

IGOR TRUPAC, D. Sc.
Fakulteta za pomorstvo in promet
IGOR JAKOMIN, M. Sc.
Intereuropa d. d.

Traffic Business Administration
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THE CONCEPT OF LOGISTICS DEVELOPMENT STRATEGY IN SLOVENIA

ABSTRACT

What we can witness nowadays are the important changes and transformations of and in societies. Development strategies of the countries demand taking into account the diversity of individual countries, i.e. the geographical, cultural, political, social and economic diversities. Each country should be considered from this point of view.

The effects of logistics as an overwhelming and pervading activity are felt in all areas of the socio-economic life. Space, inhabited areas and logistics form a system, a whole that has to be considered as an integrated unit.

The concept of the logistic development strategy in Slovenia should take into account the interests of the government, of sectors and companies, research and development policy, logistical policy, the choice of the logistical activity, the choice of instruments for the (macro)logistical policy, financing as well as institutional organising factors.

KEY WORDS

logistics, development strategy, transport, Slovenia

1. INTRODUCTION

Supervision over technology, production and services ought to be the key long term generator of prosperity in Slovenia, though we should be aware of what we have and of how this could be used in the best way possible (i.e., creatively, inventively).

Besides the human potential (diligence and creativity) Slovenia has a good geotransporting position, for it borders on countries like Italy, Austria, there is Germany in the vicinity, and entire Europe with its markets within an hour's reach. Service activity and the go-between role in connecting the East with the West represents a real opportunity, although it demands infrastructure improvements.

Experiences of small countries in Europe and in the East show that the direction of the Slovenian society toward productivity should not be forgotten. On the contrary, service activity cannot remain the only direction, though it is able to support a more rapid formation of a more productive direction toward produc-

tion. Success of the small and the very small countries in Europe and in Asia does not merely depend on the services but on the manufacturing industry as well. Articles are imported, reshaped or manufactured, value-added and then exported.

Experiences show how these economies ought to be open to the world. There are more reasons why this is so; as far as the import is concerned, whether those are the raw materials, semi-products, parts (complexes, sub-complexes) which are not to be entirely obtained at home, on the other hand is it the export that enables the production, which again enables the necessary range economy.

Nowadays the globalisation requires its presence in the majority of markets. Our sole chance is to compete and to co-operate at the same time.

Due to constant pressures ensued from the market demands the need for excellent logistical services is constantly on the rise. The role of logistics is therefore indispensable, be it for the protection and/or the development of high competitiveness, be it for the development of new lucrative markets.

2. GOVERNMENT, SECTORS AND COMPANIES

It is not easy to satisfy different interests on the national level. When the public, group and individual interests are concerned, we can never do enough to comply. The countries which have succeeded in attaining consensus concerning the strategic goals and the means to obtain them need less energy and reach them more easily.

The area in which the consensus is most difficult to reach is the area of logistics. The basic principle in arranging (projecting) and executing the project of a logistical system should be the following: everybody concerned with the making should co-operate. Decisions should be taken on the principle of consensus. Due to the dynamic environment, i.e. due to changes in economy and society (interests and the interest-driven behaviour of the participants), changes in

technology, planning even in the transport activity, an activity which possesses its own characteristics, stipulate that the process of working-out the project be a dynamic one (a moving-on process). Dynamic processes call for dynamic planning.

The government role is to point out to future directions of the state, mostly the potential economy (industrial) areas. Porter has warned that the structural changes produce authentic possibilities for a competitive beginning of a new industry (activity). By directing into structural unattractive industries (activities) transition countries seldom have any benefits.

It is important that the first-class business service, easy access to the right kind of market information be made available by the government, further, that a suitable tax policy be led, that adequate supporting and supplementing systems be established and led. Thus, it should provide for a good educational system (a common characteristic of a successful country is actually a good educational system, key to further successes), moreover, the government should encourage research and development work, then it should encourage and motivate people and private companies to become imitative and, more importantly, innovative.

On the other hand, it is the companies that play the central role in the process of achieving a competitive advantage. How the situation in the country is directed or forces its companies to recognise and respond to structural changes is of key significance for the success.

To maintain a permanent competitive advantage it is of great importance to exercise a firm control over technology and, more importantly, over permanent innovations. This is the only strategy that leads to success. The country should create such an environment in which its companies would have the opportunity to advance and innovate faster than other competitors.

