

Impact of Effective Logistic Management on Organizational Performance

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Abstract

Through this research it will be identified that how firm gets added value in its organizational growth in terms of effective cost and operational efficiency. The overall goal of the research is to introduce model regarding logistic management effected by various factors. Effective logistic management does not require the specified size of organization to perform but to ensure efforts to be cost efficient and appropriate processes in order to avoid wastage of material, time and energy. Therefore, it is an important factor for any organization to keenly focus their logistics management area for both inbound and outbound activities. Designing and implementation of performance measures criteria is continuous process towards taking the best decision in favor of firm for future growth and development. Studies thought that performance management has a relationship with suppliers, delivery of finished goods, inventory management cost and customer satisfaction. Performance management process as a part of logistic management system linked with customer satisfaction. Effective logistics activities and capabilities of organizations lead towards firm success. However, it is also argued that logistics pledge flow of raw materials in organized pattern in a way which reduces the operational cost and enhance process effectiveness to meet customer and market expectations. Competitive advantage in respect of customer satisfaction and fulfillment of market needs may be achieved by the organization through effective logistics and supply chain management. Competitive advantage include two major types of advantages i.e. cost advantage and value advantage. Where cost advantage provides benefit of low cost on production and transportation whereas, value advantage creates positive perception and reputation of organization in market.

Keywords: logistic management, inbound and outbound activities, suppliers, competitive advantage, supply chain management.

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Introduction

Overview & Background:

Logistics management enables understanding to gain the information flow of material inside and outside the firm. That means logistics includes movement of raw material and finish goods throughout the process (Gunasekaran, 2003). This might often have happened that logistics management gets ignored by the organizations since they prefer to focus towards customer satisfaction. Through this research it will be identified that how firm gets added value in its organizational growth in terms of effective cost and operational efficiency. The overall goal of the research is to introduce model regarding logistic management effected by various factors.

In concept of business, term Logistics was introduced in global business environment in the year 1950s to develop awareness and clarify the purpose of existence of logistic to support the businesses in terms of supply of material for the production purposes and transport the final products to the market o consumers ensuring supply chain management. In present era of global business sector, logistic management is described as to supply material from initial point of production to consumption point i.e. consumer. In broader aspect, logistics plays a vital role towards organizational performance that includes comprehensive information, transference of goods, inventory management, warehouse management and packaging.

Effective logistic management does not require the specified size of organization to perform but to ensure efforts to be cost efficient and appropriate processes in order to avoid wastage of material, time and energy. Therefore, it is an important factor for any organization to keenly focus their logistics management area for both inbound and outbound activities.

Problem Statement:

How does effective Logistic Management influence organizational performance in terms of which attributes in Logistic Management leads organization towards growth and success?

Objective & Significance of Study:

The core intension to conduct this research is to identify factors and attributes of logistic management and its process in respect of organizational performance and growth. The research is being undertaken considering the scope of logistics in business expansions in global market.

Outline of Study:

Supply chain management operates with the vision to keep the bonding between suppliers and manufacturer, wholesaler and retailer and finally to end user of product i.e. consumer. This also ensures integrated coordination flows within the organization as well as among the companies with effective logistic management support in order to make the raw material available for manufacturer and products to be available in the market for consumers. It identifies and describes multiple logistics activities like transportation, warehouses, packaging etc. optimal efficiency of overall organization may be achieved with the support of logistics from both end inbound and outbound logistics. The research will have broader vision in respect to the subject matter and will serve substantially to the readers in logistic viewpoint.

Literature Review

There are multiple models and studies are available where firms need to establish performance measures in terms of logistic management to enhance the efficiency and effectiveness of the organization. Designing and implementation of performance measures criteria is continuous process towards taking the best decision in favor of firm for future growth and development (Gunaskaran, 2006). Studies thought that performance management has a relationship with

suppliers, delivery of finished goods, inventory management cost and customer satisfaction. Performance management process as a part of logistic management system linked with customer satisfaction. Effective logistics activities and capabilities of organizations leads towards firm success (Lambert and Burduroglu 2000; Lynch, Keller, and Ozment 2000.). Since multiple researches have been done regarding effective logistics management and suggested that logistics has been considered as a link between market place and manufacturers with low operational cost from point of supply of raw material from the supplier to the point of production of final goods.

