

**OUTSOURCING LOGISTICS SERVICES AND ORGANISATIONAL  
EFFICIENCY**

**THE CASE OF DHL GLOBAL FORWARDING (U) LIMITED.**

**BY**

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**A RESEARCH REPORT SUBMITTED TO GRADUATE SCHOOL IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A  
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KYAMBOGO UNIVERSITY**

**DECLARATION**

I, Nakandi Barbara declare that the work submitted in this report entitled “**OUTSOURCING LOGISTICS SERVICES AND ORGANISATIONAL EFFICIECY**” ‘**A CASE STUDY OF DHL GLOBAL FORWRADING (U) LTD** ’

This is my original work; it is as a result of my own effort and has never been submitted in this or any other University for any kind of award.

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**SIGNED** .....  .....

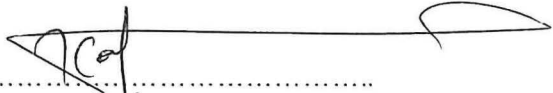
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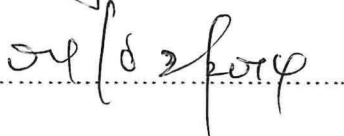
**APPROVAL**

This is to certify that the research report of Nakandi Barbara carried out under the title “**OUTSOURCING LOGISTICS SERVICES AND ORGANISATIONAL EFFICIENCY**” A CASE STUDY OF DHL GLOBAL FORWARDING (U) LTD” has been under my supervision and is now ready for submission to the Academic Board of Kyambogo University with my due approval.

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## **DEDICATION**

I dedicate this report to my family for their continuous support; they have always given me in all ways possible. A special feeling of gratitude to my loving husband, Ampereza Milton whose words of encouragement and push for tenacity ring in my ears. My mum, Nakabugo Joyce, my sisters Sarah Nakamya and Beatrice Dumba always praying and lifting my hopes high have never left my side and are very special.

I also dedicate this report to my many friends Mary AnnuciataAdongo, Dorothy MagungaNsimbi, Ruth Nalukwago, Drileba Paul and Felix Abunyang and the church family who have supported me throughout the course of the study.

May the Lord reward you all abundantly.

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## **LIST OF ACRONYMS**

**DGF** – DHL Global Forwarding Uganda Ltd

**SCM** – Supply Chain Management

**3 PL** – Third Party Logistics

**SD** – Standard Deviation

**M** – Mean

**MSA** – Master Service Agreement

**PMO**– Project ManagementOperations

**SLA** – Service Level Agreement

**SOW** – Service of Work

**LSP** \_Logistics Service Provider

## ABSTRACT

The study is aimed at ascertaining the relationship between outsourcing of logistics services and organizational efficiency.

The objectives of the study were; to establish how planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding, to analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding and to ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DGF UG.

In order to achieve the research objectives, the researcher used both qualitative and quantitative research methods.

The sample size was selected from different departments and the subjects of the study .The sample under study were therefore made up of one hundred respondents.

Purposive sampling was used and questionnaires administered. Structured questionnaires were used in the collection of primary data and this was self-administered.

Data was entered into SPSS statistical tool which is a package that was developed for analyzing survey data and here the reliability was tested mainly considering relational statistics.

The study reveals that planning helps companies to adopt and install approaches to deal with poor performance which helps uncover scenarios where poor performance could occur.

Planning also provides a framework within which threats are managed. The study recommends DGF management should work on some planning issues in respect to quality of service factors, contracting factors and decision making.

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

This chapter discusses the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study and conceptual frame work.

### **1.1 GENERAL BACKGROUND TO THE STUDY**

Firms have looked to improve performance by outsourcing activities that are not considered a core competency of the business. The outsourcing of logistics services has become a significant force in global logistics services, yet there exists some questions about the degree to which outsourcing results is a positive outcome and the conditions that support it.

Although many firms outsource to reduce costs, often times they do not and may actually increase (Maxell 2008).

Since the early 1990s, the worldwide practices of outsourcing logistic activities have been increasing, resulting in an annual 10% increase (Sohail & Sohal, 2003). According to “Cap Gemini Ernst & Young” survey (2002), the rates of resorting to logistic suppliers have reached 94% in Europe, 78% in North America and 92% in Pacific Asia.

The enthusiasm of management for the phenomenon of logistic outsourcing has affected scientific literature (Razzaque & Sheng, 1998). Articles and books for the layman aimed at managers often describe ready-made methods (best practices) to achieve outsourcing operations.

Yet this literature is not related to any rigorous theoretical frame (Lynch, 2001) and it remains mostly descriptive (Knemeyer, Corsi, & Murphy, 2003). Existing research works are often incomplete and only deal with a particular part of the logistic chain, such as physical distribution (Aertsen, 1993; Ballou, 1999), goods warehousing (Maltz, 1994), transport or tailored logistics (Guérin & Lambert, 2000), transport for exports (Bigras & Désaulniers, 1998; Stank & Maltz, 1996), integrated logistics (Rabinovitch, Windle, Dresner & Corsi, 1999) or supply chain (Amami, 2001). In these research works what is stressed is the study of the various configurations and relations resulting from a decision of logistic outsourcing rather than the factors of decision (Amami, 2001; Kannan & Tan, 2002; Menon, Macginnis, & Ackermann, 1998; Tague, 2000).

In the field of logistics numerous works have been published (Sohail & Sohal, 2003) resulting in a host of definitions for the concept of logistics (Masson-Franzil, 2003) and the outsourcing phenomenon (Tague, 2000). In these articles (e.g., Colin & Paché, 1988; Halley, 1999; Paché, 1994; Samii, 2000), logistics is presented as a combination of physical and informational flows. We thus define logistics as the management and control of physical and informational flows, either by internal means or by outsourced means along a chain from the input to the output encompassing all the operations of transport, stock, manufacturing, and packaging, distribution and so on carried out for the customer's satisfaction and in optimized performance conditions for the company.

Logistics has evolved through several stages seen as a supportive function in the 1960s, it slowly became a strategic function in the mid-1980s (Jones and Riley, 1985) with the emergence of the

concept of Supply Chain Management (SCM), among others. SCM is a fashionable logistic strategy. Stock and Lambert (2001) define it as a component of eight businesses: customers' relationship manufacturing flow management, procurement, product development/commercialisation and returns. SCM is dealt with in many Anglo-Saxon works, such as those by Bowersox (1997), Christopher (1998) or Larson and Hallodorsen (2002).

At the theoretical level, the concept of outsourcing has been dealt with in many research works which have given numerous and varied definitions (Masson-Franzil, 2005). The concept has often been mentioned as a synonym of other and older notions, such as subcontracting, although they refer to other situations. We can mention here the influence of Barreyre's portent works (1968) on 'subcontracting'. He defines it as 'the action through which an economic agent entrusts another economic agent with the production of a good destined to be part of the combination of the final product of the subcontracting agent in question'. In the 1970s, subcontracting practices were rather restricted to the production of goods. However, in the 1990s, their range of application came to encompass such functions of the company as supportive or administrative ones which had been unheard of in terms of outsourcing (Parrotin & Loubère, 2001). The decision of outsourcing has thus become a strategic action showing that firms aim at refocusing on their core activities or at looking for skills they do not have outside the company. The increasing number of research works on outsourcing has led to some kind of stabilization of the concept today. Barthélemy (2001, p. 7-8), in his research work on outsourcing strategies, clearly distinguishes outsourcing from subcontracting, downsizing and reengineering by defining it as "the fact to entrust a supplier or an external provider with an activity and its management rather to carry it out in-house". According to the author, three crucial elements

characterize outsourcing: 1) the activity used to be carried out by the outsourcer, 2) the outsourced activity usually goes together with an assets transfer, 3) the relationship between the outsourcer and the provider usually runs on the middle or long term.

Beyond some conceptual and semantic differences of opinion, it seems more interesting to note that these practices are in keeping within the paradigm of inter corporate relationships incurred by the restructuring of economic activities. Faced with the pressure of uncertainty and their environment, firms have transformed and new structures combining flexibility and dynamism have sprung up. Outsourcing practices have thus emerged as hybrid cooperation forms situated along a continuum between the market and the hierarchy.

## **OUTSOURCING IN DEVELOPING COUNTRIES**

Logistics outsourcing, as a form of outsourcing, not only adapt to the requirements of the economic situation but also can bring the economic benefits for enterprise, however, it is not a common phenomenon in the developing countries.

Logistics outsourcing originated in the 1980s. After more than 20 years of development, it has become a certain number of industries in developed countries. According to the data surveying on 500 large enterprises of manufacturing business from a body in the United States, 65 percent of the domestic logistics businesses had done by the third-party Logistics Company in the United States in 2002; it would be 77 percent if international logistics outsourcing is included. At present, the proportion of the third-party logistics in the whole logistics market is nearly as high as 76 percent in Europe and is nearly 80 percent in Japan. However, there is still a big gap

compared with developed countries because of many reasons such as imperfect management system and so on although the logistics industry has had a relatively rapid development in recent years in developing countries Weilong Zhang (2006). The logistics management system is ignored. The majority of the enterprises in developing countries think it is not important to establish their own logistics management system after they outsourced their logistics to a professional logistics company, in fact, it is wrong. Enterprises should establish a set of internal logistics management systems regardless of whether they had outsourced their logistics to the logistics provider or not. Logistics outsourcing is only a form of enterprise logistics, therefore, enterprises should put the activity of the third party below their own management model, so that they can manage and control logistics businesses effectively.

The logistics information management lags behind Weilong Zhang (2006). At present, many enterprises still remain in the era of pens and paper in the course of logistics management, the management level is far beyond information and networking although some companies equipped with computers, which hindered the further development of developing country's logistics outsourcing seriously.

## **BACKGROUND OF DHL**

DHL global forwarding Uganda Limited (DGF) is a clearing and forwarding company which was established in Uganda in 2008. The company offers various logistics services for example; it provides air and ocean freight, domestic agency, warehousing and distribution, and supply chain solutions worldwide. It offers shipping, tracking, export/international delivery; import/inbound delivery, domestic/local delivery, road and rail transportation, contract logistics, international mail, and other services. The company also provides logistics solutions, such as freight

transportation, warehousing and distribution, customs clearance, security and insurance, and industry sector solutions. Deutsche Post DHL was founded in 1935 and is based in Plantation, Florida. The company has operations worldwide. DGF operates as a subsidiary of Deutsche Post DHL.

DGF embraced a strategy of outsourcing warehousing and distribution as its services to provide private individuals who are allocated within zones basing on the size of the market in order to cut down on the level of operational costs.

However, despite of the level of demand for the company's services from public many of the customers have come up complaining of the disservice which is likely to affect the company's performance in terms of sales volume, customer satisfaction and timely delivery.

After the marked delays in delivery and warehousing services of DHL the researcher was prompted to carry out a research through the use of various instruments with a major purpose of finding out the extent to which outsourcing warehousing and distribution services that affect the performance of DGF and also find out the relationship between the two variables.

## **1.2 STATEMENT OF THE PROBLEM**

In the effort to improve efficiency, DHL Global Forwarding Uganda Ltd decided to outsource the distribution and warehousing services from third parties (Annual report, 2009).