Experiences thus achieved and the knowledge dispersed on all sides eventually accumulate. The know-how accumulated in various countries is not solely concerned with the products or process technologies but also with buyers' needs, marketing techniques and logistics.

The successful countries of today and companies do not choose specialisation on the basis of comparison of available natural sources; instead, they try to reach maximum level of growth by specialisation in those sectors, where they can reach a competitive advantage (be it organisational, marketing, logistical or technological). Therefore, the government should contribute in a way in which it would establish and run adequate supporting systems and encourage research as well as development work etc.

2. RESEARCH AND DEVELOPMENT POLICY

R&D has an important role in the logistics sector which is also a very dynamic sort of a sector. Constant innovations have in this particular area reached such proportions that it has nowadays become quite non-transparent. The field has to be able to follow the progress in this area (which is the least it can do) in order to be able to recognise the real solutions and then use them in good favour especially when coping with its own problems. That is a *conditio sine qua non*, which today does not suffice. Original solutions should be sought later.

There is a great need for modernisation of the logistical field in our country. It is widely known that not any problem can be solved at any time, thus it is possible to achieve best results with minimum costs, if only the right steps are taken at the right time. Yet there exist possibilities of skipping certain steps of the technical development and thus equipping ourselves with the latest technical solutions.

The principles on which the combined transport are based are not final, and the same goes for other technologies, above all for the informational-communicational ones.

The practice of logistics in the European Union countries find support in a powerful industry of informational and communicational technology, in the car industry, in the transport equipment industry, and in research institutes.

Slovenia has a good basis in all these areas. That is a fact and can help develop our logistical sector. It merely requires our support of these activities and bringing our co-operation into line.

3. POLICY OF LOGISTICS

It is inherent of the problems concerning logistics that they be manageable. The policy of logistics, which itself has a service character should take care of achieving the following goals:

- it has to meet the demands of the economy and those of the society as far as logistics services are concerned, which is the more important when the point of view of the industry is taken into consideration. Thus, it can bring its plans and activities on the longer run into line. We are speaking, of course, about strategic decisions taken in the period of at least 5 to 6 years;
- it has to reinforce its bid of the transport system as a whole in order to connect the transport carriers in a better way and in order to take care of a better use of the transport system (or support the dynamic

- concept of co-ordination as well as the integration of different transport carriers);
- it has to provide for the competitiveness of transport carriers (assuming the consumption of resources remains minimal). Not the subsidies but the prices ought to be the decisive factor in the use of a restricted infrastructure. Each ought to cover his or her own external expenses;
 - it should ameliorate measures in the field of infrastructure, in the organisation of transport, in space structure, in the development of vehicles concerning their use of energy and their emission etc.;
 - it has to accelerate the inclusion of information and communication systems (which would contribute significantly to the development of logistics, reduce the consumption of resources, reduce the traffic for better route planning, etc.).

4. SELECTING LOGISTICAL ACTIVITY

International exchange is an important argument for the policy of logistics. Modern economic activities of today are gradually turning global. Globalisation requires presence on the majority of markets. The only possibility left is that we compete but at the same time co-operate.

Due to the incessant pressures from the market demands the need for exquisite logistical services is nowadays on the increase, the role of logistics thus becoming indispensable whenever the development of high competitiveness is concerned.

But why is globalisation actually needed?

According to Porter a company with a really global point of view is through co-ordination of the whole of its marketing units around the world granted an insight into the market changes and thus gets to know the trends before they become world known and all in due time.

Orientation of the Slovenian economy should lead towards establishing of a framework for the transport strategy (i.e. logistics). A small European country like Slovenia should make the integration in the international economic flows and liberalisation of international trade an important matter. International logistics should be able to follow that style of orientation towards the international markets. An important factor for the development and for gaining new lucrative markets are adequate international systems of logistic support. A comparative macrologistical systems analysis by Dr. Ihde states that companies in countries where there is better transport infrastructure are in a much better position as far as the bilateral trade exchange is concerned (*Transfervorteil, Organisationsvorteil*: Dr. Gosta B. Ihde, *Transport, Verkehr, Logistik*, 157). According to Porter the companies that are in

advantage are those with favourable factor conditions (infrastructure, knowledge, etc.).

