



A strategic service perspective of logistics and supply chain management

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ABSTRACT

Logistics and supply chain management is an area that evolved deeply in the past years, integrating developments of other areas of knowledge, both entrepreneurial and general. In this paper, a perspective of the evolution of logistics and supply chain management is somehow designed. Traditionally, one may find logistics and supply chain management in friction with marketing and claiming for its own space. Nowadays, it seems difficult to see internal (logistics) versus external (marketing) wars and different orientations between marketing and logistics because they are both service and relations oriented. Simple transactions have been substituted, long time ago, for sustainable relations in the area of logistics and supply chain management. Finally, a more service oriented logic has been the footprint of logistics and supply chain management in current days and not, as pretended for some current rows of investigation, a simple transaction approach under a goods dominant logic. Logistics and supply chain management is nowadays in parallel with an S-D logic (service dominant logic) because it is an area where relations matter, where sustainable links between networks of companies are crucial and where service is key in order to accommodate the contemporary thoughts and practices in the area. The main purpose of the paper is to stress the point that logistics and supply chain management is an area of service and value creation (or co-creation) and not a simple area of goods exchange and simple transactions.

Introduction and Methodology

The structure of the paper is divided in three parts: a) the first one with the major evolutions of logistics and supply chain management (point number 3); b) the second one containing the movement towards relations between companies instead of a narrow view of goods exchange (points number 4 and 5); and c) the third one mainly with the integration of logistics and supply chain management in a service movement and in parallel with others like the Service Dominant Logic (S-D logic) (point number 6). Additionally, the paper contains this small abstract as a synthesis and finally a short debate in terms of conclusion.

Methodology is totally based on an interpretative qualitative paradigm and the paper is the result of a process of several readings, debates and classes taught to executives and professionals of the field of logistics and supply chain management.

2. From the Logistics Evolution

Much of the research in marketing and logistics has led to the need to optimize the variables of the marketing mix—better products/services, improved communication, adequate pricing, appropriate channels of distribution (but also image, brand, segmentation, targeting and positioning)—as well as the need to optimize conventional logistical activities-storage, warehousing, inventory formation and management, transport, handling, location and management of infrastructures, order cycle management.

It can be said that there has nearly always been a dichotomy in research between the areas of marketing and logistics.

Hence, the trend has been for the research that is most focused on the external environment to come predominantly from marketing—notably whenever thinking about the profit side of managing the enterprise.

The trend for research that focuses on the enterprise's internal (organizational) environment has come, among others, essentially from logistics—notably whenever thinking about managing the enterprise from the cost perspective.

Whereas research related to the enterprise's external environment has been mostly developed around the legitimacy of the market and its corresponding paradigm, in relation to the internal environment the research has concentrated on organizational and shareholder legitimacies, corresponding, respectively, to the internal and capital paradigms.

It can therefore be said that research in marketing, in the past, focused mainly on the enterprise's external environment, while in logistics, research was more internally oriented.

Today it is recognized that this positional dichotomy gave rise to great many frictions and only contributed to a completely unnecessary intensification of conflict.

Sustained stability and proper results have never been achieved through excessively radical positions; only more recently has it been common sense that this is done through balance, even if unstable, where both multi-disciplinary and multi-functional constructions have become both desirable and current practice.

In the midst of this dichotomy in the development of research, logistics looked for new development and it also started assuming clearly the external side of the enterprise.

This meant it could extend its actual thinking to a set of enterprises upstream and downstream of the frontiers of the enterprise itself-giving rise to the supply chain management logic. Thus, logistics began dealing, more clearly, not only with internal (organizational) and shareholder legitimacy but also the legitimacy of the market, completing all its natural reasoning and spreading.

Today, nobody finds it strange to define logistics as low cost client service but, just a few years ago it was preferable to place this challenge in a more restrained fashion, *i.e.*, the right product in the right place at the right time for the minimum cost (or, even more complete, the 7 Right's perspective: the right product, to the right client, in the right quantity, in the right condition, at the right place, at the right time and at the right cost).

