



MEDIUM-SIZED BUSINESSES AND LOGISTICS UNDER THE SIGN OF GLOBALIZATION.

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Abstract: *This paper is primarily intended for practitioners in medium-sized enterprises, especially in the logistics industry. It will provide ideas, will represent connections and will demonstrate the importance of a structured knowledge transfer in corporate succession. It will give insights to the entrepreneurs, especially in the logistics industry's own practice, to help companies succeed, and a structured way to communicate and at the same sensitivity for changing challenges in the era of globalization. Additionally one should explore to which extent a transfer of know-how in an organized form makes sense for the successors. Another target group of this dissertation are students and scientists who deal with medium-sized enterprises as research subjects*

Key words: *Knowledge management, Business succession, Logistic, Globalization*

1 INTRODUCTION

Medium-sized businesses and logistics are in an ambivalent relationship to each other. For some medium-sized companies, it seems as though the word logistics is a foreign word, for some others it is obvious, that they can partly render very excellent logistic services. The key message of the German logistics industry is characterized by medium-sized enterprises, whereas some of the big companies in the logistics sector have still remained in family hands. Logistical services from medium-sized companies are required, to a high degree, by large corporations, a thing that points out the fact that much logistics know-how can be found in German medium-sized companies.

An increasing number of medium-sized companies are now working within Europe and a few are working worldwide. With the increasing growth and internationalization of these companies, the importance of logistics has grown along step by step. Many medium-sized companies have already sophisticated logistics systems and processes. Although these globalization-related changes seem obvious, many entrepreneurs are still characterized by a

certain sense of tradition. Backwardness, however, is the much more appropriate term. This includes in medium-sized companies especially the logistics, in spite of so many successes.

But where does this increasing importance of the logistics from for the medium-sized enterprises come from? In order to explain this, it is necessary to worry about the economic importance of logistics in general. The logistics creates and structures the many premises for our economy and has become the heart and nerve centre of globalization. To meet this continuously increasing responsibility, all previous principles and system designs have to be tested without reserves. A task that has long faded due to the tradition and entrepreneurs who do not acknowledge the change. Those young successors, who already face the cardinal and complex task of succession, must also understand that the issue of adapting their logistics has become another Achilles' heel in the whole process of corporate succession. Those who understood this, will sooner or later confront themselves with the task, to subject their own logistics company to an examination, in order to subsequently decide, to what extent adjustments are necessary, in order to make their logistics sustainable for the future. The realization of a progressive change in logistics is however not sufficient alone to prepare the company logistics for the changes of tomorrow. For this, it is crucial to know from which direction the logistical changes of the 21st century come.

The political opening of the borders has accelerated the development of globalization and led worldwide to an expansion of economic areas. The division of labour will rise to a large scale and the transport distances for all transporters will increase.

Decentralized logistics systems are becoming increasingly important. The principle of just-in-time (JIT) puts the task forward to each production, to ensure a more precise time control and optimization of material flow. The increasing internationalization strategies of medium-sized enterprises make the worldwide procurement strategy and organization necessary...

Furthermore, e.g. the internet-based online commerce has led to major changes to the economy and caused new challenges in the logistics management of Internet orders (B2B). Small and very small orders are not rare now for more bread and butter business.

The general trend to reduce vertical integration of production led to a growing number of suppliers. This in turn creates dependencies that have to be strategically planned and secured.

These lists can certainly be made longer. The short extracts show, however, that just the medium-sized companies in the logistics industry demand more flexibility and willingness to change, just like colleagues in other branches of industry. The already difficult path of every corporate succession is even more complex and difficult.

2 THE ROLE OF KNOWLEDGE TRANSFER IN THE LOGISTICS INDUSTRY

The globalization is a phenomenon that strongly influences all economic actors. Mostly affected are small- and medium-sized companies from the logistics industry. In order to be prepared for the global competition battle, they need especially action strategies to grow even further in the future. For most of them that means the need to internationalize their activities.

Changes in competitive conditions represent here a growing danger. Many mid-sized companies in the logistics industry have had so far the privilege of the well-protected home market. Due to the globalization they see themselves now increasingly confronted with foreign candidates. First and foremost, these are large international corporations which are characterized by a good reputation and lower prices. The latter is due to the scale effect and to the globally oriented marketing and purchasing which allow the determination of the best source of supply and customers. The accelerated technology diffusion, the reduction of information and transportation costs as well as the liberalization of trade barriers lead to a

shift in organizational structure from many small independent businesses to large companies that are created primarily for the mass market.

These trends point out the fact that in future these small- and medium-sized companies will play an increasingly smaller role, if they will not completely disappear. The very limited resources they possess, makes it impossible for them to benefit from removing restrictions on international trade. An appropriate answer for companies facing globalization is the need to participate in the internationalization process. However, the cooperation with other competitors, especially in the knowledge transfer, makes it possible to maintain a high level of innovation on an international scale.

3 THE IMPORTANCE OF CORPORATE SUCCESSION IN THE LOGISTICS INDUSTRY

Succession means to get involved in a comprehensive enterprise with historical structures and an organization and staff shaped according to the senior's personality. The acquisitions generally require rather more expertise, entrepreneurial experience, compromise willingness and conflict resolution skills than, say, the starting of a business [2].

