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## The future of supply chain and logistics management in the strategic organizations: contractor companies and new generation suppliers

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### Abstract

The global competition oriented-enterprises, sea, land and rail route enterprises of the nations, strategic agricultural and industrial production centers, energy production and distribution enterprises as well as the strategic public organizations such as armed forces and law enforcement agencies will tend toward advanced professionalized outsourcing applications. The production cost competition will be replaced by the supply-chain cost competition. As it is, it is within the claim that the new generation suppliers turn the logistic sector of the operational ability and expertise needed labor force into an out-and-out area of employment. On the other hand, the organizations based on the information and communication network in America and in Far Asia, day by day tend toward using performance-based logistics and 3<sup>rd</sup> party logistic applications. In logistics, the affordability of the augmentation of human sources and supplier demand with skilled labor make it already necessary to deal the supply-chain and logistics management in a strategic dimension. In this study, a set of determination and proposals about the supply-chain in the strategic organizations and logistics management activity requirements are presented.

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*Key words:* Supply-chain management, logistics management, strategic organization, outsourcing, Contractor Company

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### 1. Introduction

The most important paradigm of the modern business management is about the companies not being able to exist as autonomous and individual entities and their being have to be in a supply-chain. At the present day, the company management is in the “network competition” age, the brand and store competitions are replaced by the supply chain competition (Karaçay, 2005:318). Quinn define the supply chain as the all the related activities from the time where the material is raw material until the last user, i.e : research and supply, production, tabulation, commit the order, stock management, transport storage and costumer services (Lomnus and Vokurka, 1999:11 in Erturgut, 2008:475). For cost reduction, Supply chain management the proper control or the intra-enterprises process is the model of the future used for increasing the speed of the quality and activities (Hammer,2001:84 and Özdemir, 2004:88). The companies that will take place in this model are expected to be advanced professionalized endowed with strategic and operational working capacities and “new generation supplier” in logistic domain.

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## 2. The Outsourcing in The Supply Chain Management and 3<sup>rd</sup> Party Service Providers

Using a third party logistics company to provide logistic support is considered outsourcing. Outsourcing is rapidly becoming one of the dominant practices in commercial businesses today, particularly in logistics. Outsourcing has been defined in a number of ways, but essentially it is, as above, the transfer of a function previously performed in-house to an outside provider. It involves the movement of work, but not often the transfer of responsibility and accountability or oversight, to the external provider, (Cardinalli, 2001:106; Ertugut and Alanur, 2011:2).

Using outsourcing serve to five basic purposes in logistics angle. Those are; providing the cost leadership (Philippatos and Sihler, 1991:303; Craig, 1996:102; Parasız, 1999: 516; Fan, 2000:213; Karacaoğlu, 2001: 8; Koçel, 2001: 313; Köylü, 2007:16), being able to use the basic perfections (Tampoe, 1994:68; Dinçer, 1997:290; Campbell and Luchs, 2002:7, Ülgen and Mirze, 2004; 120,) providing the competitive edge (Tatari, 1990;3, Christopher, 1998; 4-5, Porter, 1998:78; Eren, 2003:51; Koçel, 2001:190; Çivi, 2001:21; Yurt, 2004:26), harmonise with the technology and alterations (Lacity and Willcocks, 1994:12-14) and downsizing (İlter, 2002:5; Tomasko, 1990:59 in Onay and Kara, 2009: 596).

Activities of using of external sources in logistic domain are often called as “3<sup>rd</sup> party logistic services”. These enterprises need to work eurythmically with the enterprises that they give external source service and oriented to realize the marketing strategy of the customers (Orhan,2003:34). Thus, 3<sup>rd</sup> party service providers provide wide logistic services to the enterprises using external sources to coordinate their Goods transfer from one station to another (Virum, 1993:357; Kajita and Ohta, 2001:129, Man, 2006:19; Onay and Kara, 2009:596). In other words, the 3<sup>rd</sup> party logistic is “providing of several logistic services by a single service provider in the frame of an agreement” or the undertaking of these services by the expert logistic enterprises (Sevim, et al., 2008:3).

Recent reserchs related with outsourcing in logistics show that warehousing, IT, and customs brokerage outsourcing could have impact on some managerial and strategic aspects of supply chains (Hiletofth and Hilmola, 2008). In parelely existence of moderating factors suggests interesting new strategies for outsourcing the logistics functions (Kenyon and Meixell, 2010:1). According to Waters, logistics is a particularly popular function for outsourcing, with expert third parties taking over part, or all, of the meterial movement and storage. Surveys suggest that around 30 percent of logistics expenditure is outsourced in EU (Waters, 2003:12). Past researchs also strongly advocates that to realize the potential for improved competitiveness, outsourcing decisions should be strategic and made in congruence with firm strategies (Chamberland, 2003; Gottfredson et al., 2005; Insinga and Werle, 2000; Merrifield, 2006, Kroes, 2007:2).

