



Note no9

Promoting logistics competence: A regional approach

Issued
29.11.2007

During a period from 1.1.2006 to 31.12.2007 Development Centre of Salo Region (Salon Seudun Kehittämiskeskus) took part in LogOn Baltic, a project coordinated by Turku School of Economics. One of the aims for Development Centre of Salo Region was to specify regional demands regarding the logistics environment and evaluate the ability of local administration to take on measures needed to meet them.

Salo region comprises of eleven municipalities and has a combined population of approximately 65.000 and an area of 2.575 square kilometres. Local industry and business in general is very much electronics and ICT oriented. The other main business branch is metal processing and machine workshops. Foreign trade in general and export in particular is very important for a large percentage of local companies.

From a transportation point of view the region appears very well located. Distance from most large cities in Finland is relatively short with the nearby ports and airports in Helsinki and Turku providing international access. The region is more or less centred on the E18, which makes it easily accessible by road.

Regional strategies view aforementioned factors as major strengths from a business point of view. Even with such obvious advantages, it is necessary to gather firsthand information on the extent that they actually affect the logistics competence in the region. A recent national survey suggests that the main source of companies' logistics competence is closely

related to their location. Therefore the role of local authorities and the available means to improve the region's logistic facilities should also be reviewed.

The significance of logistics competence varies greatly among companies and different branches of business and relatively few of its contributing factors can be controlled on a regional level. It is, however, useful to be aware of the state of logistics. In case there are problems or deficiencies, it is important to be able to identify them and pass on the information to all related parties.

In this context interviews were considered the most useful method to gather information. A query would have provided a large sample, but would have made it more difficult to gain additional information to back up the answers. Altogether eleven persons representing companies, municipalities as well as industrial and trade organisations were interviewed.

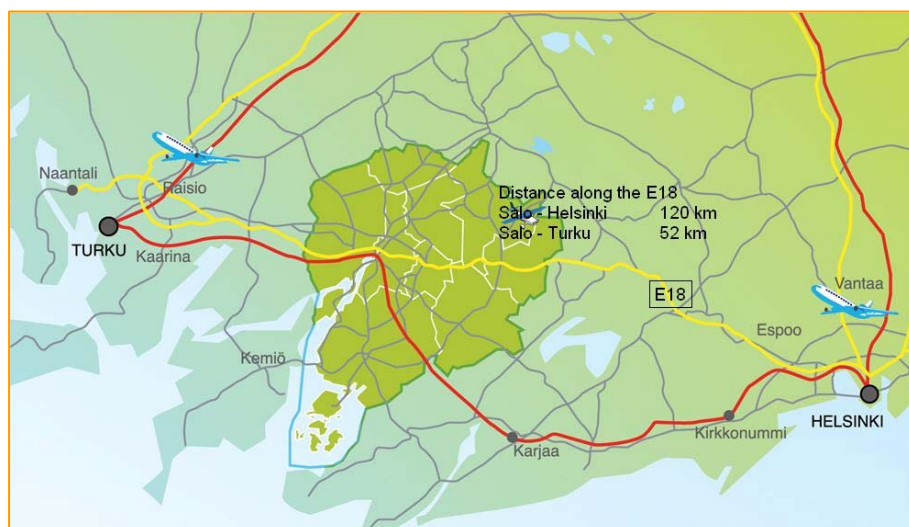
Results from the interviews

Location and infrastructure are considered the most important factors contributing to logistics competence. Location is primarily viewed in relation to main national road network. The region's connections in the east-west direction are good. The south-north direction provides significantly poorer connections. With minor reservations the regions location is deemed to be very good. Southwest Finland is quickly



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accessible and international transportation via Helsinki and Turku works well. In some respects Helsinki area could provide better facilities, but as a whole the location is very attractive to companies.

On the importance of Salo region's structure, most respondents mentioned only the road network. Main concern is increase in traffic that threatens to clog up the roads in and near the central area. The most urgent needs are routes to bypass Salo in North-South traffic and increasing the capacity of existing roads. Some criticism was directed at the traffic arrangements of the Helsinki-Turku highway currently under construction. The locations of accesses and exits appear to serve single municipalities' interests rather than the region's needs as a whole. Spatial planning was not considered to be an effective means to improve the logistic efficiency of the region.

There was some concern about lower service levels and higher costs of transportation in the fringe areas of the region. Actually this applies to most of the region outside the urban area surrounding downtown Salo. Also, apart from transportation and delivery services, there are practically no other local providers of logistics services, which makes it difficult for SMEs to outsource their logistics. In the public sector (i.e. the municipalities) logistics lacks planning and coordination entirely, which affects a large share of traffic and flow of goods in the region.

Conclusions

The interviews suggest that logistics competence is seen to depend almost completely on transportation in general and the state of the road network in particular. This, of course, raises the question whether the interviews reflect accurately the effect of transportation on overall costs and

performance. Most likely the interviewees have simply adjusted their answers to fit a regional approach, and transportation infrastructure is one of the few things contributing to logistics competence where a region has any degree of control.

It is worth noting that the most important decisions affecting the region's logistics competence are made elsewhere, that is, on a higher level of administration. Consequently, a major share of the task of developing a region's logistic facilities is about lobbying for the region's interests on state and province level. Fortunately municipal and regional authorities are already very active in communicating the region's needs upwards and lobbying for projects expected to benefit the region. An important feature is that local authorities have recognised the need to communicate with representatives of the business community on a regular basis.

The views regarding spatial planning and logistics seem slightly inconsistent considering the emphasis on other aspects concerning the amount and flow of traffic. They are accurate in the sense that there is no urgent need to apply such means to traffic-related problems. Thus the low priority given to spatial planning is justified at least in the short term.

The daily needs of the region's municipalities cause a substantial amount of goods to be shipped to and within these organisations. Present arrangements do not support the kind of efficient logistics that could be reasonably expected, considering the volume and value of the material flow. Paradoxically, local authorities recognise the significance of logistics where companies are concerned but not within their own organisations. Organising the sourcing, procurement and transportation practices in a professional manner would be a major improvement which could be made to benefit the

whole region.

As for the availability, quality and costs of logistics services, very little can be done about them by the local authorities. Not knowing how much this actually affects local companies makes it difficult to determine if and how the issue should be addressed. As unfavourable and unwanted as the situation is, it is nevertheless a logical consequence of the size and structure of the region. Also, it must be assumed that most companies setting up in the region are aware of and prepared for these conditions.

All in all, very few items came up in the interviews and they were very basic and in a way very predictable as well. Even so, they provided valuable insight into how the issue of promoting logistics competence could and should be approached on a regional level. Basically the task at hand is very straightforward: to spot the bottlenecks and find the solutions to remove them. The main challenge to doing this successfully stems from the system by which resources for such purposes need to be applied for. It emphasizes the need to find the most efficient solutions and strict prioritisation of needs to gain optimal results, requiring an ability to identify the core of the problems and think beyond current needs.

About the author

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Developing Regions through Spatial Planning and Logistics & ICT
Competence - 2006-2007

Baltic Sea Region INTERREG III B, Neighbourhood Programme
Measure: 2.2. Creating sustainable communication links for improved spatial
integration
Community Initiative Programme 2000-2006

LogOn Baltic aims at improving spatial integration by transferring knowledge in ICT and logistics competence.

The main objective is to produce and disseminate information for regional development agencies on how to support enterprises in the participating regions in their effort to improve ICT and logistics competence, thus improving regional development.

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