Thus it is explored that the fulfillment of customer satisfaction and needs are one way or another based on logistics management system due to integrated coordination of material transportation from supplier to the manufacturer and transportation of products from firm to market places. In the present and leading edge, it has been identified and acknowledged that logistic plays a vital role in organization performance and reputation therefore, organizations include supply issues in strategic planning as an important factor. In broader aspect this has been argued that supply chain management is to be considered as integrated network of entire organization which ensures the linkage and bonding from upstream to downstream.

However, it is also argued that logistics pledge flow of raw materials in organized pattern in a way which reduces the operational cost and enhance process effectiveness to meet customer and market expectations. Competitive advantage in respect of customer satisfaction and fulfillment of market needs may be achieved by the organization through effective logistics and supply chain management. Competitive advantage include two major types of advantages i.e. cost advantage and value advantage. Where cost advantage provides benefit of low cost on production and transportation whereas, value advantage creates positive perception and reputation of organization in market. (Christopher, 2016).

Research Hypothesis

H1: The effectiveness of Logistic Management creates positive impact on organizational performance.

H0: The effectiveness of Logistic Management creates null impact on organizational performance.

H2: The responsiveness of Logistic Management creates positive impact on organizational performance.

H0: The responsiveness of Logistic Management creates null impact on organizational performance.

H3: The logistic cost of Logistic Management creates positive impact on organizational performance.

H0: The logistic cost of Logistic Management creates null impact on organizational performance.

Research Methodology

Method of Data collection:

There are different techniques which are used for gathering the different researchers use the data and these techniques for having the systematic data. The data must be relevant to the research objectives; data can be collected in two ways.

Sampling Technique:

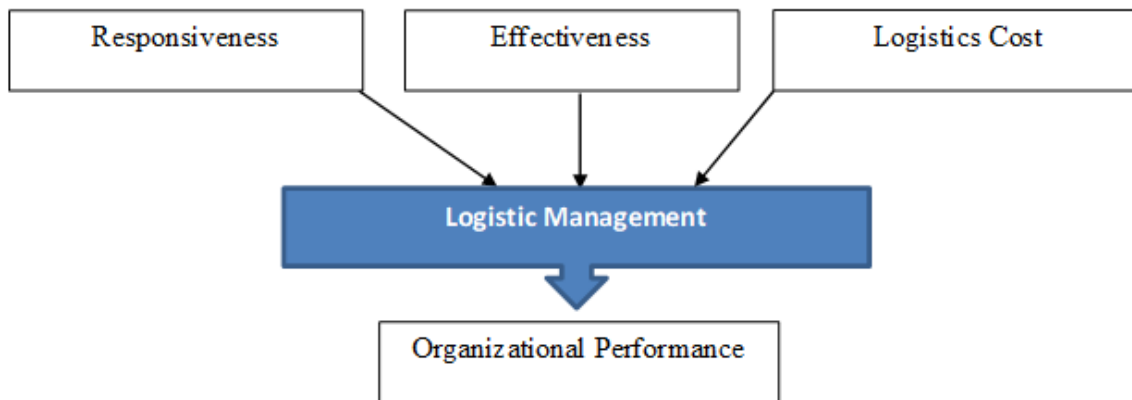
In this research report, a random sampling technique is used. One of the simple random samples is the statistical population subset in which equal popularity is given to each member of the subset of being selected. As per Saunders et al., (2009) the whole sampling process is performed in one step and each of the selected subjects is independent of any member of the population of the research project.

Sample size:

Individual samples measures are measured by the sample size which is used for the survey. The executive officer or the senior officer manage the logistics practice of those organizations who are being expected to possess the best information and knowledge about the management of the logistics management like as logistics managerial VP (Easterby-Smith et al., 2009). There were total 66 targeted organizations to gather the required information. The questionnaire was distributed to total 556 individuals and the managers. These were distributed to total 66 organizations. That formed the 86.7% of total analysis units. Only 500 units were gathered by the research that was representing the response rate of the 77% of a total unit of analysis because out of that total 56 respondents failed for returning the questionnaire. So, it could be said that the actual number of questionnaires analyzed was representing the 90% of the total unit of analysis, and that was 500.

