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PRELIMINARY FRAMEWORK OF LOGISTICS PERFORMANCE MEASUREMENT SYSTEMS FOR OCEAN FREIGHT INDUSTRY

Fatin ‘Izzati Ishak, Azanizawati Ma’aram, Rozlina Md. Sirat, Anis Anizah Mohamad Baba

Abstract: Two third of ocean freight industry in Malaysia are classified as small and medium enterprise (SME) which they are currently struggling to stay in industry caused by the merging of global shipping alliances. The merging of alliances has impacted the SMEs in terms of competitiveness in getting business opportunities, where SMEs have to compete alongside established companies with well-known reputation. Therefore, differentiation is becoming very crucial factor in order to leverage their capabilities. Without differentiation factor, SMEs are unable to identify their competitive advantages that distinguishes them from competitors, hence causing difficulties to survive in the industry. Another issue arises is the absence of a unique Logistics Performance Measurement System (LPMS) that takes into account the particularities of ocean freight industry, consequently causing slow adaptation of LPMS despite the size and maturity of this industry. Thus, this research attempts to develop a preliminary logistics performance measurement system (LPMS) framework for ocean freight industry and incorporates differentiation factor in the developed LPMS. The preliminary framework is developed based on extensive literatures in logistics performance measures, and consists of three logistics performance measurement dimensions (efficiency, effectiveness and differentiation). However, this proposed framework is only a starting point for integrating the views of logistics operators in the analytical processes.

Keywords: Performance measurement; Logistics; Ocean freight industry; Shipping.
INTRODUCTION

Realignment of global shipping alliances has taken a toll on Malaysia’s logistics performance, especially in the ocean shipping industry. Consequently, the overall pool of competitors has become smaller due to the merger of the shipping conglomerates (Bailey, 2017). The formation of three main alliances has resulted in bigger monopolies in local ocean shipping environment due to the merger of multinational companies (MNC) that are berthing in Malaysia, and bigger companies won bigger contracts. This situation has caused the SMEs to receive less attention in ocean freight selection by importers and exporters of the country. Other than that, the industry apparently has been very slow on adopting Performance Measurement System (PMS) despite the size and maturity of their industry, due to the absence of a unique framework that takes into account the particularities of ocean freight industry (Konsta & Plomaritou, 2012). Shipping companies are still experimenting with various performance measurement system (i.e. KPI, Performance Prism, Balanced Scorecard) in the absence of a common, uniform measurement system that will apply to all sectors of the ocean freight industry (Otheitis & Kunc, 2015).

OBJECTIVE

The objective of this research is to develop a preliminary Logistics Performance Measurement System (LPMS) framework for small and medium enterprises (SMEs) in ocean freight industry.

LITERATURE REVIEW

Fugate, Mentzer, & Stank (2010) analysed the relationship between logistics performance and organizational performance, stating that logistics performance is multidimensional and is a function of the resources used in logistics, according to outlined objectives and outcomes against competitors. In this context, the authors theorized that analysis of logistics performance should be based on evaluation of a set of dimensions of the activities carried out by the logistic function, which are namely, efficiency, effectiveness and differentiation. Efficiency is a factor related to the use of resources allocated to the logistic function, effectiveness can be defined as the extent to which objectives are achieved and differentiation is understood as the value that can be generated by the elements of customer service in relation to competitors.

METHODOLOGY

The preliminary framework is developed based on extensive literatures in logistics performance measures.
FINDINGS

Figure 1: Preliminary Logistics Performance Measurement Framework

CONCLUSION

In summary, the logistics performance measurement system (LPMS) for small and medium enterprises (SME) is a response to the need to support those entities in the area of tools which enable effective and efficient management. The starting point for this study was an analysis of the existing models and frameworks of LPMS. The LPMS model and its implementation will help to bridge the gap between theory and practice as well as to spread the significance of LPMS among SMEs in ocean freight industry.
MAIN REFERENCES