Lack of adequate logistic support in companies which would try to perform well on the world stage will push them in an unfavourable competitive position. For nowadays to be competitive means to satisfy the customers expectations. An article could be wrought so as to be entirely able to sustain competition, yet that will not do, if there are no adequate international logistics systems to support it. We encounter competition not merely in the field of the prices and quality but also in the field of services which are important as well.

The industrial structure of today is slowly moving away from specialised and mass (large-scale) production that proves to be organised hierarchically. The development is moving toward more flexible production processes, organised in networks. The key production unit is no longer an individual firm, but a decentralised network of enterprises. These networks consist of vertical as well as horizontal connections that join suppliers with producers and customers. What is important is the capability of putting together effectively organised networks that would be big enough and effective enough to compete on international markets and that they would be capable of building strategic connections on the basis of equality with the most successful foreign producers.

Slovenian economic development should move in the direction of an increasing economy internationalisation which assumes gradual merging of production and service activities on different levels and incorporation first into the European networks and later on also into the networks of international economies. All this is not possible without adequate logistics.

Control over the technology, production and services ought to represent the key long-term generators of welfare in Slovenia. Logistics is also known as a technologically intense area and that its role in production and in service activities is indispensable.

The crucial role of logistics is in its high adaptability when support industry is concerned. In fact, logistics is the key ingredient of business strategies. Careful running of these connections can become an important source for competitive advantage. Individual companies are especially adapted as far as the restoring of the connections is concerned, yet to gain competitive advantage it is necessary (at least according to Porter) that the company value chain be treated as a system and not as an equation of individual parts. Second, we are not merely connecting activities within the companies at that stage but creating a mutual dependence between the company and its suppliers and customers. The possibility of saving through a better co-ordination of suppliers and channels does not solely apply to logistics and the orders processing but

also to the R&D, the after-purchase service and many other activities.

The convenient geographical location of Slovenia thus offers great opportunities of services activities and the role of a go-between in bringing the East and the West together. There are real possibilities of founding distribution centres, tax-free zones and off-shore centres.

Service activities and the role of the go-between represent by far the improvement of all parts of the logistical system, i.e.: roads, railways, ports, warehouses, terminals, distribution centres, telecommunications, staff-training, legal regulations, etc.

All that could serve foreign companies in their attempts to conquer the East European markets. In their opinion, Slovenia proves to have a convenient position, here they could establish their headquarters for that part of Europe. This is the best way to attract attention and to persuade countries and companies to co-operate.

If we are not to offer that, the opportunity will be seized by the others. Strategic goals of connecting the East with the West and support of the local economy are by no means in conflict and actually support each other. The better the logistics, above all in the field of mobility and access, the quicker the development of tourism.

But which logistics activities should be the most interesting for Slovenia? Which logistic devices and institutions should Slovenia develop?

If by any chance Slovenia insists on the previously mentioned strategic points, it will have to start developing a wide range of logistic activities. Although the country size would reduce the importance of some activities, we are witnessing even today how innovations in the transport/logistic service are being forced upon us through our overseas partners and even our neighbouring countries, a nice example for which is the combined transport.

Although the railway is not (and it seems that it will not be) of importance for the Slovenian inner transport (the country being rather small, and the actual potential of transport flows), it seems probable that the investments into combined transport as well as into terminals are to increase, the information system is likely to improve, at least those parts which are used in the combined transport.

International integration, establishing of networks of domestic as well as foreign companies is bound to demand equal logistical services, which calls for equal standards, the ISO 9000 being the main goal.

Countries and companies strategies will depend on demand for logistical services, i.e. on local customers' as well as on foreign customers' needs (the degree of logistic requirements), on available production factors, on possibilities for any accompanying industries,

and last but not least, on science in the field of logistic activity and beyond that. Any help from abroad is feasible and needed.

Logistical requirements of today are growing by the minute which gives us reason for adjustment of logistic value. Available resources in the field of science (institutes, universities, etc.) accompanying industries and production factors represent a good basis for further constructing of the logistic system. Strategic decisions at hand are very likely to be reached, if at the same time strategic decisions in the field of logistics are made.

Our goal should not merely be optimisation of the current situation or of any individual system segments, but an optimal logistic system that would prove successful inside and outside of Slovenia. Similarly, our goal should not merely be to have »everything« the others have, but to use only that part of that »everything« which can be of use to us.