However there has been marked delays in distribution from warehouses to the client's premises, increased warehousing costs, supervision, operational costs to the distributors / sub-contractors, interpersonal relationship and the level of commitment by the distributors and warehousing



space, company policy requirements and the influence of external competitors all have affected the efficiency of the organization in terms of increased operational costs, customer satisfaction and lead time.

Outsourcing is intended to reduce inefficiencies in the organization's systems and subsequently resulting in reduced operating costs. It should reduce wages and salaries, quickens services offered hence leading to customer satisfaction and efficiency of the organization. The following services are outsourced reverse logistics, warehousing and distribution, shipping services, product packaging, order fulfillment, casual laborers, freight broker services and global freight logistics services in order to reduce costs and increase efficiency Sujuan Liao (2007).

Despite the above scenario, there are persistent delays in delivery of goods from suppliers, to warehouses to the customers, sometimes outsourced warehousing space is scarce, track and trace and communication breakdown, difficulty managing reverse logistics due to the amount of time it requires. When workers are scrambling to fulfill new orders, there is simply not enough time to repair packaging, return products to warehouse shelves, and handle all of the necessary administrative tasks that product returns entail.

Therefore, this prompted the researcher to carry out a study to find out whether outsourcing distribution and warehousing services can influence the efficiency of an organization taking a case study of DHL Global Forwarding Uganda limited.

### **1.3 Purpose of the Study**

The purpose of the study was to examine the impact of outsourcing of logistics services and organizational efficiency.

### **1.4 Objectives of the Study**

- i. To establish how planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding.
- ii. To analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.
- iii. To ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

### **1.5. Research questions:**

The following questions shall guide the study.

- i. How is planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding?
- ii. What is the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding?
- iii. What is the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding?

## **1.6. Scope of the study**

### **1.6.0. Geographical Scope**

The study was carried out at DHL Global Forwarding Uganda Limited which is located in Kyambogo, Nakawa division, Kampala district in the central part of Uganda. This is because DHL has been outsourcing its logistics activities more than four years. The rationale behind the outsourcing activities has been to cut down costs and enjoy first class service from specialist using the most suitable, quick and reliable technology and this is not yet proven.

### **1.6.1. Subject Scope**

The scope of the study was to establish the impact that outsourcing of logistics services has on organizational efficiency.

### **1.6.2. Period Scope**

The study covered the period from 2008 to 2013. This time was long enough for getting the required information for the study.

## **1.7. Significance of the study**

To the management executives, the study will provide guiding principles which can help the managers to enhance efficiency and proper performance of the organization.

To the staff members of DHL Global Forwarding (u) Ltd, the study will provide important information concerning the various ways they can perform to ensure efficiency to the expectations of the company.

The study may finally be an additional literature for other researchers and scholars especially those in the same field of study.

### **1.8 Definition of key variables**

#### **Efficiency:**

In the economics terms efficiency is a relationship between ends and means. When we call a situation inefficient, we are claiming that we could achieve the desired ends with less means, or that the means employed could produce more of the ends desired. “Less” and “more” in this context it necessarily refers to less and more value.

In general efficiency describes the extent to which time, effort or cost is well used for the intended task or purpose. It is often used with the specific purpose of relaying the capability of a specific application of effort to produce a specific outcome effectively with a minimum amount or quantity of waste, expense, or unnecessary effort.

#### **Outsourcing**

Outsourcing can be defined as the strategic use of outside resources to perform business functions traditionally managed by internal staff. Using an outsourced company which will help reduce costs and gain efficiencies by leveraging the talent, technology and expertise of third party vendor.

## **1.9 Conceptual Frame work**

Figure: 1 below describes the relationship between the variables of the study. Accordingly, organizational efficiency is the dependent variable while outsourcing warehousing and distribution services is the independent variable.

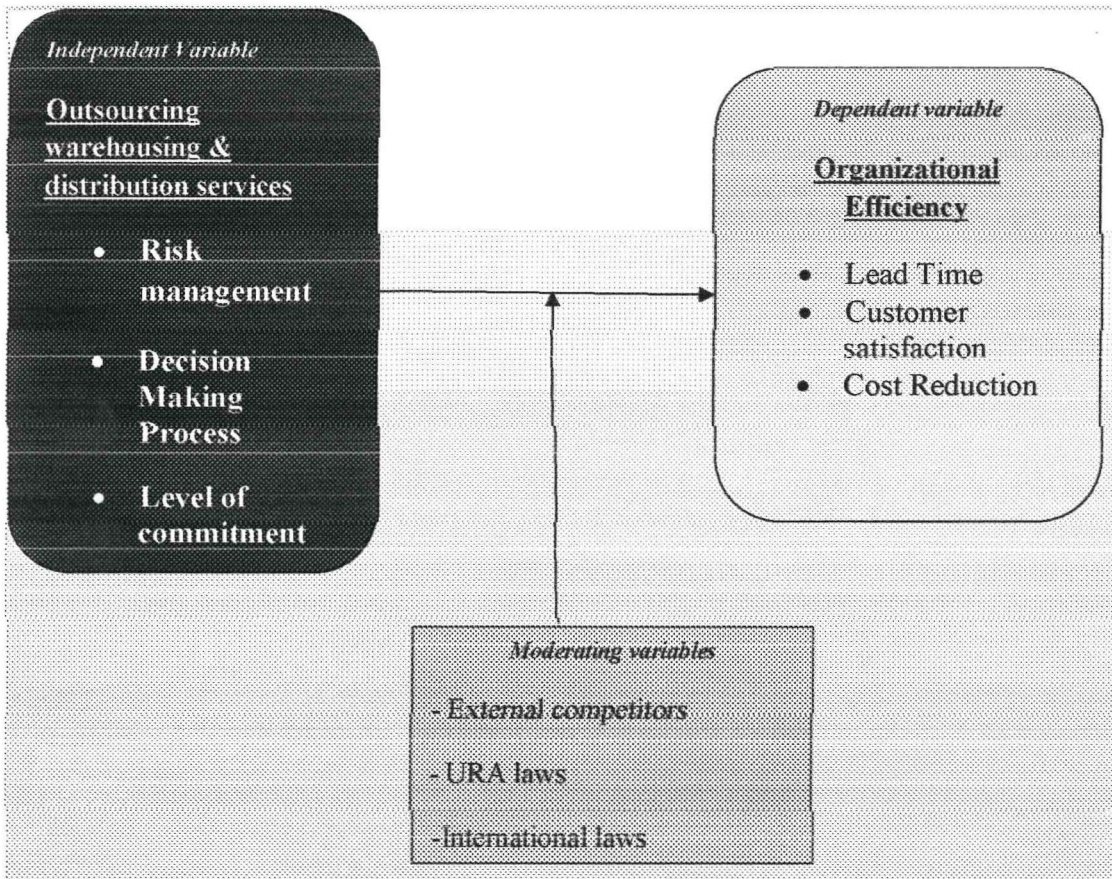
For purposes of this study, outsourcing logistics services variables include;

Nature of the transaction costs, operational costs, supervision and the level of commitment from subcontractors in the logistics chain and characteristics of the transaction features in the field of logistics while organizational efficiency variables include Lead Time, Customer satisfaction, cost reduction that considers the operations of the organization through fulfilling the business needs of the people and maximising the company resources for proper service delivery.

However, there were moderating variables that could affect the relationship between outsourcing logistics services and organizational efficiency; these factors included company policies and external competitors.

According to Marshall et al. (2004) outsourcing logistics services decisions are the major influence to any organisational efficiency. The intuition put in outsourcing logistics services decisions if managed properly, this can have a significant effect on organizational efficiency.

**Figure: 1**



**Source:** Constructed after reviewing existing literature on the variables

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter highlights on what other researchers say about the variables in the topic. In this case the researcher reads various texts like text books, journal articles, previous research reports and magazines, in all these he quotes what the authors of those materials say about the topic.

Literature review on the other hand looks at the theories and models explaining the key variables so as to set the study in line with the current practices.

##### **2.1.0 Logistics**

The concept of logistics in its modern form dates back to the second half to the 20<sup>th</sup> century. Since then, it has developed into a widely recognized discipline of significant importance to both theory and practice. This development is not yet completed, however, and the debate on the true meaning of logistics and its exact specifications is still ongoing: Especially in the logistics industry it becomes apparent that neither a standardized logistics concept nor a consistent notion of logistics exists. While some reduce their understanding to simple transporting-, handling-, and warehousing operations, others view logistics more broadly as a management function.

Logistics literature supports this finding of notional heterogeneity with a multitude of different logistics definitions. Especially recognized is the 2005 definition by the Council of Supply Chain Management Professionals (CSCMP 2005, p. 63), where logistics management is seen as part of supply chain management (SCM). It is the part "... that plans implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related

information between the point of origin and the point of consumption in order to meet customers' requirements." This definition directly refers to the importance of economical considerations (efficiency, effectiveness) and at the same time underscores the functional character of logistics

### **2.1.1 Phases of logistics**

Most of the concepts indicate that the development of logistics follows three or four distinct phases (Weber 2002; Bowersox & Daugherty 1987), where sometimes the most advanced two phases are viewed as a single phase only. These phases, as indicated in (Weber 2002, p. 5), are determined by the level of logistics knowledge present in a firm and require path dependent development from the lowest to the highest level of logistics knowledge.

#### **The four phases of logistics development**

During the first two phases, efficiency gains of the logistical processes are emphasized, both through specialization and the cross-functional coordination of material flows.

After the transition to the third and fourth phases the scope of logistics changes distinctly. It becomes a management function, whose objective is the implementation of a flow- and process orientation throughout the firm, thereby fostering logistical thinking and acting beyond the sole logistics department. However, Weber (2002, pp.3-4) points out that even when a firm has reached those higher phases of logistical development, it is important that the functions typical for the lower phases are not neglected. The different phases of logistical development reflect an underlying shift of importance.



Coming from an emphasis on classical logistical activities such as transportation, handling and warehousing, the flow of information in logistics processes is of increasing concern. While in the early years of logistical development the physical capabilities of a logistics system determined its potential, this has changed until today, where the capabilities of the complementary processes of information exchange are of at least equal importance.

#### **2.1.1.1 Logistics as a functional specialization**

During the first phase of its development, logistics becomes a specialized function, supplying services and processes required for the efficient flow of materials and goods.

These processes mainly include the transportation, handling and warehousing of goods which previously had not been adequately addressed.

Historically, the emergence of the first phase of logistical development was caused by a severe change in the market environment in the 1950's. The traditional suppliers' markets turned into buyers' markets, requiring new and more sophisticated flows of materials and goods. In contrast to other functions, such as procurement or production, the logistics function back then was underdeveloped and logistics responsibilities were scattered throughout the organization. For this reason, a concentration on the optimization of this function promised broad room for improvement.

Through the functional specialization, two separate benefits can be obtained, coming either from the direct optimization of individual processes or from the joint treatment of different processes. Wallenburg (2004, p.40) indicates that improvements on the process level can result from experience curve effects or economies of scale. Furthermore efficiency gains can be realized on the planning level through the application of mathematical methods, solving e.g. non-trivial

transportation and warehousing problems. Beyond these improvements, optimizing different logistics processes jointly promises great potential that can only be realized if existing interdependencies are taken into account, e.g. when rising costs incurred through higher transportation frequencies are offset by savings through lower inventory levels.

