

# The academic side of commercial logistics and the importance of this special issue

by Ricardo Ernst

**L**ogistics, in its conventional definition, is the process of managing the flow of goods, information and finances from the source (suppliers) to the final consumer (customers). The topic has received significant attention in the 'for-profit' or commercial world since it represents today one of the most important sources of profitability. That role belonged for many years to manufacturing and that is why we saw an increase in the spread of manufacturing facilities around the world (e.g. searching for cheap labour).

The global environment that characterises the business world highlights the importance of developing strategies that go beyond the geographical boundaries of one country. Wage-rate differentials, expanding foreign markets and improved transportation break down barriers of time and space between countries and force the logistics function to take on a global dimension. Global logistics is the response to the increasing integration of international markets as firms try to remain competitive. The term 'supply chain management' has been extensively used to depict the new managerial challenge to compete in the marketplace.

The humanitarian world relies on logistics for the same basic reasons. It also requires a process for managing the flow of goods, information and finances from the donors to the affected persons. The fundamental difference with the commercial world is in the motivation for improving the logistics process – going beyond profitability. Most logistics applications in the humanitarian community are the result of 'experience' and *ad hoc* resolution of problems that have resulted in innovative applications of the kind illustrated in this special issue of FMR.

In general, when structuring and analysing the activities involved in commercial logistics, three main processes are included: demand management (customer service and order processing), supply management (procurement, production planning and inventory), and fulfilment management

(transport, distribution and warehousing). In the humanitarian world there are many players that are not directly linked to the benefits of satisfying demand. Suppliers (humanitarian donors) have different motivations for participating (e.g. civic duty and charity) and therefore the performance criteria could be difficult to measure. Customers (those assisted) are not generating a 'voluntary' demand and hopefully will not generate a 'repeat purchase'. However, the basic principles of managing the flow of goods, information and finances remain valid and there is a critical role for logisticians when it comes to managing demand, supply and fulfilment.

It is widely argued that there are many lessons and practices from the commercial world that could be used in the humanitarian world. In fact, the commercial world has developed and implemented numerous applications that have improved their logistics solutions in many significant ways. From an academic perspective we have seen a significant demand from students for more courses on the topic; one of the fastest growing courses in most business schools has been on subjects related to supply chain management. Academic research in this field has also increased significantly, driven by commercial companies' support and the availability of data. In fact, the academic approach has elevated the role of the logistics function by allowing the development of:

- an understanding of the state of the art of strategic management thinking as it applies to firms with global operations
- a capacity for analysing logistics problems on a functional, business and company-wide basis which goes beyond local optimisation into a global view of linkages
- a set of metrics that allows for structured measurement of performance aligned with the overall objectives of the organisation
- an awareness of the organisational structures used in logistics and the strengths and weaknesses of those structures.



It is conventional wisdom that the commercial world is the source of lessons and practices for the humanitarian world. However, articles in this special issue could easily suggest that the opposite is also true. Many good practices implemented in the humanitarian world could be used in the commercial world. The ideal scenario is for the two worlds to work more closely in the exchange of ideas. Organisations and logisticians should be more reflective and push the boundaries of their work.

If it is true that Wal-Mart is the best exemplar of logistics innovations and implementations in the commercial world, it is equally true that WFP, World Vision, Oxfam, the Red Cross and other NGOs have found a way to accomplish results that deserve special attention by the commercial world. Rather than offering a set of solutions, this special issue introduces the perspective of logisticians to the humanitarian world. The Fritz Institute has been instrumental in serving as the bridge between the two worlds. The rewards of cooperation and exchanges could only be beneficial to us all.

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