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## Malaysian Logistics Performance: A Manufacturer's Perspective

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### Abstract

In the highly competitive economy, logistics performance measurement is a primary concern among practitioners and academia. The World Bank Logistics Performance Index (LPI) has produced the benchmark for more than 100 countries covering six main components that are related to the trade facilitation in the context of the logistics supply chain. However, the output of the index is based on logistics service providers, thus measuring the performance from the perspective of users, which does not only serve as a comparison study, but also remains as the ultimate study to prove the friendliness of logistics and trade facilitation involved in import and export processes. In the present work, six (6) components were used to assess logistics performance including environmental friendly. Results revealed that trade friendliness by the logistics services is improved and requires further analysis, according to the central hub of each sector in Malaysia. It attracts future development for the manufacturing industry by having excellent logistics services facilities.

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### 1. Introduction

The service sector in Malaysia acquired tremendous achievements in the past decades. It is projected as the largest contributor to growth in 2015 (Bank Negara Malaysia, 2015). According to the Annual Report 2014 by Bank Negara Malaysia (BNM), the service sector contributed 55.3% of the total Gross Domestic Product (GDP). Service

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sub-sectors include intermediate service and final service. Specifically, transportation and storage are among the intermediate services that contribute the most due to trade-related activities. In 2013, transportation and storage contributed 3.6% to Malaysia's GDP.

On the other hand, logistics and trade facilitation are most commonly discussed among practitioners and academia. Logistics management involves some parts of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services and related information from the point of origin and the point of consumption in order to meet customer's requirements (CSCMP, 2014). Meanwhile, trade facilitation is defined as the simplification and harmonization of trade that includes activities involving collecting, presenting, communicating and processing of the data required for the movement of goods internationally (European Commission, 2014). Moreover, it also includes reformation and modernization of ports and customs (Otsuki, Honda, & Wilson, 2013).

The Malaysian logistics industry has been recognized globally. In fact, the global Logistics Performance Index (LPI) in 2014 by the World Bank has ranked Malaysia at the 25<sup>th</sup> place out of 166 countries (Arvis et al., 2014). Nevertheless, in-depth research in the area of logistics is still lacking. Despite recent studies in the Malaysian context such as logistics service quality (Rahmat & Faisol, 2014), logistics development (Zuraimi, Mohd Rafi, & Dahlan, 2013), and logistics issues and challenges (Ali, Jaafar, & Mohamad, 2008), this current study empirically examines the logistics performance from the context of users. As indicated by Estampe, Lamouri, Paris, and Brahim-Djelloul (2013), customers remain the ultimate judges of how much the value is being created at logistics level.

## 2. Logistics performance

Logistics performance (LP) definitions vary and according to the objectives of the study. According to Chow, Heaver, and Henriksson (1993), researchers always have difficulties to define LP due to the reason that firms normally have multiple and frequent conflicting goals. The most frequent definition cited from Mentzer and Konrad (1991) defines LP as effectiveness and efficiency in performing activities. This definition has also been further extended by Fugate, Mentzer, and Stank (2010) as multi-dimensional and is defined as the degree of efficiency, effectiveness, and differentiation associated with the accomplishment of logistics activities.

In other words, LP does not only help firms but could also identify their performance as a benchmark study for the industries or national level to remain competitive in short and long-term periods. According to Mentzer and Konrad (1991), efficiency in the context of performance measures how well the resources are utilized and the effectiveness in terms of how goals are accomplished. From the other dimension, Neely, Gregory, and Platts (2005) view from the marketing perspective that the term effectiveness refers to the extent to which customer requirements are met, whereas efficiency is how economically the firm resources are utilized when providing a given level of customer satisfaction. Besides, differentiation is defined as the ability of logistics to create value for the customer through the uniqueness and distinctiveness of logistics services (Langley & Holcomb, 1992).

In the Malaysian context, very few studies are focusing on LP. Further details on available online journals and publications of LP studies (within 2011 to 2015) are summarized in Table 1. The studies may have involved the perception of logistics performance from the view of users and logistics service providers (LSP) in the broad logistics study perspective. With the exception of a few studies available, the current study emphasizes the evaluation of the logistics performance in Malaysia in the context of trade and transport facilitation.

Table 1. Logistics performance studies in Malaysia's context.

Authors	Types	Sampling/Industry	Year	Area
Abu Bakar et al.	Conference Paper	LSP and Manufacturer	2014	Trade Facilitation
Zakariah and Pyeman	Journal	Manufacturing	2013	Logistics Cost
Zuraimi et al.	Journal	LSP and Users	2012	Logistics Development
Lu & Lin	Journal	Manufacturer	2012	Trade Facilitation
Gupta, Goh, Desouza, & Garg	Journal	LSP and Trade Association	2011	Trade Friendliness

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