While it is true that the distinction between those two definitions is almost semantic, the fact is that the evolution that we have seen in recent years in logistics has been possible because the right product at the right price and at the right time has started, unreservedly, to be considered as client service, or to be included in a client service holistic perspective.

Thus, the challenge facing logistics today (or supply chain management if one prefers to open the scope and to add multiple company participation, although the fundamentals are the same) is a challenge of service at low cost. Since the area has been developed encapsulating all company dimensions, *i.e.*, internal (organizational), market and capital legitimacies and their respective paradigms, logistics knowledge has been developed as a non-paradigmatic area in both theoretical and practical terms.

Furthermore, it will be difficult in the future—except if the development does not follow the same patterns—to recognize logistics, or supply chain management, as being a specific science with its own paradigm—is that the purpose?—in order to obtain certain achievements that, at least for a period of time, provide somehow standard models to specific problems and correspondent solutions for a community of practitioners [1]. Isn't it better—for being richer in terms of thoughts and reasoning—to maintain the area as an open one, receiving contributions from other paradigmatic areas and evolving integrating other knowledge and paradigms?

In other words, isn't it more interesting to maintain the area in the absence of its own paradigm and evolving and enriching it with systematic integration of the knowledge becoming from other areas, both entrepreneurial (marketing, finance, production, human resources, to name some) or general (systems thinking, biological, sociological or psychological approaches, to name a few)?

Perhaps in the past, when trying to resolve more internal enterprise matters, logistics might have taken a much more organizational stance or, alternatively, one which defended the concerns of shareholders much strongly and to opt for a specific enterprise paradigm—would it be wise? That type of development would have taken logistics and, consequently, supply chain management, to an atrophy and to a restrictive area of knowledge and, probably, ending up by being a sub-area of another one.

This way, with proper transversal characteristics (*vis-à-vis* with functional areas of companies) and always looking for other areas' developments (specifically entrepreneurial and, also, general developments, coming from other areas of knowledge), catching ideas and integrating them in its own body of knowledge, logistics and supply chain management are presented today as being much more rich than they were in the past.

It was much easier, of course, to accommodate to one of the paradigms which explain the internal dynamics of the enterprise itself—a school which emerged mainly from the operations management side [2-8].

Meanwhile, the school coming from operations management was enriched with other lines of thought that have worked in parallel to place logistics clearly near the market paradigm and never stopped making the link between the place variable of the marketing and the logistic client service, achieved using variables like time, quality of service and cost—a logistic school which emerged, mainly, from authors more related with marketing [9-12].

Today, the *raison d'être* of logistics, also supply chain management, is that of business thinking capable of living and developing on the frontier between the internal (organizational), the capital and the market paradigms and to be broad enough to be capable of spreading between companies, being these companies linearly (directionally) organized or in networks.

Moreover, it is one area which tries to create value for the market (value/money creator area) but, in parallel, retaining value also for the organization and the shareholder, both within and between companies.

Thus, it is one area that participates not only in value creation but also in value retention and distribution.

As such, logistics clearly assumes its frontier role, or frontier logic, no longer disputing places in the shadow of already established paradigms, with their own business areas, to find balances—joint forms—in response to the various legitimacies and paradigms linked to them.

In this way, it goes from merely sporadic business optimization to a more holistic vision of the enterprise and, as a result, more all-inclusive and more sociological and less deterministic and/or quantitative.

3. From Transactions to Relations

Logistics has therefore been extending and assuming a clearly more all-encompassing role which has come to be called integration, between differentiated legitimacies and under distinct paradigms.

Hence it recognized the need to cross frontiers of the enterprise itself, upstream and/or downstream, or encompassing suppliers, clients, complementors and, eventually, even competitors, enlarging the scope and giving rise to a definitive collaborative approach, *i.e.*, the actually very well spread terminology of supply chain management.