Research Model:

For gaining or achieving the objectives of the research, they have made the following research model.

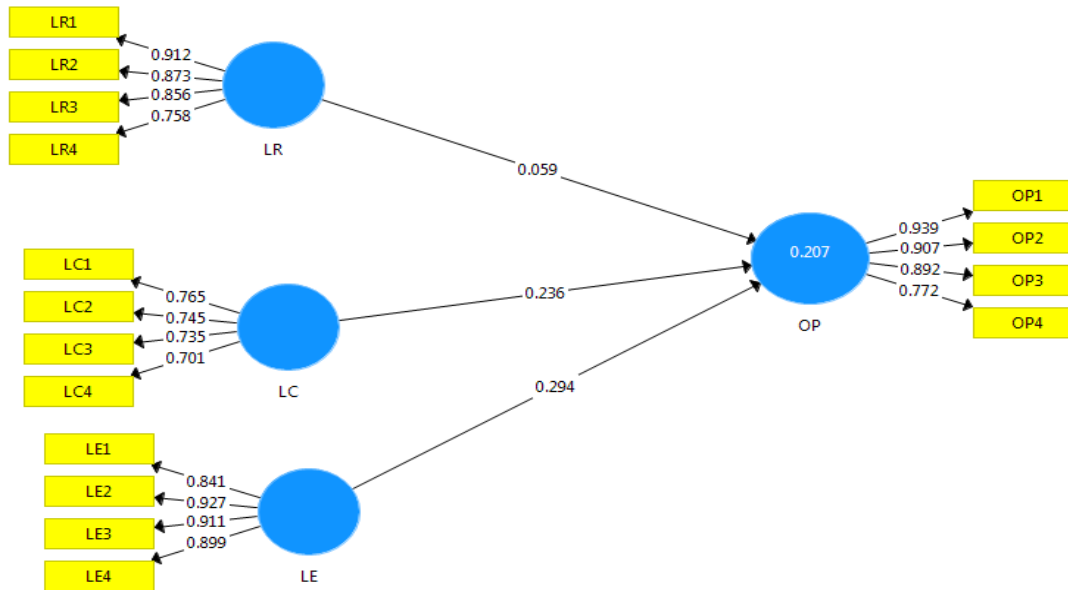


Results

Findings and Interpretations of Results:

Smart PLS was applied to the research data collected from the multiple resources in order to find out the reliability and validity of relations between independent and dependent variables. The

model has been tested in two steps. First, it evaluated the validity of model and accuracy of independent and dependent variables under the circumstances. However, the author has thereafter applied the correlation and regression test in order to test the likelihood among variables.



R and Q square test of Model Accuracy

$R^2 = 0.207$

Q2=

	SSO	SSE	Q ² (=1-SSE/SSO)
LC	1,572.000	1,572.000	
LE	1,572.000	1,572.000	
LR	1,572.000	1,572.000	
OP	1,572.000	1,343.384	0.145

The value of R-Square describes the overall reliability of model in terms of impact established by independent variables towards dependent variables. The model is reliable and accepted in case if value of R-Square would be >0.1. In this study the value shows R-Square = 0.207 which is according to the required value for the valid modeling.

Q-Square or Construct Cross Validated Redundancy test needs to be applied in order to cross verify the fitness of model based on values extracted out from different tests and value of R-Square. The cross verification of model fitness requires Q-Square value >0. Henceforth, the value of Q-Square in this case is 0.145 which is greater than required value and verifies the validation of model fitness presented in this research.

Reliability and Accuracy of variables

Items	Outer loadings >0.7				>0.7	>0.7	>0.5
	LC	LE	LR	OP	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
LC1	0.765				0.769	0.826	0.543
LC2	0.745						
LC3	0.735						
LC4	0.701						
LE1		0.841			0.917	0.942	0.801
LE2		0.927					
LE3		0.911					
LE4		0.899					
LR1			0.912		0.873	0.913	0.725
LR2			0.873				
LR3			0.856				
LR4			0.758				
OP1				0.939	0.900	0.931	0.774
OP2				0.907			
OP3				0.892			
OP4				0.772			

Discriminant Validity:

	LC	LE	LR	OP
LC	0.737			
LE	0.298	0.895		
LR	0.464	0.197	0.852	
OP	0.351	0.376	0.226	0.880

Stage 2: Structural Model:

Collinearity

	LC	LE	LR	OP
LC				1.351
LE				1.103
LR				1.281

It was found that Cronbach’s Alpha and Composite Reliability of independent variables are >0.7 whereas, Average Variance extracted (AVE) which is >0.5 reflects the positive relation between the variables.