On the organizational level, a specialization of the logistics function often leads to the introduction of new departments, combining transporting-, handling and warehousing functions. At the same time, a functional division can often be observed on a firm-wide basis, created through separate efforts in the areas of procurement-, production-, and distribution-logistics. As a specialized service function, logistics is characterized by the existence of a considerable know-how spread among a clearly definable group of employees.

In summary it can be ascertained that the mastering and understanding of the requirements of the first phase of logistical development promises considerable improvements and efficiency gains and simultaneously is the necessary basis for the following phases.

#### **2.1.1.2 Logistics as a coordinative function**

After exhausting rationalization potentials during the first phase especially in distribution and transport-intense procurement functions, the focus during the second phase of logistical development is on the coordination of different functions. The efforts concentrate both on the coordination of the flow of materials and goods from source to sink and on expanding the focus towards the entire supply chain, cutting across the boundaries of the firm and comprising customers as well as suppliers. Starting point for understanding logistics as a coordinative function was the insufficient

Consideration of existing interdependencies between different functions of the firm. Facilitated by existing structures, especially procurement, production, and distribution functions were optimized independently. The organizational separation of these functions, however, historically encouraged the development and cultivation of individual interests, obstructing an overall optimization of all processes. But exactly the latter was needed, since the optimization potentials due to specialization for the single functions were already exhausted. Therefore, during the second phase of logistical development, improvements can be achieved by concentrating on the coordination of the different functions. Examples given by Weber (2002, p. 11) are the coordination of lot sizes or just-in-time supply and production, where the required resources are provided exactly when needed. Resulting from the integrated understanding and planning of the procurement and production functions, cost and performance benefits emerge.

The focus thus is on influencing the extent and the structure of the demand for logistical services through appropriate coordination. In doing so, logistics is giving up the former functional separation and rather focuses on integrated processes.

This fundamental change in the understanding of logistics causes an increased heterogeneity of the function on the one hand and on the other requires an increased interaction with the responsible management of other functions. The perceived importance of logistics increases during the second phase of logistical development as it is now seen as a means to achieve competitive advantages. The primary concern during this phase is to enable cost leadership – differentiation through performance will be targeted mainly during the following phases. The second phase is building on the know-how of the functional specialization, supplemented by substantial inter-organizational and management knowledge needed for the coordination.

Therefore, not only the amplitude of the necessary logistical knowledge increases, but also its depth.

### **2.1.1.3 Logistics as enabler of process orientation within the firm**

The transition towards the third phase of logistical development is characterized by yet another change in the relevance attached to it. Logistics now becomes a management function aiming at implementing the concept of flow orientation inside the entire firm.

Historically, this development was caused by the changing economic environment. The increasing competitive pressure called for differentiation while simultaneously reducing costs. For doing so, the purely functionally designed structures and systems proved irrelevant. Yet, by adopting a stronger process orientation when supplying logistical services, complexity reductions could be achieved, thereby better addressing the shifted needs of the markets. Because of the transition into a management function, the implementation of flow orientation is not restricted to individual corporate functions. In contrast to the approach of the second phase based on coordination, all logistical structures are generally perceived as being changeable. Thus, when implementing the concept of flow orientation, the original logistical processes transporting, handling, and warehousing lose their exposed significance. Their remaining importance comes from their contribution to the proper functioning of the flow orientation of the firm.

With the increasing importance of logistics as a management function, the required logistical knowledge increases as well. At the same time, the broad logistical know-how obtained in the first phases allows a reduction of the distinct specializations on the different logistics functions. Logistical services can now for instance be provided by the same employees responsible for supplying production- or maintenance-activities.

In practice, corporate logistics following this understanding are sometimes criticized since they may fail in some of their very basic aspects (Weber 2002, p. 19): one danger is that with the broader orientation the unique and original logistical skills may suffer.

On the other hand, when logistics become a management function it runs the risk of not being adequately anchored in the organization. Consequently, the functional specialization must not necessarily be abandoned when a firm progresses towards the third phase of logistical development. Rather, it is vital to find a compromise which enables and fosters the coexistence of a functional specialization for the supply of logistical services and at the same time anchors the understanding that flow orientation as an important task of the management.

#### **2.1.1.4 Logistics as a supply chain management function**

During the fourth and last phase of logistical development, logistics remains a management function, but extends its scope beyond the boundaries of the firm. Consequently, the concept of process or flow orientation is extended across the supply chain, encompassing now also suppliers and customers, thus ideally spanning from source to sink. Logistics during this phase, now being called supply chain management (SCM), aim at integrating the entire supply chain.

This understanding of the concept of supply chain management as a phase of logistical development is not undisputed. As Larson and Halldorsson (2004, pp. 1-7) point out, in the logistics science community basically four different views of SCM have developed over the years. These include the “traditionalist” view which understands SCM as part of logistics and the “unionist” view which considers logistics as part of SCM.

Furthermore, the “re-labeling” perspective believes that what is now SCM was previously logistics. The fourth and “intersectionist” view finally suggests that logistics is not the union of

logistics, marketing, operations, purchasing etc. but rather includes strategic and integrative elements from all these disciplines. Further insights into the diversity of understandings are given by Bechtel and Jayaram (1997) who provides an extensive retrospective review of the literature and research on supply chain management.

In the light of this multitude of different understandings it is important to establish that in this work, supply chain management is understood as the most advanced phase of logistical development. Starting point for the development towards supply chain management was the further increasing demand of firms for more efficiency and effectiveness. Since most of the internal optimization potentials had already been exhausted, only those remained that resulted from the inefficient collaboration between firms being part of the same supply chain. The fact that during this process the individual boundaries of the firm lost part of their former dominant importance was fundamentally enabled by the tremendous progress the information and communication technologies made. Even though supply chains are part of every economy based on the division of labor and therefore have already existed during the other phases of logistical development, it is only during the fourth phase that they obtain a widely recognized importance. Thus, what is new to this phase is the concentration on the supply chain and the introduction of inter-organizational concepts aiming at the realization of optimizing potentials by targeting gains in efficiency and effectiveness. Due to the high complexity of the task and the divergent objective functions the realization of an inter-organizational supply chain management is accompanied by management problems. While in partnerships with low intensity the focus is usually only on the adequate supply with information, an increasing intensity requires adjustments in structures and processes as well in order to prepare the former internal structures for the now inter-organizational challenges.

The management tasks during this phase of logistical development are considerable and complex. Together with the understanding of the need for inter-organizational cooperation for supplying goods and services, they are the reason why supply chain management is an own phase of the logistical development. Prerequisite for the implementation of an inter-organizational flow orientation not only is the answering to the technological demands, but also the sufficient willingness and capabilities of the participating firms.

### **2.1.2 Performance effects of logistics development**

As described above, significant advancements in the field of corporate logistics can be observed in recent years. It remains an open question, however, whether or not it is desirable for every individual firm to aim at reaching as high a level of logistics development as possible and to implement logistics as a management function, thereby enabling an inter-organizational flow orientation. This will only be the case if it proves that flow orientation is a key performance driver both for logistics and firm performance. Dehler (2001, pp. 220-226) shows empirically that the higher the flow orientation of a firm, the higher is its logistics performance due to reduced logistics costs and increased levels of logistics service. This finding is of particular relevance, because Dehler (2001, pp. 233-244) also finds that logistics performance directly influences the overall firm performance.

Research was carried out on the effects of outsourcing of core and support functions to other restructuring measures of large Australian organizations using a survey among 4500 firms in 1998. Of the 1222 respondents, 649 firms reported recent workforce reductions. The authors find

that the most important reason for outsourcing was a change in the business strategy, whereas this was not the trigger for other restructuring measures, Benson and Littler (2002).

The main objective of outsourcing was reduction in labor costs and an increase in labor productivity, which was indeed achieved by outsourcing according to responding managers. On the other hand, firms reduced workforce for other reasons other than outsourcing reported similar objectives: reduction in excess production by other forms of restructuring, Laugen et al. (2008)

## **2.2 Outsourcing**

### **2.2.1 Understanding outsourcing**

Outsourcing has become a megatrend in many industries, most particularly in logistics and supply chain management (Feeney et al. 2005). The overall scope of outsourcing is continuing to grow, as companies focus on their core competencies and shed tasks perceived as noncore (Lindner 2004). For example, recent data indicate that the outsourcing of human resources (HR) functions is pervasive, with 94 percent of firms outsourcing at least one major HR activity, and the majority of firms planning for outsourcing expansion (Gurchiek 2005). Research assessing the outsourcing of sales, marketing and administrative functions provides parallel results, with at least portions of these functions now being outsourced in 15–50 percent of sampled firms (The Outsourcing Institute 2005; GMA 2006). Similarly, the third- and fourth-party logistics industries are booming, with between 65 percent and 80 percent of U.S. manufacturing firms contracting with or considering use of a logistics service provider in the last year (Langley et al. 2006). Thus, managers are



increasingly feeling pressure to make the right sourcing decision, as the business consequences can be significant (McGovern & Quelch 2005). Good outsourcing decisions can result in lowered costs and competitive advantage, whereas poorly made outsourcing decisions can lead to a variety of problems, such as increased costs, disrupted service and even business failure (Cross 1995). Poor outsourcing practices can also lead to an unintended loss of operational level knowledge.

Consider the case of Toyota Motor Corp., which by outsourcing the design and manufacture of electrical systems for its automobiles, surrendered its own capability to understand the processes required for this highly specialized work. As a result, Toyota is no longer able to leverage its own technological advantage with respect to these systems during product development (Lindner 2004). Problems such as these and others related to the outsourcing of goods and services are prevalent when outsourcing arrangements are not well understood by managers in the contracting firms.

In the 1990s, outsourcing was the focus of many industrial manufacturers; firms considered outsourcing everything from the procurement function to production and manufacturing. Executives were focused on stock value, and huge pressure was placed on the organization to increase profits. Of course, one easy way to increase profit is by reducing costs through outsourcing. Indeed, in the mid 1990s there was a significant increase in purchasing volume as a percentage of the firm's total sales. More recently, between 1998 and 2000, outsourcing in the electronics industry has increased from 15 percent of all components to 40 percent.

Consider, for instance, the athletic shoe industry, a fashion industry with products that require significant investment in technology. No company in this industry has been as successful as Nike, a company that outsources almost all its manufacturing activities. Nike, the largest supplier

of athletic shoes in the world, focuses mainly on research and development on the one hand and marketing, sales, and distribution on the other. Indeed, this strategy allowed Nike to grow in the 1990s at an annual rate of about 20 percent.

Cisco's success story is even more striking. According to Peter Solvik, CIO of Cisco, Cisco's Internet-based business model was instrumental in its ability to quadruple in size from 1994 to 1998 (\$1.3 billion to over \$8 billion), hire approximately 1000 new employees per quarter while increasing their productivity, and save \$560 million annually in business expenses. Specializing in enterprise network solutions, Cisco used, according to John Chambers, Cisco CEO, a global virtual manufacturing strategy. As he explained, "First, we have established manufacturing plants all over the world. We have also developed close arrangements with major suppliers. So when we work together with our suppliers, and if we do our job right, the customer cannot tell the difference between my own plants and my suppliers in Taiwan and elsewhere".

