

# Quality of investments in logistics

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**Abstract:** The issue problem of paper is that base on researches connected with analysis of investments in logistics based on the review of 100 pooled manuscripts from different sources (scientific journals and online magazines from 1996 to 2012) it was showed that there don't exist quality as well as leadership has no a good overview of the investment in logistics. It was claimed that the quality point of view should be demanding part of investments in logistics. Val Log was proposed as an answer to the issues of managing quality of investments in logistics at the tactical level in organizations. By Val Log it is possible to overcome the myth that logistics projects cost money while business projects bring money. Val Log also provides detailed instructions for goals and metrics for each process. By doing changes the quality should be the obvious pillar of our affords doing it.

**Key words:** quality, investments, logistic, Val Log, ISO 9000.

## 1. Introduction

An effective quality management system (QMS) helps to ensure the needs and expectations about products and services of customers, investors and other stakeholders of an organization. It enhances customer satisfaction and gives business benefits to the investors. The ISO 9000 family gives us a high level framework to manage investments in logistics. In most cases the lack of knowledge from the field of investments in logistics makes the empty space for another more concrete or specific framework. The framework which help us making links from strategic to the tactical level is still missing.

Val Log (BORUT J., CVAHTE T., ROSI B. 2012a, BORUT J., CVAHTE T., ROSI B. 2012b) is a framework with complementary and mutually connected processes as well as with other guidelines on tactical level for managing investments in logistics, which are adapted

for top leadership working on strategic level of the management pyramid. Processes and instructions are written in the language of leadership in a way that a leader can understand and use. At the same time it distinguishes the respective roles of members of the management of such investments.

The rest of the paper is based on the hypothesis that both IT and logistics are similar on the position and relationship to other business processes within the organization and in particular with regard to perception by management. The other hypothesis is that the organizations are aware of the existence of recognized own logistics activities or even logistic process with the existence of the RACI chart (responsible, accountable, consulted and informed) for recognized activities or process. And the last but not least: the organization is aware, that for the maintenance of existing business operations,

its increase or the change in logistics activities needs investments.

## 2. Literature of investments in logistics review

As a base for our further research into investments in the field of logistics, we began with an extensive literature review, which is in detail published in the technical report (KARLOVAC, S., KOREN, D., MLIVIĆ, A., ŽOHAR, A., JEREB, B. 2012, SYGUT P. 2013, ROSAK-SZYROCKA J. 2013). The goal of our research was an analysis of investments in logistics based on the review of 100 pooled manuscripts from different sources, such as scientific journals and online magazines from 1996 to 2012, majority dating from 2009 on. The most of them come from Europe (almost half of them) and America (approximately one third) with significant precedence to the other word. Asia follows. By examination of the abstracts of the chosen pooled manuscripts (we supposed that in general, the abstracts reflect the contents of the manuscript) we determined the nowadays focus on investments in logistics. The process of analysis examined which words are most commonly used in the abstracts. Results can be seen in the Table 1.

Table 1. Focus on investments in logistics

Word	Frequency
Investment	2,1 %
Supply	1,3 %
Chain	1,3 %
Logistics	1 %
Cost	0,7 %
System	0,7 %
Model	0,6 %
Information	0,5 %
Technology	0,5 %
Paper	0,5 %
Research	0,4 %
Performance	0,4 %
Study	0,4 %
Risk	0,4 %
Rate	0,4 %
Firms	0,3 %

Business	0,3 %
Management	0,3 %
Manufacturing	0,3 %

Source: own study

An analysis was also done on groups of two words which make out phrases. Most commonly, the terms “supply chain” and “information technology” appear. More results are shown in the Table 2.

Table 2. Focus on investments in logistics

Word	Frequency
supply chain	0.7 %
information technology	0.1 %
hurdle rate	0.1 %
chain management	0.1 %
risk adjusted	0.1 %
e-grocery	0.1 %
required rate	0.1 %
distribution centre	0 %
logistics service	0 %
relationship between	0 %
chain infrastructure	0 %
wide hurdle	0 %
cash flows	0 %
goods effects	0 %
logistic goods	0 %
case studies	0 %

Source: own study

As in the case before, the quality or the QMS is not the topic of investment in logistics discussions. And these discussions probably reflects the real situation where leadership has no a good overview of the investment in logistics. The practice of reporting and evaluation of investments in logistics has been deficient and such a bad practice prevails even today.

### 3. Quality management principles in frameworks based on ISO 9000 and Val Log

In Val Log the same principles should be found in the top (strategic) and in the middle (tactical) level. Because the framework make links between strategic and tactical level the text is much more extended and it goes over the limits of this paper. However, more text should be find in (BORUT J., CVAHTE T., ROSI B. 2012a, BORUT J., CVAHTE T., ROSI B. 2012b). ISO 9000:2005 is based on the following eight principles that can be used on strategic level (top management) in order to lead the organization towards improved performance (INTERNATIONAL ORGANIZATION FOR STANDARDIZATION). Customer focus. Leadership. Involvement of people. Process approach. System approach to management. Continual improvement. Factual approach to decision making. Mutually beneficial supplier relationships.

### 4. Summary

Logistics processes occur in every organization, not only in specialized logistics organizations. The challenge paradigm is the new business value gained by investing as a central concept in logistics. The benefits should be the main point which can bring towards a new business value. In doing so, let us not forget that with investment in logistics we aim for both maintenance as well as an increase or change in operations. By doing changes the quality should be the obvious pillar of our affords doing it. Consequently, the quality point of view should be demanding part of investments in logistics.

When investments should be managed according to the quality standards or frameworks, the most expected approach in Europe is to use ISO 9000 family standards. These standards are very useful on the top management (strategically) level. Unfortunately, organizations needs also tools or frameworks at the lower (tactical) level, what is very important in the small or medium sized organizations with a small budget for specialized every day support of the core business. We propose a Val Log as an answer to the issues of managing quality of investments in logistics at the tactical level in organizations. By Val Log is possible to overcome the myth that logistics projects cost money while business projects bring money.

Val Log also provides detailed instructions for goals and metrics for each process. Activities also need to be defined. Due to transparency and ease of use, Val Log also repeats goals and metrics in the fields, which serves in order to not lose the broadness of the overview. The framework is a recipe which could to be used again and again, but every time a little bit differently. Like any recipe, it is used as a checklist, which is based on given principles and use in accordance to experience and with the account of specificity of the environment. Particularly it is important to emphasize the importance of responsibility tables, which are invaluable in practice and are generally not given in different frameworks, guidelines or standards.

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