In accordance with the previously mentioned activities, modernisation and building of roads and railways should be accelerated in order to take us closer to Europe and, of course, to meet the country demands; also, the constructing and modernisation of warehouses, terminals, goods- and distribution centres (the so called interports), and the modernising of the port of Koper should be accelerated. Modern terminals and interports nowadays represent an indispensable part of any modern transport technology. Construction of interports and establishing of their networks in Europe is run on the European, national and regional scale.

Higher evaluation of the Slovenian advantageous position calls for a determination of interports on a regional and national level. For, if the interports are set up, they can as well be gradually integrated into the European network. The criteria are known.

Not merely the current status should be taken into account, we should also spread our horizons further into the future. The newly reached situation in Europe promises an economic boom that is to send new quantities of goods through the current and new ways, therefore certain capacities ought to be built, promoted and bid. That is being currently done by others and their experiences demonstrate the rightness of that course of actions. The relative smallness and closeness should not represent an obstacle, though the mere existence of more centres (and subcentres) demands the work to be split, calls for better co-ordination (i.e., co-operation), and competitiveness. But on the other hand, greater work-sharing means taking off some of the burden from individual areas and thus development opportunities for less developed areas. Yet, if we choose to give the situation a wider (a more audacious) look, we see that the whole of Slovenia could actually form one interport area or a larger dis-

tribution centre (logistic centre) which could support itself by the »subcentres« in Ljubljana, Maribor or Koper. All that calls for an outstanding logistics. Today the integration of modern transport technologies, information technologies, makes the decisions which did not occur to us yesterday, today and tomorrow, possible.

Besides, the logistical mechanisation and outstanding logistics require the existence of logistic institutions. The required logistical level of home users is gradually going to meet the level of the European Union on equal terms. The so called »door-to-door« services, »one-stop shopping« for logistical services, logistic packages are going to be more and more present in the home logistical market. The demands are going to increase for system offers and Euromultinational (Pan European) as well as global appearances on the market, JIT and JIT/global supplies.

To meet those demands logistic companies will have to adjust (change) their strategies and try to comply with the market demands, but above all, they will have to readjust their appearance. Corporate appearance will be left exclusively to the large and the big. There will be not enough room for everybody. Only the huge and the tiny companies and individuals respectively are going to resist and remain, i.e. those who are going to direct their businesses into niches or those that will bind themselves to bigger companies by means of business agreements. Success of those firms will depend largely on the degree up to which the demands of their customers will be met and on the extent by which these customers will be prepared to entrust the company with the covering of their needs (make or buy, mix). Situations ahead call for an instantaneous adjustment to the ways of making business (unified standards, competition) and to the »family life« that expects us in the extended European Union.

5. CHOOSING THE INSTRUMENTS FOR ASSERTING (MACRO)LOGISTICAL POLICY AND FINANCING

Our socio-economic interests decide for the kind of logistics we need. In doing so we try to reach our certain goals by employing instruments of the logistical (macro) policy. Instruments of the national (government-led) integration to reach those goals consist of the following instruments:

- soft promotion – relates to government attempts to encourage or slacken the carrying out of certain activities,
- regulation – relates to government actions in cases when the government itself demands from individuals or companies by using legal regulations that the public interest be met,

- investment – the government offers financial support.

Simplified, instruments can be classified into two wide categories: the direct and the indirect. The direct ones mostly act toward work-sharing among transport holders, the indirect ones act more toward transport (logistic) services offers.

By subsidies certain transport forms can be encouraged which cannot last and turn into a constant state of affairs. Yet a constant state of affairs can be reached only when all are provided with the same conditions (to develop and survive), and the customers are given a free choice to decide on the basis of their own strategies.

Nowadays practically no one is without any financing problems when one wishes to furnish capital in the field of transport activities. Solutions are normally sought after that would be optimal and cost acceptable. Today's goal is not merely the optimisation of the current status but an optimal status - an optimal system. Even the richest ones are hard up to bring all their ideas into life, therefore they search solutions in the logistical concept. First-class logistics results in »less« traffic, better space-transport regulation and lower costs.

Since the projects, above all those infrastructural ones, are rather demanding, long-lasting, they are as well financially very extravagant. Two basic financial instruments implied in the field of traffic investments are: taxes and credit financing (the state contract debts – credits in banks, issuing of Government bonds and Treasury bills, loans). More and more solutions are sought after in calling on private capital. Private capital would normally have the easiest access to the tissue and it proves most effective. The Government could direct more and more work toward the private sector which would as far as the costs and quality of work are concerned manage the jobs equally well or perhaps even better. Privatisation of profits and socialisation of losses would not be taken into consideration.