And if we add to this the limitation now recognized in the original marketing and logistic thinking today, we can obtain a small picture of the complexity of what enterprises are currently debating, by means of the constraints of rising client demands and, as a result, the concerns which are generated to be able to serve the client as well as possible.

What is new in this context is not in fact the component of serving the market. It is the client's uniqueness that is new and the need to find in each response a balanced solution which takes into consideration the specific demands and characteristics of this client—its uniqueness.

To be more precise, the thinking about service has been forced to go from mass logic to tailor-made logic which takes the specificity of each client into consideration—or its uniqueness.

Marketing and logistics have become strongly service- sensitive areas as a result of the rising demands of clients, and more specifically their uniqueness, on the market side, as well as the corresponding need to serve them on the enterprise side.

This is even though marketing continues to look for solutions within the market paradigm (and to be true outside its own paradigm, following a logic of spreading to other areas—very common in areas that are permanently searching for growing opportunities) and logistics not only in the market paradigm but also in the internal (organizational) and capital paradigms—trying to develop its thinking in the frontiers, generating trade-offs between variables which concern the various legitimacies and business areas.

A number of questions are raised in the light of the market's new characteristics, notably the clients' uniqueness.

These include the need to consider the dynamics of conflict-cooperation, opportunism-relationships and uncertainty-dependence among enterprises all together.

In addition, the need for in-depth study of this kind of dynamics becomes a characteristic demanded by markets; this is because client and supplier become assets, essentially in inter-business markets, trying to find solutions to the uniqueness of their client markets.

The focus in the past led to markets being seen as highly fragmented and extremely diversified, where individual and independent transactions could take place and where relations were of secondary importance.

Yet, questions began being raised about the passive vision of transactions and the independence of variables, areas or activities and equally the transactional processes started not to be seen simply from the traditional action-reaction perspective, but, increasingly from the interaction perspective, thus changing the focus of the approach [13-18].

Given that clients' markets suggest an approximation to relations, the same view should be taken in the approaches to the suppliers and other potentially cooperating players. Thus collaboration ends up being extended and affirmed as the enterprise's behavioural characteristic, both internally and externally and at any level.

It is a fact that serving the market requires a compromise—both external and internal, and not just a sporadic attitude.

This is even more important because the nature of service changes with the change in the nature of the client. A demand therefore has been developed for improvements in relational continuity and, as a result, interaction has become a key factor in serving the markets and, concurrently, raising the need to add value to them and anticipating their preferences and evolutions in order to improve service.

These evolutions in the market demonstrate the accuracy of the current logistical frontier logic, even more in its extended version, *i.e.*, the supply chain or network arrangement, where the developments have already incorporated both the need for a response to various legitimacies and paradigms and also the need to work on relations as a way of capturing, retaining and distributing value [19].

Thus, the urgency to create and sustain relations to raise/build value, together with the value constructed through relations are two sides of the same coin. In this context, the study of interactions has become central because it is the potential source of value creation, retention and distribution [10,20-22].

Enterprises look for internal balance (between shareholders and the organization—see the agency theory over many years, even though it is studied far more to demonstrate the agency conflicts than the possible relational opportunities) and external balance (between suppliers and the market—principles underlying the supply chain concept) so as to manage conflicts; yet, in doing so, they know that much of the value available today is taken only from the side of management which integrates these conflicts.

In other words, if on one hand they know that there are possibilities of conflict management which are going from dispute until collaboration, the truth is that, on the other hand, the value available is nearly enough to force the conflict management to become much less free and much more focused on the last of the options, *i.e.*, collaboration or the integrative management of these conflicts (at least as the central background).

This can, for example, jeopardize competing approaches like Porter's [23] five forces which lead almost only to disputed conflicts and pave the origins to a different perspective, a value net perspective [24].

In this context, the very well-known principles centering on the opportunism of agents and their limited rationality (transaction cost theory) have been progressively if not modified, then at least complemented by the time variable as a potential generator of partnerships and relations.