This approach was enabled by Cisco's single enterprise system, which provides the backbone for all activities in the company and connects not only customers and employees but also chip manufacturers, component distributors, contract manufacturers, logistics companies, and systems integrators. These participants can perform like one company because they all rely on the same Web based data sources. All its suppliers see the same demand and do not rely on their own forecasts based on information flowing from multiple points in the supply chain. Cisco also built a dynamic replenishment system to help reduce supplier inventory. Cisco's average inventory turns in 1999 were 10 compared with an average of 4 for competitors. Inventory turns for commodity items are even more impressive; they reach 25 to 35 turns a year.

Apple Computers also outsources most of its manufacturing activities; in fact, the company outsources 70 percent of its components. Apple focused its internal resources on its own disk

operating system and the supporting macro software to give Apple products their unique look and feel.

Making the right outsourcing decision requires a clear understanding of the broad array of potential engagement options, risks and benefits, and the appropriateness of each potential arrangement for meeting business objectives. Many variations of outsourcing alternatives exist, resulting in a lexicon of terms, such as out-tasking, collocation, managed services and business process outsourcing. This has led to confusion for many managers, who feel pressure to make the right decisions and often view outsourcing as an all or nothing proposition to offload and bring down the costs of noncore activities. In fact, one of the biggest misconceptions about outsourcing is that it is a fixed event or a simple make-or-buy decision. In reality, outsourcing is an umbrella term that encompasses a spectrum of arrangements, each with unique advantages and risks. Understanding the relative risks and benefits of each of the potential alternatives is critical in making the right outsourcing decision.

### **2.2.2 Why organizations outsource**

In this section, overview of previous academic works on outsourcing is given and is aimed to identify reasons for outsourcing.

However, according to Wilding (2004), consumer goods companies choose to outsource primarily in order to benefit from the competencies of 3PLs. Flexibility and cost objectives are very important too but cost reduction is definitely not an uncontested leader. There are several reasons why so few firms outsource for cost reasons:

i. Primary business focus is on service, rather than cost. Of the four main drivers for outsourcing (3PL competencies, cost, flexibility and focus on core), only one is cost related. The other ones are directly or indirectly service-related, showing that service considerations dominate over cost ones. It may be argued that outsourcing decisions in the consumer goods logistics tend to be less cost-driven than they are average over all industries.

ii. Costs are a qualifying, not a winning factor. Companies assume low costs from 3PLs and make outsourcing decisions on other grounds, such as service. Szymankiewicz (1994) even suggests that grocery retailers take both low cost and good service from 3PLs for granted.

iii. 3PLs' ability to actually lower logistics costs. Our evidence suggests that consumer good companies are aware of the fact that not every outsourcing decision decreases costs and therefore they do not expect cost cuts in the first place. A profit margin charged by 3PLs is reflected in the price for the services and may mean that keeping logistics in-house is cheaper than outsourcing.

According to Wilding's survey, some survey respondents outsourced for alternative reasons that had not been included in the list. Two firms outsourced to solve capacity problems. One company was motivated by a major organizational change (de-merger) and another one was looking to find synergy with the 3PL. Bendor and Samuel (1998) assert that outsourcing provides a certain power that is not available within an organization's internal departments. This power can have many dimensions: economies of scale, process expertise, access to capital, access to expensive technology, etc. Another possible benefit is that outsourcing provides companies with greater capacity for flexibility, especially in the purchase of rapidly developing new technologies, fashion goods, or the myriad components of complex systems (Harrison 1994; Carlson 1989).

On the other hand, as the world becomes more globally integrated and the boundaries between countries and cultures disappear, many developing countries, including Turkey, are turning into attractive centers for international firms because of their geographical locations, low working fees and high potential for market extensions. However, the study shows that in Turkey, outsourcing is still solely based on transportation (Uluengin & Uluengin 2003). According to Aktas and Uluengin (2005, p.317); many Turkish firms understand logistics services as taking the transportation order from the manufacturer and delivering the goods to destination points, without thinking about the warehouse design, the optimum location of the warehouse or of inventory management. Such ways of thinking are concerned only with one side of the subject and reduce logistics services to a narrow transportation perspective.

### **2.2.3 Critical success factors of outsourcing**

In order to ensure the success of using contract logistics, certain additional factors are to be considered during and after the implementation of the outsourcing process. The first and foremost is that decision to outsource must come from the top. Communication between logistics users and providers (Bowman 1995; Andel 1994; McKeon 1991; Trunick 1989), which is essential for the coordination of internal corporate functions and outsourced logistics, is also a very important factor in this respect. Firms need to specify clearly to service providers their role and responsibilities as well as their expectations and requirements.

Internal communication is also equally important. It has been asserted that managers must communicate exactly what they are outsourcing and why – then get the support of every department (Bowman 1995). Richardson (1990) and Maltz (1995) also emphasize the importance in educating management of the benefits of contract logistics.

Management needs to be convinced to try outsourcing and view it as a strategic activity. Success of outsourcing depends on a user-provider relationship based on mutual trust and faith (Bradley 1994). This does not imply that control measures are redundant, firms should mandate periodic reporting by the service providers (Distribution 1995; Richardson 1990). The need to select third parties wisely and maintain control while building trust is very important (Richardson 1994). Any deal must be tied to internal controls that link all payments to invoices, bills of lading, or purchase orders (Bradley 1994). A crucial aspect of successful outsourcing linking to trust is that users ought to be willing to part with proprietary information, which can help a capable third party to reduce total logistics costs (Bowman 1995). On the other hand, service providers have the responsibility and obligation to protect users' sensitive data on products, shipments and customers (Distribution 1995).

According to Richardson (1990), there are several other critical factors that make outsourcing work. They include focus on the customer; establishing operating standards and monitoring performance against those standards; knowing the payback period, benefits expected by the firm, and the means to achieve those benefits. Factors, such as being aware that outsourcing may require a longer term of service than the firm is used to and building information systems that will allow the firm to make ongoing cost/value comparisons, are also critical. However, for McKeon (1991) understanding each other's cultures and organizational structure to ensure a good match, and knowing logistics strategy, i.e., understanding the logistics function's role in meeting the business objectives of the firm (e.g. differentiation or low cost) are the most important factors for successful outsourcing. The business objectives of the firm may dictate the extent to which it will use partners: outsource a single function or outsource all key functions.

The importance of the human factor in outsourcing also cannot be undermined. The firm must involve the people currently providing the logistics service since their expertise enables them to facilitate the transition from in-house logistics to third-party logistics.

Furthermore, they must be given an opportunity to move with the function if outsourcing is implemented, proving how valuable they can be. However, there is the risk that the fear of getting retrenched due to outsourcing of a function may prompt current employees to sabotage the process (Maltz 1995).

The success criteria needed to establish sustainable partnerships in the area of contract logistics are the various relationships between the people involved. Open and honest environment, key management, coherent and effective internal measurement systems, mutual respect and empathy, commitment to investment, and financial and commercial arrangements are of particular importance in this aspect. For Razzaque (1998, p. 101), it is evident that, to make contract logistics work, a high level of commitment and resolution is needed on the part of the buying firms. Management must examine critically each of these success factors to determine how they can be put into practice. Only then firms can truly harness the benefits of outsourcing and to develop long-term partnerships that manifest the many advantages that are possible with the use of third-party logistics.

### **2.3 Logistics Outsourcing**

After having introduced logistics and outsourcing, the question arises how to organize logistics processes on the level of the individual firm. The options for the firms are to either operate them

by themselves or to partially or completely outsource them to a third party in the form of a logistics service provider (LSP).

### **2.3.1 Origin and definition**

Logistics capabilities are an important source of competitive advantage. As described before, the configuration of the individual logistics processes depends largely on the current phase of logistical development. At the same time, the question arises which parties are involved in the formation and realization of the processes. When approaching the concept of logistics outsourcing, Razzaque and Sheng (1998, p.89) offer some valuable insights. According to them, a company can basically choose between three different options to handle its logistics activities effectively and efficiently: It can provide the function in-house by making the service, It can either set up an own logistics subsidiary or buy a logistics firm and It can outsource the service and then buy the service from an external provider.

The issue of outsourcing logistics services has received widespread attention over the last 15 years (Razzaque & Sheng 1998; Cooper 1993; Virum 1993; Bardi & Tracey 1991; Sheffi 1990; Bowersox et al. 1989). In the early discussion, different views of the meaning of logistics outsourcing became apparent. Lieb et al. (1993) suggested that outsourcing, third-party logistics and contract logistics generally mean the same thing. Bradley (1994) pointed out that service providers must offer at least two services that are bundled and combined, with a single point of accountability using distinct information systems which is dedicated to and integral to the logistics process. This is contrary to the view of Lieb et al. (1993, p. 35) who note that outsourcing “may be narrow in scope” and can also be limited to only one type of service such as



warehousing. After the initial dissension on the scope required to justify the use of the term “logistics outsourcing” more general definitions have been accepted. Lambert et al. (1999, p. 165) state that logistics outsourcing is “the use of a third-party provider for all or part of an organization’s logistics operations” and add that its utilization by the firms is increasing. Rabinovich et al. (1999, p. 353) define logistics outsourcing relationships even more broadly as “long and short-term contracts or alliances between manufacturing and service firms and third party logistics providers”. For this work, logistics outsourcing will be understood in line with the definition provided by Lambert et al. (1999), while the focus will be on the contract logistics described by Rabinovich et al. (1999).

The outsourcing trend has been continuously growing over the last years. It has been following the changes that have also been inducing the four phases of logistical development as presented in this study. According to different authors such as Trunick (1992), Sheffi (1990) another important driving force behind this has been the increasing globalization of business. The continuously growing global markets and the accompanying sourcing of parts and materials from other countries has increased the demands on the logistics function (Cooper 1993) and led to more complex supply chains (Bradley 1994, p. 49). The lack of specific knowledge and suitable infrastructure in the targeted markets forced firms to turn to the competence of logistics service providers. In recent years, the outsourcing trend has gained even more momentum as the consensus in firms formed that the utilization of a logistics service provider generally can reduce the cost of logistics processes and can increase their quality (Lambert et al. 1996, pp. 2-5).

Logistics service providers (LSP) suitable for providing these services today exist in abundance, reacting to the ever increasing demands of the customers and the subsequently developing markets. Due to the fact that a number of firms do not view logistics as a core competency or

even if they do, are willing to outsource them to a third party, outsourcing has become a relevant option. However, since the needs differ in every individual case, Wallenburg (2004, p. 46) argues that every firm must answer two important questions before actually outsourcing:

- i. Which part of logistics shall be outsourced?
- ii. Who shall provide the service?

### **2.3.2 Benefits and risks of logistics outsourcing**

Essential for answering the question regarding the optimal outsourcing scope are the resources of the respective firm and alongside the trade-off between consequential advantages and disadvantages. This will vary according to the individual firms' perception of the benefits and risks associated with the particular outsourcing arrangement. Although they are inherently different, some aspects commonly associated with logistics outsourcing shall be presented in the following chapters.

#### **2.3.2.1 Advantages of logistics outsourcing**

The most frequently mentioned benefit of outsourcing is the reduction of the firm's logistics costs (Browne & Allen 2001, p. 259; Bardi & Tracey 1991, pp. 15-21). This can become manifest in several different ways: Bradley (1994) points out that logistics service providers can be more efficient than a manufacturer, because logistics is their core business. Hence, specialization effects and the proper utilization of core competencies lead to lower production costs. Furthermore, inefficiencies which have not become apparent as long as the service was produced in-house and therefore was not subject to competition are eliminated (Wallenburg 2004, p. 47).