The privately run financing instruments are well-known: leasing models, licence models etc. The decisive criteria for the choice of alternative financing sources are the aspects of space order, cost-benefit analysis, employment effects, growth-financing, etc.

In Slovenia the solutions for traffic investments are as well to be sought after through taxes and credit financing, also the possibilities of how to stir the privately owned financial sources are to be explored. It is of equal importance to look into the alternative models of financing different projects and criteria ought to be accepted for that (growth-financing, etc.).

6. INSTITUTIONAL ORGANISATION

Nowadays, countries (and companies as well) have to develop different strategies in order to remain competitive players on the international market (i.e. on the global market). Strategies have to be directed so that the countries (and companies) gain maximum responsiveness to demands and needs from the inside and above all from the environment. Chances that are offered need to be properly met and taken to our advantage. Moreover, the country (and companies) ought to be structured in such a way in which they themselves effectively recognise the wishes and demands from the environment. Yet the organisation at the country and company level in order to become more competitive in a responsive environment, that is a question for the governments and managers to solve. It is indeed the essential question of today!

Responsiveness depends largely on successful logistics which is a typical responsive field of business. Logistics is directed toward an organised and operational system development with the purpose of actually being or becoming responsive. Countries (and companies) that have realised that, are trying to use that knowledge to their own advantage. As the situation shows, we seem to have a bit of a problem with that, for already knowing the horizontal (overwhelming) acting of logistics, we are still rather weak at the system approach which is immanent in the logistical concept. Many barriers (fragmentation) stand in the way of an integrative logistic acting, which leads to counter-productivity.

Strategic planning in the field of logistics has to bear in mind among other things the public interest and the company strategies, which calls for incorporation of government representatives, company representatives (tenders as well as users of transport-logistical services) professional organisations and independent experts.

There is a want for a sort of central organisation in the form of a head logistical agency which would take care of the strategic directing of logistical activities. The basic preoccupation of that agency ought to be the bringing-into-line and the co-ordination between the companies' strategies and the logistical (macro) policy, training in the field of logistics, attending to development as well as accelerating the implementation of modern transport technologies, information technologies, obtaining first-rate business information about export, internationalisation of the management and appearing in new promising markets (international logistics, etc.).

The existence of such or similar institution, which is the work for further researches, would be justified by its results coming of the synergic effects of company strategic activities clock-work and macrologistic pol-

icy, of a balanced sharing among various transport carriers, better solving of space-transport conflicts, of a better public awareness, etc.

7. CONCLUSION

The most important arguments of the logistical policy consist of: international trade, business networks, strategic management, environment protection, the transport costs are shared in the goods production value, etc.

International integration has nowadays become a *conditio sine qua non* without which the companies and the whole states cannot be run successfully. The fact is the more important for a small country which due to their low specialisation have to import massively and due to the relative smallness of their markets have to export. A characteristic of a modern firm is industrial network, a challenge to logistics. Strategic management of today is consequently including logistics. Its strategic directing is of uttermost importance for each country, which is why the model for such strategic directing has to bear in mind the offering side (the so-called production factors), the conditions in the demanding side as well as the supporting and the supplementing sectors. Whether the country is going to be successful is up to the harmony of all these factors. The work-sharing in transport (in the transport science) has to be based on technical, economic and ecological factors.

POVZETEK

Za današnji čas so značilne pomembne spremembe in preobrazbe v družbah. Pri strategijah razvoja držav je treba upoštevati različnost posameznih držav in sicer geografsko, kulturno, politično, socialno in ekonomsko. Vsako državo je treba gledati v tem kontekstu.

Učinki logistike kot prežemajoče dejavnosti se čutijo na vseh področjih družbeno-gospodarskega delovanja. Prostor, naselja in logistika tvorijo sistem, eno celoto, ki mora biti obravnavana integrativno.

Koncept strategije razvoja logistike v Sloveniji mora upoštevati interese vlade, sektorjev in podjetij, raziskovalno-razvojno politiko, logistično politiko, izbiro logistične dejavnosti, izbiro instrumentov (makro)logistične politike, financiranje, institucionalno organiziranost.

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