## 3. Contractor Companies

The contractor companies that provide logistic services have a legal structure. They communicate with the costumer via agreement and they are in competition with each other in international market. According to the law, they are obliged to be registered at least in their country and they have requirements via licenses towards their own country to be able to make agreements with the foreigners (Yılmaz, 2007:44). The contractor companies provide services to various official and private customers under a wide supply chain and they are increasingly being widespread. The reason of the increase of the contractor companies is the advantage of using in the logistic domain the renovations brought by technology .As the transfer, storage, physical distribution and inventory control will be possible with the information and communication networks, both the public and private organizations have the chance of encircling the strategic logistic services to contractor companies.

## 4. The Freight Forwarder Operations in Providing Logistic Service

Logistic service reflects the chain of services realized by using one or more type of transport including consolidation, storage, handling, packaging or distribution services customs declaration of the Goods, theirs insurances, preparation of the legal instrument and payment collection. (Babacan, 2011:8) Freight forwarder applications are strategic and critical phase of logistics. A freight forwarder is an organization that collects

shipments from a number of businesses and consolidates them into larger shipments for economies of scale. A freight forwarder often also deals with route selection, price negotiation, and documentation of distribution, and can act as a distribution agent for a business. Freight forwarders play a key role in supply chain management. Their vital importance has been perceived by all the actors in business world. The suppliers, manufacturers, exporters and importers can focus on their core business by contracting with a freight forwarder, logistics service providers, 3PL's (Erturgut and Alanur, 2011:5).

## **5. Global and Regional Logistic Centers**

Logistic bases are the private centers where all logistic activities for the international or national transitions such as transport, storage, handling, consolidation, degradation, custom clearance, export, import, transit operations, infrastructure services, insurance and banking, consultancy. The basic specialties of the logistic bases: they provide the use of several transport type, the distribution is made from a single center, there are smart storage systems, existence of value-added production or the operations and private custom operations. The logistic bases must have physically 250 hectare square measured, in or close to a metropolis, the possibility of transport via land route, having railway connections, being in the multimode transport facility, close to harbors, to inland waterways and to the airports and having advanced communication and information technology infrastructure (Üzülmez,2008:14).

## **6. The Necessity of Operational Service Providers in Future Logistic Environment**

Today's hyper-competitive environment, characterized by constant change, market unpredictability, and the pressure to reduce costs and cycle times, coupled with the globalization trend, has provided further impetus to the growth of outsourcing. Reports on recent research on "leading edge" firms, which shows that logistics plays an important role in a firm's competitiveness. Many world-class commercial companies have reduced inventories significantly and now rely on real-time information, coupled with rapid transportation, to meet customers' demands. Substantial cost savings in acquisition, warehousing, packaging, and transportation have been achieved by reducing inventories. Much of their inventory is in motion in the logistics "pipeline." To manage their reduced inventories, these companies employ global, wireless communications systems that give them up-to-the-minute status on shipments and deliveries (Hauck and Cousins, 2000:85). Details the evolution of advanced logistics management, analyses the essence of logistical leadership and outlines likely characteristics of the leading logistics organizations of tomorrow (Bowersox and Daugherty, 1988). In the future, by leveraging information technologies, logisticians will be empowered to provide the right support at the right time at the right place (Piggee, 2002:3). Finally in the future, the new generation suppliers that will provide dynamic outsourcing services for the logistic and supply chain activities are expected to have the following specialties;

- Having the expert human source,
- Being able to use on the highest degree the information communication and network technologies,
- Having the ability of global level of operation and proceedings,
- Having the flexible business process and grades,
- Production, delivery, transport and storage right on time,
- Respect to the contract and respond to the flexible requests of the employer when needed,
- Ability of going to professional outsourcing applications,
- Acceptance of the zero error approach during the examinations and controls,
- Tendency of making contracts of several years with the customer,
- Business in the wide logistic bases.

## **7. Conclusion**

In the future, there will be the wars of the supply chain among the enterprises. New generation suppliers and contractor companies are expected to be the strong actors of the logistic and supply chain management in the 21st century. These companies are expected to obtain in the global level the ability of operational transact business and performance based business units. Private sector enterprises and strategic governmental institutions need to gather

the universities, study centers and technology producing departments and create the legal and technologic infrastructure of the new generation supplier system that can be in competition in a dynamic environment.

Besides, public organizations need to differentiate their known awkward and bureaucracy intense supply process to be able to make use of the new generation suppliers and they are especially obliged to reflect this to their supply and logistic service providing agreements. Thus, new generation suppliers will be dynamic contractor companies that provide performances based services especially in the strategic governmental organizations.

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