In fact, nowadays, value creation, retention and distribution is focused increasingly on interaction and progressively less on conventional approaches based on sporadic relations where the isolated transaction and contact predominate as a rule, *tout court*.

Given that interaction has now become a structuring aspect of value creation, retention and distribution, it is important to emphasize relational time as a decisive variable in determining the structuring trend in each of the conflict-cooperation, opportunism-relation and uncertainty-dependence binomials.

In this context, the second variable in each of the binomials should be predominant—is it wishful thinking? —if preferences of the enterprises are aligned with new approaches regarding on how to create, extract, retain and distribute value. That is, interaction is rationally sub-jacent to any transaction, at least as a starting point and prior mental structure in an attempt to avoid merely sporadic contacts.

In fact, the cooperation game theory developed originally by Nash [25] demonstrates that joint payoffs and potential gains are much more interesting when there is integration and value construction, notably when compared only with the distribution of this same value.

In distributive games and where there are few relations, the money is often left on the table, *i.e.*, there is value that is lost in the transaction from which neither party in the process benefits.

When these facts were put into practice, they contributed to the recognition that, even if it is in a relatively opportunistic way [26], enterprises tend to form closer relations and opt for cooperation, liaison and dependence as decisive variables in their current behaviour.

It is clear that in a somehow static primary resource logic, often referred to in the context of these approaches (resource dependence theory), the enterprise that controls most resources ends up becoming less dependent on others and more able to develop in a turbulent market.

The only thing it adds is that the evolution of these approaches and their extensions to resources end up considering that relations are fundamental assets to capture know-how and, as a result, relations have to be considered as the enterprise's resources/assets.

In this context, performance involves adjusting not only to internal resources but also to the ability the enterprise should have to incorporate relations and in this way of guaranteeing useful know-how to combat uncertainty; however, in this way enterprises become (more) easily tied to dependence.

It can also be said that a systemic approach would have to be based on these relations even though the system-enterprise has a set of components, of rules and its own objective (resulting from the teleological nature of the systems) to manage the system openly to the external environment, be it in the medium or immediate surroundings, implying managing relations obviously with direct influence on the system-enterprise and vice versa.

4. And Then...What's Next?

Perhaps one of the causes which has most contributed to the development of logistics is precisely the above mentioned transition, *i.e.*, the change from a simple transactional paradigm with one-to-one relations, to a complex relational paradigm with many-to-many relations.

And when we feel the change of paradigm we also feel that logistics is no longer the least visible and least appealing side of the organizations; it becomes a field of management which provides access to the enterprise's value transversal nature, to the unexploited value of the various

frontiers and the management of processes. This is precisely where we find the heart of supply chain management.

It is in this context, or in view of the paradigmatic change, that the binominal conflict-cooperation, opportunism-relationships and uncertainty-dependence should be equated, trying to justify in the clients and its idiosyncrasies the need to conjugate these variables, and its calibration, so that it is able to serve them effectively.

In fact, as we have already mentioned, the novelty does not come from the fact that the client is placed at the centre of the enterprise but rather from the fact that the client becomes unique and ephemeral.

And because of this, it is necessary to develop much more than a uniform and sporadic transaction pattern in order to complete the product/service offered, making them truly tailor-made solutions or presenting them as made to measure solutions, pondered and integrated in complete products/services.

5. Logistics, Supply Chain Management and S-D Logic

Related to all what was previously focused we have also assisted to an abundance of research in services and relationship marketing, where service-based concepts and models have been developed and, in many cases, contributed to the controversy in the continuous debate of goods versus services, in parallel with the debate and controversy between logistics and marketing.

The most known contribution regarding the dichotomy between goods and services is that from Zeithaml *et al.* [27], with their review of the services marketing literature, in which the authors presented the four unique characteristics of services (*i.e.* intangibility, inseparability of production and consumption, heterogeneity, and perishability) and several other characteristics that have later on also been proposed in the literature, these four clearly stand out as the most quoted ones [28].