Afterwards, Discriminant Validity test was applied in reference to the collected data. This test reflects the authenticity of each variable towards the valid result of research. The upper most value of each variable needs to be greater than next coming variable. Hence according to the extracted results, upper most value of each variable are 0.737, 0.895, 0.852, 0.880 which are greater as required to have positive relationship among variables.

Co linearity Test measures the relationship between all independent variables. According to this test, there should not any relationship be existing between independent variables i.e. each variable must possess its independent strength to create impact on dependent variable. Hence the value of LC is 1.351, LE is 1.103 and LR is 1.281 which is <5 ensures that independent variables of this research have no relation among them.

Likelihood of independent variables on dependent variables:

Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
LC -> OP	0.236	0.242	0.063	3.734	0.000
LE -> OP	0.294	0.292	0.064	4.607	0.000
LR -> OP	0.059	0.064	0.057	1.032	0.151

Coefficients test was applied to understand the impact of independent variables towards dependent variables in order to have significant study that either the conducted research provides reliable outcomes. In this test the "P value" must be <0.05 if independent variables impact positively on dependent variables. In this test logistic cost and logistic effectiveness reflects the positive impact on dependent variable as it possesses values $LC = 0.000$, $LE = 0.000$ whereas, logistic responsiveness does not reflect positive impact having value $LR = 0.151$. However, this negative impact of logistic responsiveness does not reject the research as, it has justifiable reasoning while this model fix on particular economic environment.

Discussions, Conclusion, Policy Implications and Future Research

Conclusion

This is the general understanding that financial measures and efficiency are always the most important measures in rating the organizational performance. This is the reason that many previous studies have always regarded the two components the most effective tool of performance indicators. The last component responsiveness is least important in logistics management. This questionnaire that was structured to fetch the results however, also revealed some hidden facts that were not the part of the study such as customer focus is also the main variable that also contribute its primary role in comparing the efficiencies of logistics but since our research model has ignored the component efficiency therefore can be regarded as the research limitation here.

All in all, we can conclude that the study has been proved successful in evidencing that logistics effectiveness and financial efficiency have positive relation with organizational performance. Now on the results basis, it is recommended to the management of organization to place great emphasis on competency of logistics and to design some strategies through cost of the logistics can be reduced through using available resources. Like other areas of the management in

which effectiveness plays immense part in achieving success, supply chain is also the core area through which organization can achieve competitive advantage over others. The reason of complete study is to identify the importance of logistics in overall performance of conglomerate for the purpose of sustainability in a highly competitive environment. Over the period of years, when world has become flat and business are expanded worldwide, logistics and supply chain has gained serious concerns for the management along with other activities. Due to increasing importance of this field, many researchers have already been conducted in this regard however still some practical side of the subject have been ignored which needs to overcome in the future work. For example, the study has been undertaken from the experts of supply chain who have been engaged in the logistic for a long but we have failed to take the example of a company in detail and to assess the overall impact of their logistics management in organizational success. Therefore, in future research, we expect that the practical area of the subject matter will be evaluated comprehensively.

Recommendation

Thereafter, detail study based on prior researches and future prospects of logistic management evident that effective logistics and financial management creates positive impact on organizational performance. On the basis of collected data and results, it is extracted that organization can enhance its reputation and performance by emphasizing on multiple dimensions of logistics that includes logistics effectiveness, responsiveness and logistics cost. Like other management areas, the effective logistic management is being considered as backbone for the organizations in the present era. Due to great focus on logistic management organizations achieve competitive advantage in the market. Number of researches has been conducted worldwide on importance of effective logistic management and it has found that organizations are keenly focused to continuous improvement in logistics activities and operations.

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