Lower production costs can also be achieved through economies of scale and scope resulting from the larger volumes of similar or equal logistics services a LSP produces and through the higher utilization ratio of the assets employed. Furthermore, logistics service providers can balance varying demand patterns better than a single manufacturing firm by diversifying their customer portfolios and reduce labor costs by benefiting from lower wage levels compared to those in manufacturing industries.

Logistics outsourcing also directly affects the cost position of a firm due to a reduced need for capital investments. Richardson (1990) points out that investments in facilities can be reduced while Sheffi (1990, pp. 27-39) states that costly information technology expenditures can be saved when outsourced to a logistics service provider. Beyond that, logistics outsourcing also allows for a decrease of the workforce and the associated investments.

The effects mentioned above stemming from the reduction of capital investments ideally allow a firm to source only the required logistics services and to thus convert the formerly fixed costs of the logistics capacities into variable costs. Besides all these different potentials of cost reduction, however, logistics outsourcing has some further benefits for the firm. Especially in recent years the realization has spread among firms that outsourcing logistics can also lead to improvements in logistics performance that in-house could not be achieved. Among these improvements are the following:

As a result of outsourcing, the expertise, technology, and infrastructure of the LSP can be utilized (Browne & Allen 2001, pp. 259-260). This can lead to a higher logistics performance in multiple dimensions. Lalonde and Maltz (1992, p. 3) identify higher quality, better service,

optimized asset use, and increased flexibility. Multiple authors go into further detail, such as Richardson (1990) who mentions faster transit times, less damage, and improved on-time delivery. The increased flexibility is a major benefit for firms. It allows firms to become more responsive as the needs of the market or customers change, as the LSP contributes by supplying its know-how and existing resources (Browne & Allen 2001, pp. 259-260).

At the same time, the firm is enabled to concentrate on own core business and its core competencies. This is particularly significant with respect to the core competence debate suggesting that due to limited internal resources and a growing complexity of the market competitive advantage cannot be attained in all areas simultaneously and focusing is necessary. Outsourcing logistics to a service provider allows for this concentration on core competencies, reduces the complexity of the firms' business processes and consequently facilitates sustainable competitive advantage.

Furthermore, outsourcing reduces both the strategic and the operative risk of the firm. The strategic risk in the form of investment decisions in assets is outsourced, as well as operative risks, e.g. missed deadlines, unexpectedly surging costs or quality problems in the logistics processes, which all now have to be borne by the LSP.

Another factor whose importance varies according to the corporate context and the business environment is mentioned by Lynch (2000, pp. 9-11), who points out that labor considerations must not be neglected when making the outsourcing decision. Problems with the workforce,

originating e.g. from a high rate of unionization (USA) or particular labor agreements concerning wages can be passed on to the LSP.

### **2.3.2.2 Disadvantages of logistics outsourcing**

After the initial outsourcing debate had a rather euphoric notion, realization came over the years that outsourcing is accompanied by some disadvantages and risks (Wentworth 2003, pp. 57-58; McIvor 2000, pp. 22-23).

One of the most commonly cited risks is the loss of control (Wentworth 2003, pp. 57-58; Bardi & Tracey 1991), paired with the dependence on an LSP of ten accompanying the relationship. The firm must rely on the LSP to fulfill the service as agreed upon in the contract, but then depends on the LSP as the very source for the data it needs for judging whether the levels of quality and service have been achieved or not (Wentworth 2003, p. 57). The same holds true for the LSP's truthful declaration of the costs incurred when rendering the logistics service, which frequently is the base for the price charged to the firm. This effect is aggravated in the case that a firm outsources the entire logistics function, thereby losing its internal logistics skills and hence its capabilities to judge the outsourcing performance. That can be the origin for opportunistic behavior on the side of the LSP. If the firm wants to limit the potential for opportunistic behavior, it must install control mechanisms. These will produce transaction costs such as bargaining and control costs, which must be added to the overall cost when making the outsourcing decision.

It has been pointed out in the previous chapter that outsourcing can reduce the complexity of business processes, enabling the firm to concentrate on its core business. It must be noted, however, that in the relationship with the LSP coordination efforts between the parties are

necessary, adding some other form of complexity (Wallenburg 2004, p. 48), which, depending on the context of the relationship, could turn into a serious obstacle en route to successful outsourcing.

Other authors point to the complexity of outsourcing projects as one immanent and significant disadvantage. According to McIvor (2000, pp. 24-26), the strategic dimension of outsourcing projects is often neglected, leading to sub-optimal results based on the short term reasons of cost reduction and capacity issues. He concludes that problems frequently occur because complex issues, such as a formal outsourcing process, an adequate cost analysis and a thorough definition of the own core business have not been paid sufficient attention.

As for logistics outsourcing several synonyms are often used: “outsourcing”, “third party logistics” or “contract logistics” (Larson & Kulchitsky, 1999). Reviewing the definitions pointing at this concept (e.g., Langley, Dobrey, & Newton, 1997; Lieb, 1992; Lieb, Millen & Van Wassenhove, 1993; Lieb & Randall, 1996; Murphy & Poist, 1998; Tage, 2000; Virum, 1993) allowed us to define logistics outsourcing as the fact of entrusting all or part of the logistic chain, whose activities were previously performed in-house, to an external supplier on the long run, with a potential transfer of resources and with an objective of performance.

This definition, including a strategic dimension thus makes outsourcing different from the concepts of subcontracting, contracting out and so on which are often considered close or equivalent to it. According to Tage (2000: 113), it “presupposes that several characteristics are fulfilled before the relationship between buyer and seller” such as “a certain duration, joint efforts to develop further cooperation, a customerization of the solution, together with a fair sharing of benefits and risks”.

## **Decision making process**

Decision making can be regarded as the cognitive process resulting in the selection of a course of action among several alternative scenarios. Every decision making process produces a final choice.<sup>[1]</sup> The output can be an action or an opinion of choice.

The most significant step in any decision making process is describing why a decision is called for and identifying the most desired outcome(s) of the decision making process.

One way of deciding if a problem exists is to couch the problem in terms of what one wanted or expected and the actual situation. In this way a problem is defined as the difference between expected and/or desired outcomes and actual outcomes.

This careful attention to definition in terms of outcomes allows one to clearly state the problem. This is a critical consideration because how one defines a problem determines how one defines causes and where one searches for solutions.

The limiting aspect of the problem definition step is not widely appreciated. Consider this example.

Your company owns an old, downtown office building. Tenants are complaining that their employees are getting angry and frustrated because there is always a long delay getting an elevator to the lobby at rush hour.

You are asked for a reaction on how to solve this problem. As with most problem situations there are several ways to define the situation and several solutions that suggest themselves.

This scenario has been presented to over 200 groups in a training environment. The most common alternatives these groups offered were:

- *Flexible hours*- so all the tenants' employees wouldn't be at the elevators at the same time.
- Faster elevators - so each elevator could carry more people in a given time period.
- Bigger elevators - so each elevator could carry more people per trip.
- Elevator banks- so each elevator would only stop on certain floors, increasing efficiency.
- Better elevator controls - so each elevator would be used more efficiently.
- More elevators - so that overall carrying capacity could be increased.
- Improved elevator maintenance - so each elevator would be more efficient.
- Encourage employees to use the stairs - so fewer people would use the elevators.

If you examine each alternative you will see that several different definitions of the problem must have existed.

- If the solution is "flexible hours" the problem must have been defined as, "Too many people getting off work at a given time." No other problem makes sense for that solution.
- "Faster elevators" comes from, "The elevators are too slow."
- "Bigger elevators" comes from, "The elevators are not carrying enough people."
- "More elevators" comes from, "Too few elevators."

The real life decision makers defined the problem as "people coming about having to wait". Their solution was to make the wait less frustrating by piping music into the elevator lobbies. The complaints stopped.



There is no way that the eventual solution could have been reached if, for example, the problem had been defined as "too few elevators".

As you can see, how you define the problem determines where you go to look for alternatives/solutions, so define the problem carefully.

### **Identify available alternative solutions to the problem**

The key to this step is to not limit yourself to obvious alternatives or what has worked in the past but to be open to new and better alternatives. How many alternatives should you identify? Ideally, all of them. Realistically, we teach that the decision maker should consider more than five in most cases, more than three at the barest minimum. This gets away from the trap of seeing "both sides of the situation" and limiting one's alternatives to two opposing choices; either this or that.

### **Evaluate the identified alternatives**

As you evaluate each alternative, you should be looking at the likely positive and negative cones for each. It is unusual to find one alternative that would completely resolve the problem and is heads and shoulders better than all others. Differences in the "value" of respective alternatives are typically small, relative and a function of the decision maker's personal perceptions, biases and predispositions.

As you consider positive and negative cones you must be careful to differentiate between what you know for a fact and what you believe might be the case.

*The decision maker will only have all the facts in trivial cases. People always supplement what facts they have with assumptions and beliefs.*

This distinction between fact-based evaluation and non-fact -based evaluation is included to assist the decision maker in developing a "confidence score" for each alternative. The decision maker needs to determine not just what results each alternative could yield, but how probable it is that those results will be realized. The more the evaluation is fact-based, the more confident he/she can be that the expected outcome will occur.

### **Make the decision**

When acting alone this is the natural next step after selecting the best alternative. When the decision maker is working in a team environment, this is where a proposal is made to the team, complete with a clear definition of the problem, a clear list of the alternatives that were *considered and a clear rationale for the proposed solution.*

### **Implement the decision**

While this might seem obvious, it is necessary to make the point that deciding on the best alternative is not the same as doing something. The action itself is the first real, tangible step in *changing the situation. It is not enough to think about it or talk about it or even decide to do it. A decision only counts when it is implemented.* As Lou Gerstner (CEO of IBM) said, "There are no more prizes for predicting rain. There are only prizes for building arks."

### **Evaluate the decision**

Every decision is intended to fix a problem. The final test of any decision is whether or not the problem was fixed. Did it go away? Did it change appreciably? Is it better now, or worse, or the same? What new problems did the solution create?

### **Conclusion**

With the rapid economic development and increasing competition in the logistics market, it is an inevitable trend of logistics out sourcing, however, the road of outsourcing is a long-term and tortuous process. In general, 3PL is a kind of superior logistics pattern, because it is favorable not only to concentrate on developing business for enterprises and enhance their core competitiveness, but also to reduce the cost and improve the efficiency. We can say, to some extent, it has a kind of integrated advantages. However, the process of adopting the decision-

making of logistics outsourcing for enterprises is complex because enterprises have to consider and analyze the whole business development strategy and internal overall strength so that the decision-making they made can adapt to the development of the company. Therefore, enterprises should make a reasonable and prudential decision-making of logistics rather than outsourcing their logistics to third-party logistics blindly. At the same time, enterprises once selected a third-party logistics company, the cooperation with them is also a long-term and run-in process, and therefore, enterprises should manage and control the third party effectively so that 3PL can truly play a good “third-party source of profits”.

