



Do you know what your logistics are worth?

I recently had an appointment with a business partner who asked me this very question, albeit in rhetorical fashion: "Mr. Kieslinger, what is the contribution made by logistics to the overall success of the company?" It sounds like a simple question yet the answer is more complex.

It is much easier for the head of sales or production to come up with an answer. Why? Because they can quantify in terms of revenue, volume or profitability. But what constitutes success as far as logistics is concerned? And above all, how are we to measure this?

Boards of directors and CEOs are accustomed to working with balance sheets. Balance sheets have tremendous informative value for top management, investors and business partners. So why not use this affinity of the higher echelons for balance sheets to blow the trumpet for logistics?

How then is a logistics balance sheet to be drawn up? In its structure, a logistics balance sheet is no different from any other. The assets side is concerned with the allocation of resources, which in this case means the systems that are devised for the purpose of logistics, using available resources. Moreover, logistic processes and their short-term performance can be represented as part of the working assets.

The means and instruments used for logistic purposes are drawn both from internal and external resources. The liabilities side, i.e. the sourcing of these means and instruments, comprises all the resources, capacities and capital of the company that are invested in its logistics.

The resultant effects of the logistic processes may be regarded as the profit on the logistics balance sheet. This arises from a comparison of the input into the logistics and the output from that investment and is expressed in terms of improved figures in the annual report such as a higher equity return resulting from the optimisation of logistic processes.

And what are the knock-on effects of introducing this logistics balance sheet? The logistics balance sheet creates transparency for the entire complex logistics system and supports optimisation across the company.

A logistics balance sheet makes it easier to identify and exploit synergies and places the whole issue of logistics on a neutral discussion and management platform. The application of a logistics balance sheet should make it possible to tap even more efficiently into logistics as a strategic success factor for the company.

What, if any, are the contraindications for existing logistics control systems such as activity-based costing or balanced scorecard? None. Nor is the logistics balance sheet intended to be a substitute for these approaches. The main benefit, as I see it, is that a logistics balance sheet not only makes the value of a company's logistics transparent but, above all, provides a 'selling tool' to be used in convincing the board of directors and senior management that logistics should be represented at the top level!

The principle is summed up in the advert for a well-known Bavarian beer: "Try it and feel the effect."



Yours
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