Contrary to this, Vargo and Lusch [29,30] presented a totally different perspective, contesting the differentiating power of the above mentioned four characteristics. Instead, they consider these to be a confirmation of the fact that services marketing is constructed around the same goods-and manufacturing-based rationale as the marketing of goods, labelling it as the "goods dominant" (G-D) logic [29]. The organisation, as it is suggested, is the single responsible player in "producing" value, where customers are passive players (operand resources—resources on which an operation or act is performed to produce benefit), being exogenous to the creation of value.

This logic suffered significant criticism by some academics [31,32], under the grounds that it is a restrictive and fallacious logic, and that a more all-encompassing and inclusive theoretical basis is thought necessary. For these authors the establishment of long-term relationships with all stakeholders are crucial for creating value, hence the focus should be on relationships rather than transactions. In addition as [33] argued, the differences between services and goods may not be even that relevant, since the later may be perceived as intangible and modular production processes.

Some examples can be found in research which shows that some previously developed theories already started to reveal indications of a shift towards an alternative logic. The resource-advantage theory, which observes the connection between organisational resources (e.g. competences) and sustained competitive advantage [34,35], is one of those examples. Logistics evolution, supply chain approaches and

Based on combining power of these theoretical developments, Vargo and Lusch [29,36,37] argued that marketing is evolving towards a service-based model of all exchange, which has become to be known as service dominant (S-D) logic. This evolving S-D logic highlights co-creation of value, process orientation, and relationships.

In this approach, customers are key active players in the process (operant resources), being endogenous to value creation. Associated to this is the important aspect of the customer/employee relationship, since it is this that creates the service itself and ultimately is what customers perceive the service to be.

However, for this to occur, both service providers and costumers must realise what their own responsibilities are during the service experience [38]. Customers must be responsive and attentive solely because their actions will determine the service delivery.

Summing all, one of the most central points of this logic is the replacement of a transaction approach for a relationship approach. This means that even from other rows of research, this one coming from marketing, the appearance of a relationship approach is increasingly important.

6. Final Debate

Having all this in mind one can conclude with some synoptic ideas.

The first one is the evolution of logistics and its relevance to both internal and external parts of the companies. When considering the internal part of the company the idea of internal integration and frontier management is core. When considering the external part of the company the idea is based upon the extension of the internal relations to the external environment, becoming central the interactions between companies being them organized in a supplier-client perspective, *i.e.*, a directional approach, or in a network approach, *i.e.*, a complex set of companies, interactions and subsequent relations.

Another important idea is the one that comes both from marketing and logistics, or in its extended approach, supply chain management, that service is the key point where developments should be focused, having in mind the volatility of the client and its uniqueness. Service was, even with different perspectives, the fundamental point to where marketing and logistics always converged and, nowadays, the point that should be explored with more and more attention in order to create value, whatever the form of creation one should consider.

Finally, using a radar approach and looking for different research proposals, namely the more important ones in terms of service(s), one may find an important contribution in Vargo and Lush (one of many examples, [39]), to name only two authors, with its S-D logic. However, it is difficult to find contradictions between the evolution of logistics, and the current and multifaceted approaches of supply chain management, with the assumptions and proposals of the S-D logic.

This final statement and conclusion are frontally against the assumptions and premises of the service do- minant logic (S-D logic) when presented by Vargo and Lush in its web site [39] in several papers and conference presentations.

Thus, when consulting, for instance, all the above mentioned material and confronting it with the current ideas, proposals and assumptions of supply chain management, one may find difficult and even strange to sustain their arguments when they qualify supply chain ma- nagement almost as the symbol of the goods dominant logic (G-D logic).

7. Conclusion

This is precisely the main contribution and also conclusion of this paper, *i.e.*, to attract the attention to the area of logistics and supply chain management as an area with a central service logic and not, as in its origins, as an area mainly with a goods logic.

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