Several studies have been conducted on outsourcing and organizational efficiency in the private sector. However, none has been conducted focusing on DHL as a case study. The current study is the first of its kind to base on DHL as a case study. Prior conducted similar studies as ascribed in the literature review below focused on other public and private sector firms mostly in developed countries as case studies. Such studies however, left multiple gaps which the current study intends to fill.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter discusses the methodology that will be used to examine the outsourcing warehousing and distribution services and the efficiency of the organization. It highlights how data will be collected and analyzed. This chapter also describes in detail the overall research design adopted by the study, population of the study, sample size and sample selection strategy, data collection methods, and data collection instruments.

#### **3.1 Research design**

Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project - the samples or groups, measures, treatments or programs, and methods of assignment - work together to try to address the central research questions (William M.K. Trochim 2006).

According to Sarantakos S. (1993), this is the most significant element of the research process where the whole research is designed, options considered, decisions made and details of the research laid down for execution.

The study was carried out mainly using quantitative approach of research. This approach is set to establish a clear and objective orientation, a vigorous, disciplined and systematic procedure, and a reality bound methodology, which allows arriving at a theory that will be free from vague and sloppy approaches, speculative thoughts about reality, and a theory that should be distinguished from a social philosophy, abstract speculation and everyday assumptions (Stergios1991; Vlahos, 1984).

The research employed the self administered questionnaire as a tool of data collection and to counter the shortcomings that would accrue from use of that tool, interviews were also conducted with some of the respondents.

### **3.2 Population of the study**

The population under study comprised of the staff of DHL Global Forwarding (u) Ltd. This covered all the departments (head office). The study included the top management of the organization because the processes normally involve these people as well as in strategic operations of the organization who are considered more knowledgeable about the topic under study.

The population under study was entirely the staff of DHL Global Forwarding (u) ltd. The departments have over 100 (one hundred) staff members.

### **3.3 Sample size and selection strategy**

According to Sekaran (2003), *sampling is the process of choosing the research units of the target population, which were included in the study. The samples used in the study were selected using purposive sampling which is a function of non- probability sampling. Under purposive sampling technique, the researcher purposely chose who, in their opinion are thought to be relevant to the research topic. In this case, the judgment of the researcher was more important than obtaining a probability sample. The process of sampling in this case involved purposive identification of the respondents.*

The sample size was therefore selected from the department and the subjects of the study .The sample under study were therefore made up of eighty three staff members.

**Table 1: DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

### **3.4 Data collection methods**

The study made use of both primary and secondary data and this was done through utilization of questionnaire method of data collection and reading of journal articles, past research works, magazines which were primary and secondary methods respectively used. In quantitative research, the design is developed at the beginning of the project and deviation of any kind is not permitted as such deviation is thought to cause problems; communication and interaction objectively define the fashion, data analysis takes place only when the process of data collection has been completed, the data collection methods are standardized and fixed leaving no options for correction and adjustment.

Questionnaires were administered. Also key informant interviews with the different stakeholders were held to mainly discuss in depth the open ended questions in the questionnaire.

### **3.5 Data collection instrument**

According to Sarantakos (1993), the successful completion of a sampling procedure connects the research with the respondent and specifies the kind and number of respondents who were involved. The researcher knows at this stage knew what was used and studied, but also who was to be approached for the required information. The information was available, provided that the right 'connection' between the researcher and the respondents was made. This connection was made through the methods of data collection.

According to Sarantakos S. (2005), a questionnaire is a method of survey data collection in which information is gathered through oral or written questionnaires. Oral questioning is known as interviewing; written questioning is accomplished through questionnaires which are administered to the respondents by mail or handed to them personally by the researcher.

Structured questionnaires were used in the collection of primary data and this was either be self administered or face to face interview with the respondent. For self-administered questionnaires,

the researcher further interviewed the respondents on a few responses that required further clarifications.

### **3.6 Validity and Reliability**

Pak (2008) and Joppe (2000) defined reliability as: "The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable". Kirk and Miller (1986) identify three types of reliability referred to in quantitative research, which relates to: the degree of consistency of results; stability over time and similarity within a given time period.

To test the reliability of the instruments, the researcher used the alternate-form reliability test by administering two similar instruments. The degree of correlation between the scores of the two instruments were then assessed. The test was carried out on 10 key players of the company who were in charge of the logistics department.

Reliability was established using SPSS Reliability Analysis Scale (Alpha co – efficient). This was because of its easy and automatic applicability and fitted a two or more point rating scale. The instruments of the research were based on the Likert type five-point scale. The researcher used the Likert scales because they showed the strength of the person's feelings to whatever was in questionnaire, they are easy to analyze, and they are easy to collect data, more expansive and quick.



The formula of Cronbach's Alpha Coefficient ( $\alpha$ ) was;

$$\alpha = \frac{K}{K-1} \left( 1 - \frac{\sum SD^2_i}{SD^2_t} \right)$$

$\alpha$  = Alpha coefficient

K = Number of items in the instrument

$\sum$  = Sum

$SD^2_i$  = Individual item variance

$SD^2_t$  = Variance of total score

The instrument was found to be valid in this study at 0.959 (Appendix G). The researcher used Alpha co-efficient because it is easy and automatic to apply.

McMillan & Schumacher (2006) stated that validity refers to the degree of congruence between the explanations of the phenomena and the realities of the world. Validity is the extent to which the instrument gives the correct answer. The questionnaires were tested for validity of all the possible dimensions of the research topic.

### 3.7 Data analysis

Data analysis is the science of examining raw data with the purpose of drawing conclusions about that information.

The collected data was analyzed using quantitative analysis which majorly involved six major activities namely, data preparation, counting, grouping, and relating, predicting and statistical testing. Data preparation involved all forms of manipulations that were necessary for preparing data for further processing e.g. coding, categorizing answers to open-ended questions, editing and checking as well as preparation of tables; counting included the mechanical task of registering the occurrence and frequency of the occurrence of certain answers or research items; grouping and presentation involved ordering of similar items into groups and this resulted in

distribution of data presented in the form of tables and graphs; relating will involve cross-tabulation and statistical tests to explain the occurrence and strength of relationships; predicting is a process of extrapolating trends identified in the study into the future and this statistical method helped the researcher complete this task and finally statistical testing; this refers to the stage where test of significance, inference, and correlation are employed during the process of analysis.

Data was analyzed by use of the Statistical Package for Social Science research, (SPSS) statistical tool which is a package that were developed for analyzing survey data and here the relationship was tested mainly considering relational statistics.

$$F = \frac{\text{Explained Variance}}{\text{Unexplained Variance}}$$

$$F = \frac{\text{Between Group Variability}}{\text{Within Group Variability}}$$

$$\sum_i n_i (\bar{Y}_i - \bar{Y})^2 / (K - 1)$$

Where  $\bar{Y}_i$  denotes the sample mean in the  $i^{\text{th}}$  group,  $n_i$  is the number of observations in the  $i^{\text{th}}$  group, and  $\bar{Y}$  denotes the overall mean of the data.

$$\sum_{ij} (Y_{ij} - \bar{Y}_i)^2 / (N - K),$$

where  $Y_{ij}$  is the  $j^{\text{th}}$  observation in the  $i^{\text{th}}$  out of  $K$  groups and  $N$  is the overall sample size. This F-statistic follows the F-distribution with  $K - 1, N - K$  degrees of freedom under the null hypothesis. The statistic will be large if the between-group variability is large relative to the within-group variability, which is unlikely to happen if the population means of the groups all have the same value.

### **3.8 Limitations to the study**

The researcher needed a strong financial support to meet costs like typing, printing, transport and information search despite having family and work constraints.

Time constraint, the researcher had limited time to carry out the study due to the fact that there were many academic activities to accomplish at the organization.

Delay with the questionnaires. The respondents were expected to take a long time answering the questionnaires and delivering them in time to the researcher which delayed the researcher to finish up with the study in time.

## CHAPTER FOUR

### PRESENTATION AND INTERPRETATIONS OF FINDINGS

#### 4.0 Introduction

This chapter presents data collected using the questionnaire, documentary analysis/literature review and observation of the case study described in Chapter 3 above and the limitations of the study. The corresponding interpretations also follow each presentation. The results of the study are presented according to the objectives and research questions. The findings in this chapter were also arrived at by analyzing and interpreting the available data using SPSS and Microsoft Excel software. All the responses are presented in terms of frequencies and percentages which are displayed in tables. The statistical data from the quantitative part of the questionnaire was then supported by the qualitative data of the study from the questionnaire. The quantitative data was analysed based on 1- Strongly disagree to 5-Strongly agree scale rate.

#### 4.1 Response Rate

**Table 2: Showing the Response Rate**

Nature of Response	Frequency	Percentage
<b>Outsourced distributors</b>		
Response	83	96%
Non response	3	4%
<b>Total</b>	<b>86</b>	<b>100</b>

**Source:** *Primary Data*

A total of eighty six (86) questionnaires were distributed to the staff of DHL (U) Ltd. and eighty three (83) were returned. The response rate for the distributed questionnaires was therefore ninety six percent (96%) as shown in the table 2 below. From the writers Sorry Darren sherka

(2002) he says that for a study to score above 80% it shows that the study was perfectly done meaning that all questions were perfectly understood by all the respondents from the study.

#### 4.2 Characteristics of the respondents

The background information of the respondents was considered necessary because of the ability of the respondents to give satisfactory information on the study since variables may be affected by their background. This information was about the respondents' education level, duration in current employment and level of management. The purpose of collecting background information on respondents was to help in establishing the respondents sample characteristics and to be able to form appropriate opinion about the research findings.

**Table 3: Level of Education**

		Frequency	Percent	Cumulative Percent
Valid	Advanced Level	3	3.6	3.6
	Diploma	25	30.1	33.7
	Bachelor's	32	38.6	72.3
	Post Graduate	16	19.3	91.6
	Masters Degree	7	8.4	100.0
	Total	83	100.0	

**Source:** *Primary Data*

Study findings in table 3 above revealed that the majority of the respondents had attained a bachelors degree from the organization and these were represented by 38.6%, 30.1% had attained diploma, Post graduate degrees were 19.3% , 8.4% had attained Masters degree and 3.6% had attained Advanced level of education.

With the above statistics, the respondents with a minimum level of education as a certificate (14.3%) and the majority with Masters Degree (40%) and this implied that the organization has competent staff to execute and implement the operations of company.

These results suggest that being an outsourced entity and having a variety of activities to work, a certificate should be at least the minimum level of education to be held by an employee. The justification for the level of education was chosen so as to find out if this had an influence on the relationship between distribution services and performance at DHL (U) Ltd. Furthermore, the educated people are assumed to be in position to apply the knowledge they have attained while studying in such an organization for example a manager with a master’s degree is better placed to lead more successfully than a bachelor’s degree holder.

**Table 4: Duration worked by respondents in this organization**

		Frequency	Percent	Cumulative Percent
Valid	less than 1 year	29	34.9	34.9
	2-4 years	36	43.4	78.3
	5-7 ycars	18	21.7	100.0
	Total	83	100.0	

**Source:** *Primary Data*

Duration worked by the respondents in the organization was chosen as one of the respondents’ characteristics so as to ascertain the respondents’ experience with the organization’s operations. From the study, 43.4% respondents had worked in the organization for 2-4 years, 34.9% had worked in the organization for less than 1 year while 21.7 % had worked in the organization between 5-7 years. On the whole, most of the respondents (74.1%) had worked in the organization for more than 2 years.

This implies that the organisation has many staff that had stayed for over 2 years and was able to answer questions competently.