The succession issue is one of the most complex topics to solve, which the company has to face during its existence. The European Commission starts from the premises that nearly 10 % of all bankruptcy filings are due to lacking business succession planning. This is due to several reasons. Firstly, the question of succession concerns all key areas of the company. It's about the change of leadership in the enterprise, the successor's qualification and the transition of ownership. The corporate succession is also characterized by an often volatile situation of emotional and rational decision content. It is not only a company that is transferred over, but also a life's work, emotional bonds with customers, suppliers, business partners and employees [3]. For most entrepreneurs, the transfer of ownership and leadership at the same time, also shows that they must withdraw from the area of life, with which they identify as a rule to a very large degree and which determined it in a crucial way [4].

The transfer and assumption of leadership in any company is a critical moment. One of the most important questions is to decide who should succeed. The possible decision tree is based on the two alternatives "transfer to a successor," and the "sale of the company". The simplest way of succession is certainly the transfer of the business within the family. One might initially suspect that this variant of transition from one generation to the following is relatively often and uncomplicated.

A glance at the relevant international numbers can make this assumption easily appear unrealistic. The inheritance of the company within the family from one generation to the next is anything but self-evident, according to relevant statistics [5]. Not even every third family business is inherited within the family in the second generation, approximately one in ten is passed into the third generation and only 3 % by the fourth generation is carried on. The reasons for the lacking interest of family members are various. Firstly, the requirements on independent entrepreneurs in recent decades have increased rapidly. Therefore, in many cases, children are no longer sufficiently qualified [6]. Secondly, the trainees prefer a free personal development to an early development in family-owned businesses. Surely, the change of society values also plays a role, but above all, the negative subjective experience with the high professional workload of the parents, as well as the concerns, experienced first hand, about material welfare. The success of the generational change is in the opinion of the experts to a large extent dependent on the objectives of the transferor. The persons in charge must recognize the need to implement a succession concept.

The decisive factor is the realization that a successful succession is more than a will, partial duty waiver and tax optimization. The succession succeeds when all participants

discuss openly and honestly and resolve by consensus – regardless of the fact that the issues are legal, fiscal, personal, familial, asset-related or economic ones. Bearing in mind that the closure of firms leads to a loss of jobs in directly affected businesses and in those of cooperating companies, the importance of the succession process is clear in practical and political terms. For this reason, not only the consistent succession planning should play a large role, but also the question of factors that contribute to the company's success.

The subject of "knowledge" is such a success factor. In recent years, this area met increasing interest. This is proven by a veritable flood of publications in the trade press. All authors declare in this the arrival of a new economy or society in which knowledge receives the key role, compared to the past. Knowledge is classified as a fourth factor of production, as the only remaining competitive advantage of developed countries in the global competition.

Toffler [1,3] sees the knowledge as the source of far-reaching power, and that it holds the key for an upcoming change of power in itself. Knowledge is no longer an appendage of capital and labor, but the actual core. Drucker [1,3] sees as something special in the knowledge society the fact that knowledge is not only one of several traditional means of production such as labor, capital, real estate, but actually represents the single most important resource.

Similarly Quinn [1,3] considered that the performance in a modern company is based more on its intellectuals and service abilities than on the property, plants and equipments. He points out that the value of most products and services depend on the development potential of "knowledge-based" intangible factors such as technological understanding, personal creativity and innovation.

All authors agree, however, that the future belongs to people with knowledge. According to Drucker, in a knowledge-based society, knowledge workers are the driving force. His definition of a "knowledge worker" also includes the "knowledge manager", (successor), who can allocate the knowledge in the sense of a productive use, similar to the way in which the capitalist allocates the capital for a productive use. Quinn notes that the ability to manage the "knowledge-based intellect" becomes more and more crucial to leadership. And Reich [1,3] is convinced that a real competitive advantage is only achieved through "symbolic analysts" who are equipped with the knowledge for identifying, negotiating and solving new problems.

4 CONCLUSIONS

Due to the globalization, small- and medium-sized enterprises cannot develop without increasing their international commitment and forward-looking adjustments [7,8]. Fundamental condition for successful businesses of companies in the logistics industry is especially an internationalization-aligned knowledge transfer process. This profound knowledge about foreign markets, international competition and the latest technologies are elementary. For small- and medium-sized businesses, it is unlikely that they can acquire all this knowledge based on their own resources. To acquire this knowledge in a short time, the knowledge transfer process within the framework of cooperative relations with their partners or even competitors is an effective way. Studies have shown that companies that have successfully improved their competitiveness, e.g. in the information sector, have made use in a high degree of their relationships and the knowledge transfer from partners. It may be regarded as an evidence, that an appropriate direction of development and the survival of small- and medium-sized companies depends on the pressing ahead of the own knowledge transfer from elder to younger people as well as the continuous development of more partnerships with other competitors. This can lead to the formation of network-like structures. In the future, local production systems will play a key role and will develop a new type of

organizations that in their turn will be linked through numerous relationships with international markets. As part of such structures, even smaller and mid-sized companies will be able to use advanced knowledge and to participate on its basis in the internationalization process.

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