logistics activities, the inventory management methods, methods and optimizing the size of stocks and transport circuits, storage methods and techniques etc.

**e. assertion of modern management methods and company's management** - have resulted in increased efficiency in all the company's activities, requiring managers to be faster in making optimal decisions, more aggressive and more creative in finding solutions to satisfy customers better than competitors.

## **Globalization**

The globalization process of the world economy began after 1980s, intensified in 1990s and is currently going on, although it is experiencing regionalist and nationalist views.

Globalization can be defined as a highly complex and especially dynamic process of the growth of national states' interdependence due to the expansion of transnational relations in all spheres of economic, political, social and cultural life. In this context the issues surpass the nationality stage and reach the one of globalism and require a global settlement to the detriment of the national one.

International Monetary Fund defined globalization in a 1997 report as «the closely growing international integration of both goods and services markets, as well as the capital markets.»

Economic and commercial factors that influenced the deepening of globalization process of the world economy includes the free movement of goods, services liberalization, liberalization of capital markets, the liberality of foreign investors to establish companies and other legislative and administrative factors in favour of globalization.

The globalization process currently includes almost all countries of the world.

In a simplistic view globalization seems an unlimited source of benefits for humanity, but the possibility of direct access to new markets involves increased competition fighting for the same goal of winning the loyalty of the same customers.

Globalization must find solutions to long-term sustainable development, balancing economic, efficient use of resources, fighting poverty, hunger and unemployment.

Everyone involved should understand that these issues need to be addressed both through their own effort and with international support. Own effort can not substitute for international aid.

### **Logistics in the context of globalization**

It is widely recognized that logistics covers the technical and material aspects in which the major human actions take place.

Changes in local or global market situation, due to the trend of globalization or the emergence of regional supranational entities like the European Union, led to important changes regarding the organization of logistics and flows' management that they determine. Companies, regardless of their size, must continually adapt to these changes and thus logistics tends to become a strategically important factor in their success on the market, a distinctive element of competitiveness.

Multinational logistics companies have started thinking strategies to attract local customers in more and more countries where they operate and thus competition among logisticians moved from the local level to the international level.

Today's economy has changed dramatically in recent years and factors such as globalization, computerization and increased volatility have imposed a different logistics rhythm. The crisis was and is a further reason that led companies to acquire complex systems of planning and improvement. There has often been or still is a need for changing the structure when it was found that the present one i was no longer effective. Change is good if done constructively and should not be regarded with fear.

There are distinct rules governing the global economy from the national economies and emphasis is put on the environmental aspect.

Ecological security is one of the fundamental dimensions of global security.

Under these circumstances, in order to survive, an intelligent growth strategy should be applied a strategy, adapted to the economic situation through a sustainable policy where innovation is crucial.

Generally, people are reluctant to change not because they hate it but because they are not informed enough and do not understand its purpose, rather choosing inertia. They should be advised to be willing to create value-added, logistics offering numerous opportunities in this regard. The three areas are integral parts logistics in the value creation process. The value offered to the customer is the difference between total customer value and costs that have been incurred in evaluating, obtaining and using the product/service.

Logistics operations are linked to the value chain that constitutes a valuable tool for identifying new ways to create increased value for customers.

Romania requires massive investments in road, and rail, air or water infrastructure. Permanent price increase of fuel and the economic crisis favoured the shift towards multimodal transport as a more efficient solution in terms of cost but also because of pressure from international companies to use sustainable logistics solutions.

Here is how undesirable elements such as the crisis or rise of prices get to produce beneficial effects by changing attitudes and bringing new solutions.

The crisis has not only led to reduced purchasing power and reduced freight volumes, but has led operators to pay more attention to logistics costs.

Being permanently under pressure to cut costs, logistics operators, manufacturers and other operators of storage requested providers complete packages of logistics software solutions and customized for the type of operations carried out so that functionalities fit perfectly with the products.

Under these circumstances, companies that make available always new services for customers, with value-added, as well as those investing in equipment and facilities anticipating market requirements will be able to develop and not just to survive.

A major advantage of Romanian logistics companies competing with foreign operators is the lower cost of labour force. This is not strictly related to the actual salary taken by the driver, logistics operator, handler, head of the team and so on, but also top managers from Romania who have multiple responsibilities on very different segments. This generates some savings for the company but there will inevitably be situations where these extremely extensive records of taking the risk of so many responsibilities will lead to losses for Romanian pressured entrepreneurs as compared to the "balanced" company in Western Europe.

Adapting to the requirements of each customer requires large investments, requires flexibility from logistics companies to provide requested services and customers ability to always come up with new requirements is great because they are all looking to outsource their activities and have increasingly diverse needs.

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