**Table 5: Duration and department**

			DEPARTMENT				Total
			Procurement	Finance	Human resource	Others	
DURATION	Less than 1 year	Count	26	1	1	1	29
		%	37.1%	16.7%	20.0%	50.0%	34.9%
	within DEPT						
	2-4 years	Count	29	5	2	0	36
		%	41.4%	83.3%	40.0%	.0%	43.4%
	within DEPT						
	5-7 years	Count	15	0	2	1	18
		%	21.4%	.0%	40.0%	50.0%	21.7%
	within DEPT						
Total	Count	70	6	5	2	83	
	%	100.0%	100.0%	100.0%	100.0%	100.0%	
	within DEPT						
	DEPT						

**Source:** *Primary Data*

The procurement staff respondents with 37.1% had worked with the organisation for less than a year, 41.4% had worked for 2-4 years while 21.4% had worked with the organisation for 5-7 years. In the Finance department, 16.7% had worked with the organisation for less than a year, 83.3 % for 2-4 years while 0% worked with the organisation for 5-7 years. The human resource department respondents with 20% had worked with the organisation for less than a year, 40% had worked for the organization for 2-4 years while 40% had worked with the organisation for 5-

7 years. For all the departments, majority of the respondents had a 2-4 years' experience with the DHL (U) Ltd. This implied that administratively the organisation's environment is good while the working conditions and terms might be favourable and this explains why they have the above retained levels. This provided wealth of information based on both their experience with the organisation and management role in the organisation. The justification for asking about the duration spent working in the organization was to find out if this had an influence on the relationship between outsourcing logistics services and organization performance at DGF.

**Table 6: Level of Education and department**

			DEPT				Total
			Procurement	Finance	Human resource	Others	
Level of education	Advanced level	Count	0	0	2	1	3
		% within DEPT	.0%	.0%	40.0%	50.0%	3.6%
	Diploma	Count	19	4	2	0	25
		% within DEPT	27.1%	66.7%	40.0%	.0%	30.1%
	Bachelors	Count	29	1	1	1	32
		% within DEPT	41.4%	16.7%	20.0%	50.0%	38.6%
	Post graduate	Count	15	1	0	0	16
		% within DEPT	21.4%	16.7%	.0%	.0%	19.3%
	Masters degree	Count	7	0	0	0	7
		% within DEPT	10.0%	.0%	.0%	.0%	8.4%
Total		Count	70	6	5	2	83
		% within DEPT	100.0%	100.0%	100.0%	100.0%	100.0%

**Source:** *Primary Data*

The procurement staff respondents with 27.1% had a diploma as their level of education while 41.4% had a bachelors degree as their level of education, 21.4% had a post graduate as their level of education while 10% had a masters degree as their level of education. In the Finance



department, 66.7% had a diploma as their level of education while 16.7% had a bachelors degree as their level of education, 16.7% had a post graduate as their level of education while 0 % had a masters degree as their level of education. The human resource respondents, 40% had advanced level as their level of education, 40% had a diploma as their level of education while 20% had a bachelors degree as their level of education, 0% had a post graduate as their level of education while 0 % had a masters' degree as their level of education. For all the departments, majority of the respondents had a bachelor's degree as their highest level of education.

This provided wealth of information based on both their department with the organisation and the level of education.

### **4.3 Empirical findings**

The purpose of the study was to examine the impact of outsourcing of logistics services on organizational efficiency. The findings were got from questionnaires. They are presented and discussed below.

#### **4.3.1 To establish how planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding.**

This was the first objective of the study. The findings of this objective were gathered from questionnaires given to DHL Global Forwarding staff. The questions under planning of outsourcing warehousing and distribution services were measured using the five point Likert scale of 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree and 5= strongly agree. The results from the process of are displayed in Table below.

**Table 7: Table summarizing how planning of outsourcing warehousing and distribution services is done by DGF (UG). (Needs assessment)**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N	Mean	Std. Deviation
The Company Defines Business Needs And Key Objectives	13.30%	67.50%	6%	12%	1.20%	83	3.80	.866
Benchmark Current Processes Are Considered Important	12%	72.30%	2.40%	13.30%		83	3.83	.809
The Company Understands Standard Activities And Service Level Measurements Conditions	14.50%	66.30%	8.40%	2.40%	8.40%	83	3.76	1.019
Review Of Future State Service Delivery Options Is Also Important	13.30%	14.50%	2.40%	8.40%	60.20%	82	2.11	1.564
Assessing The Gaps Between Current And Desired State	6%	60.20%	10.80%	14.50%	7.20%	82	3.44	1.055
Assessing Feasibility Of Options & Define Strategy For Service Delivery Alternatives (In source, Near shore, Multi-Shored Delivery, Combinations Of, Etc.) Is Important	7.20%	67.50%	9.60%	14.50%	1.20%	83	3.65	.862
Investigating Implications Of Assessment By The Company Is Important	7.20%	67.50%	14.55%	9.60%	2.40%	83	3.65	.833
The Company Validates Associated Costs And Cost Savings	8.40%	65.10%	9.60%	12%	3.60%	82	3.63	.936
Identifying Risks, Assumptions, Dependencies, & Create Mitigation Plan By The Concerned Authorities Is Done	6%	68.70%	10.80%	9.60%	4.80%	83	3.61	.922
Business Case Development & Sponsor Alignment Also Is Vital To Planning	8.40%	10.80%	9.60%	7.20%	63.90%	83	1.93	1.395

**Source:** *Primary Data*

From Table 7, the respondents were asked whether the company defines business needs and key objectives from the study revealed that the respondents were in agreement (M=3.8, SD=0.866). This clearly indicates a positive factor that can affect performance if well addressed. To enhance performance through planning this indicator should be improved upon.

Also the respondents were asked whether Benchmark of the current processes are considered important and the results revealed that respondents were in agreement ( $M=3.83$ ,  $SD=0.809$ ). These shows the Benchmark of current processes should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the company understands standard activities and service level measurements conditions and the results revealed that respondents were in agreement ( $M=3.76$ ,  $SD=1.019$ ). This shows that the company understands standard activities and service level measurements conditions should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

From Table 7 above, the respondents were asked whether the Review of future state service delivery options is also important The respondents were not in agreement as shown by the statistics ( $M=2.11$ ,  $SD=1.564$ ). Thus there should be an improvement in the Review of future state service delivery options is also important. This is important to improve as it will enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

The respondents were also asked in Table 7 above whether the Assessing the gaps between current and desired state and they were in agreement ( $M=4.13$ ,  $SD=0.761$ ). This is a key attribute thus should be looked at extremely carefully to improve performance.

Also respondents were asked whether the historical cost data is used to estimate the construction cost for the project and the respondents were in agreement as shown by the statistics of

( $M=3.44, SD=1.055$ ) above. This is important to improve as it will enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

With regard to Assessing feasibility of options & define strategy for service delivery alternatives (In source, near shore, multi-shored delivery, combinations of, etc.) is important.

The respondents were asked and they were not in agreement ( $M=3.65, SD=0.862$ ). This attribute should be upheld on enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Investigating implications of assessment by the company is important and they were in agreement ( $M=3.65, SD=0.833$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the company validates associated costs and cost savings and the respondents were in agreement ( $M=3.63, SD=.963$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Identifying risks, assumptions, dependencies, & create mitigation plan by the concerned authorities is done and the respondents were in agreement ( $M=3.61, SD=.922$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Business case development & sponsor alignment also is vital to planning and the respondents were not in agreement ( $M=1.93$ ,  $SD=1.395$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

The second objective of the study was to analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DGF. The findings of this objective were gathered from questionnaires given to DGF. The influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DGF was measured using 3 items scored on five point Likert scale of 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5= Strongly agree The results from the process of are displayed in Table below.

**Table 8: Table summarizing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N	Mean	Std. Deviation
Implementing On A Full Fiscal Year Calendar Cycle	4.80%	71.10%	6.00%	8%	9.60%	83	3.53	1.052
Company Doesn't Downsize The Existing Logistics Team Prematurely	7.20%	78.30%	9.60%	3.60%	1%	83	3.87	.640
The Company Assigns Singular Project Leadership To The 3PL	8%	62.70%	12.00%	13.30%	3.60%	83	3.59	.950
The Company Builds In Operational And Business Case Contingencies For Unforeseen Delays That Could Dilute Or Delay Savings Realization.	10.80%	10.80%	4.80%	20.50%	53.00%	83	2.06	1.417
The Company Takes The Longer View On Where To House 3PL Project Leadership	6%	69.90%	8.40%	15.70%		83	3.66	.816
The Company Revisits Risk Assessment, Probabilities, Dependencies, And Mitigation Actions/Strategies	13%	68.70%	3.60%	6.00%	8.40%	83	3.72	1.051

**Source:** *Primary Data*

From Table 8, the respondents were asked whether Implementing on a full fiscal year calendar cycle from the study revealed that the respondents were in agreement ( $M=3.53$ ,  $SD=1.052$ ). This clearly indicates a positive factor that can influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding this indicator should be improved upon.

Also the respondents were asked whether the Company Doesn't Downsize the Existing Logistics Team Prematurely and the results revealed that respondents were in agreement ( $M=3.87$ ,  $SD=0.64$ ). This shows the Company Doesn't Downsize the Existing Logistics Team Prematurely should be upheld as this is important in enhancing the influence of implementation of

outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the Company Assigns Singular Project Leadership To The 3PL and the results revealed that respondents were in agreement ( $M=3.59$ ,  $SD=0.950$ ). This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

From Table 8 above, the respondents were asked whether the Company Builds In Operational And Business Case Contingencies For Unforeseen Delays That Could Dilute Or Delay Savings Realization. The respondents were in agreement as shown by the statistics ( $M=2.06$ ,  $SD=1.417$ ). This shows this attribute should be worked upon as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company takes the longer view on where to house 3PL project leadership and the results revealed that respondents were in agreement ( $M=3.66$ ,  $SD=0.816$ ). This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company revisits risk assessment, probabilities, dependencies, and mitigation actions/strategies and the results revealed that respondents were in agreement ( $M=3.72$ ,  $SD=1.051$ ). This shows this attribute should be upheld as this is important

in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

**4.3.3 To ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

The third objective of the study was to ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding. The findings of this objective were gathered from questionnaires given to DHL Global Forwarding, the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding was measured using 3 items scored on five point Likert scale of 1=Strongly disagree, 2= Disagree, 3=Neutral, 4=Agree , 5= Strongly agree The results from the process of are displayed in Table below.



**Table 9: Table summarizing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Number	Mean	Std. Deviation
Transition Governance Implementation Is Done	6.00%	67.50%	9.60%	16%	1.20%	83	3.61	.867
PMO & Project Support Functions Setup Is Important	6.00%	72.30%	10.80%	9.60%	1%	83	3.72	.770
The Firm Establishes Change Control Process	12%	69.90%	3.60%	12.00%	2.40%	83	3.77	.902
The Company Creates Project Plan, Define Deliverables, & Milestones	8.40%	66.30%	8.40%	14.50%	2.40%	83	3.64	.918
Review Of Interface Design, Data Conversion, & Testing Strategy Is Done	9.60%	69.90%	9.60%	9.60%	1.20%	83	3.77	.801
Knowledge Transfer Strategy And Training Plan Development Is At This Stage	11%	67.50%	8.40%	13.30%		83	3.76	.820
Defining Ongoing Run Governance And Vendor Relationship Management Is Paramount	12.00%	69.90%	7%	10.80%		83	3.83	.778
The Company Executes Transition Exit Strategy	13%	69.90%	8.40%	7.20%	1.20%	83	3.87	.777
The Company Establishes Delivery Centre Operations Process And Procedures	13.30%	68.70%	8.40%	8.40%	1.20%	83	3.84	.804

From Table 9, the respondents were asked whether Transition governance implementation is done from the study revealed that the respondents were in agreement ( $M=3.61$ ,  $SD=0.867$ ). This clearly indicates a positive factor that influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding, this indicator should be improved upon.

Also the respondents were asked whether the PMO & project support functions setup is important and the results revealed that respondents were in agreement ( $M=3.72$ ,  $SD=0.770$ ). This shows the PMO & project support functions setup is important should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the firm establishes change control process and the results revealed that respondents were in agreement ( $M=3.77$ ,  $SD=0.902$ ). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

From Table 9 above, the respondents were asked whether Review of interface design, data conversion,& testing strategy is done The respondents were in agreement as shown by the statistics ( $M=3.77$ ,  $SD=0.801$ ). This shows this attribute should be worked upon as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the Knowledge transfer strategy and training plan development is at this stage and the results revealed that respondents were in agreement (M=3.76, SD=0.820). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the Defining ongoing run governance and vendor relationship management is paramount and the results revealed that respondents were in agreement (M=3.87, SD=0.777). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company establishes delivery centre operations process and procedures and the results revealed that respondents were in agreement (M=3.84, SD=0.804). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

**Table 10: Influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency (risk management) in DHL Global Forwarding**

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.892	.415		6.971	.000
	Risk management	.361	.098	.619	3.696	.001

a. Dependent Variable: organizational efficiency

The results in table 10 show that compliance standardized regression coefficient (Beta) was statistically significant by Beta=0.619.  $t=3.696$ ,  $P=0.001$ . This shows that change in risk management of organizational efficiency leads to a positive change in the organizational efficiency of DGF 61.9% and organizational culture of outsourced distributors has a greater positive coefficient at value 3.696 than the standardized coefficients of value 0.619, hence it is significant. Thus improvement, in risk management of outsourced distributors would enhance organizational efficiency of DGF. On the other hand poor risk management of outsourced distributors would contribute negatively on organizational efficiency of DGF.

**Table 11: Table summarizing service stabilization & run operations**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N	Mean	Std. Deviation
Service Delivery / SLA Monitoring	6.00%	8.40%	9.60%	68%	8.40%	83	2.36	.970
Ability To Track And Trace International Shipments Can Affect Efficiency	1.20%	3.60%	6.00%	79.50%	10%	83	2.07	.640
Timeliness Of Shipments In Reaching Destination Also Is A Prime Effect Of Efficiency	1%	3.60%	4.80%	79.50%	10.80%	83	2.05	.642
Domestic Logistics Costs Affects Efficiency	1.20%	3.60%	6.00%	77.10%	12.00%	83	2.05	.661

**Source:** *Primary Data*

Also the respondents were asked whether Service Delivery / SLA Monitoring and the results revealed that respondents were not in agreement ( $M=2.36$ ,  $SD=.670$ ). This shows this attribute should be improved as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether Ability to Track and Trace International Shipments Can Affect Efficiency and the results revealed that respondents were not in agreement (M=2.36, SD=.670). This shows this attribute should be improved as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DGF.

Also the respondents were asked whether Timeliness Of Shipments In Reaching Destination Also Is A Prime Effect Of Efficiency and the results revealed that respondents were in agreement (M=2.05, SD=.642). This shows this attribute should be improved as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DGF.

Also the respondents were asked whether Domestic Logistics Costs Affects Efficiency and the results revealed that respondents were in agreement (M=2.05, SD=.661). This shows this attribute should be improved as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DGF Global Forwarding.

**Table 12: Overall regression analysis**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.625 <sup>a</sup>	.391	.277	.29627	.391	3.420	3	16	.043

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.625 <sup>a</sup>	.391	.277	.29627	.391	3.420	3	16	.043

a. Predictors: (Constant), risk management , challenges and level of commitment

From the table 12 above, all the outsourced distribution and organizational efficiency of DGF framework dimensions combined had R-squared (R) =39.1 or 39.1% (R<sup>2</sup> tell how the sub variables of independent variable explain variations of the dependent variable). This means that the independent variable (outsourced distribution) accounts for 39.1 % of the variations the dependent variable (organizational efficiency of DGF). The findings suggest that the independent variable is positively related to the dependent variable by 39.1% other variables could account for the other variance in the organizational efficiency of DGF.

**Summary of overall regression analysis**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.052	.581		5.251	.000
	Risk management	.037	.235	.069	.159	.876
	Challenges	.094	.198	.239	.474	.642
	Level of commitment	.194	.189	.352	1.026	.320

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.052	.581		5.251	.000
	Risk management	.037	.235	.069	.159	.876
	Challenges	.094	.198	.239	.474	.642
	Level of commitment	.194	.189	.352	1.026	.320

a. Dependent Variable: organizational efficiency

From the above table 12,  $Y = a + bX_1 + cx_2 + dx_3$ ; where Y= organizational efficiency of DGF and X Outsourcing warehousing & distribution services. Therefore organizational efficiency of DGF =  $3.052 + 0.37 \text{ risk maangement} + 0.094 \text{ challenges} + 0.194 \text{ level of commitment}$ . On overall significance F (0.000) is less than 0.05 confirming the relationship between organizational efficiency of DGF and Outsourcing warehousing & distribution services from table above, coefficient (b), (c) and (d) are positive which means that improvement in risk management, challenges and level of commitment would increase the organizational efficiency of DGF.

From the table above its shows with a unit change of dependent variable (organizational efficiency of DGF) it results in 3.052 of the independent variables (outsourced distribution i.e risk management , challenges and level of commitment) and this shows that the effect is significant that is a change in outsourced distribution will greatly affect the organizational efficiency of DGF. This implies that DGF has to strongly uphold outsourced distribution so that organizational efficiency of DGF in not affected.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the findings. These are done in accordance to the objectives which were to establish how planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding, to analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding, to ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

#### 5.2 Discussion

##### 5.2.1 To establish how planning of outsourcing warehousing and distribution services is done By DHL Global Forwarding.

From Table 7, the respondents were asked whether the company defines business needs and key objectives from the study revealed that the respondents were in agreement ( $M=3.8$ ,  $SD=0.866$ ). This clearly indicates a positive factor that can affect performance if well addressed. To enhance performance through planning this indicator should be improved upon.

Also the respondents were asked whether the Benchmark current processes are considered important and the results revealed that respondents were in agreement ( $M=3.83$ ,  $SD=0.809$ ). This shows that the Benchmark current processes should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.



Also the respondents were asked whether the company understands standard activities and service level measurements conditions and the results revealed that respondents were in agreement ( $M=3.76$ ,  $SD=1.019$ ). This shows the company understands standard activities and service level measurements conditions should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

From Table 7 above, the respondents were asked whether the Review of future state service delivery options is also important. The respondents were not in agreement as shown by the statistics ( $M=2.11$ ,  $SD=1.564$ ). Thus there should be an improvement in the Review of future state service delivery options is also important. This is important to improve as it will enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

The respondents were also asked in Table 6 above whether the Assessing the gaps between current and desired state and they were in agreement ( $M=4.13$ ,  $SD=0.761$ ). This is a key attribute thus should be looked at extremely carefully improve performance.

Also respondents were asked whether the historical cost data is used to estimate the construction cost for the project and the respondents were in agreement as shown by the statistics of ( $M=3.44$ ,  $SD=1.055$ ) above. This is important to improve as it will enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

With regard to Assessing feasibility of options & define strategy for service delivery alternatives (In source, near shore, multi-shored delivery, combinations of, etc.) is important.

The respondents were asked and they were not in agreement ( $M=3.65$ ,  $SD=0.862$ ). This attribute should be upheld on enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Investigating implications of assessment by the company is important and they were in agreement ( $M=3.65$ ,  $SD=0.833$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the company validates associated costs and cost savings and the respondents were in agreement ( $M=3.63$ ,  $SD=.963$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Identifying risks, assumptions, dependencies, & create mitigation plan by the concerned authorities is done and the respondents were in agreement ( $M=3.61$ ,  $SD=.922$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were asked whether the Business case development & sponsor alignment also is vital to planning and the respondents were not in agreement ( $M=1.93$ ,  $SD=1.395$ ). The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

The results above are also supported by Hillman (2005) who argues that planning for outsourcing warehousing and distribution services gives the company the value in the visioning and tooling to plan for employees and services in the organization.

In addition, Kerzner. (1998) supports the finding and contends that, clear planning of outsourcing warehousing and distribution services avoids huge losses perceived, and develops and examines organizational relations. He adds that policies on planning should be followed whereby the functions with the greatest probability of effect in case of outsourcing warehousing and distribution services should be well-modeled for enhancement of employee and organizational efficiency.

However, Wideman. (1992) suggest that planning of outsourcing warehousing and distribution services should be a continuous process used in all phases of the project, organizational and corporation development therefore be established as a continuing interactive function throughout the project, organizational and corporation life cycle.

### **5.2.2 To analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

From Table 8, the respondents were asked whether Implementing on a full fiscal year calendar cycle from the study revealed that the respondents were in agreement ( $M=3.53$ ,  $SD=1.052$ ). This clearly indicates a positive factor that can influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding this indicator should be improved upon.

Also the respondents were asked whether the Company Doesn't Downsize the Existing Logistics Team Prematurely and the results revealed that respondents were in agreement ( $M=3.87$ ,  $SD=0.64$ ). This shows the Company doesn't Downsize the Existing Logistics Team Prematurely should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the Company Assigns Singular Project Leadership To The 3PL and the results revealed that respondents were in agreement ( $M=3.59$ ,  $SD=0.950$ ). This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

From Table 8 above, the respondents were asked whether the Company Builds In Operational And Business Case Contingencies For Unforeseen Delays That Could Dilute Or Delay Savings Realization. The respondents were in agreement as shown by the statistics ( $M=2.06$ ,  $SD=1.417$ ). This shows this attribute should be worked upon as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company takes the longer view on where to house 3PL project leadership and the results revealed that respondents were in agreement ( $M=3.66$ ,  $SD=0.816$ ). This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company revisits risk assessment, probabilities, dependencies, and mitigation actions/strategies and the results revealed that respondents were in agreement ( $M=3.72$ ,  $SD=1.051$ ). This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

The findings above are corroborated by Oldfield, (1997), who states that, the influence of implementation of outsourcing warehousing and distribution services in organizations must start with the understanding that organizations exist for the purpose of building and bringing services closer to people. He further states that influence development is the process of defining and enhancing steps for it includes techniques and methods developed to build policies to *enhance development*.

Furthermore, Oldfield and Santomero, (1997) argue that, influence of implementation of outsourcing warehousing and distribution services eliminates risks that face entities, and in so doing, improve business survivability- organizational culture enables building a block of approaching to offset unusual exposure, susceptibilities and vulnerabilities; such as diversification (Jorion, 1997). It is the opinion of the researcher that influence of implementation of outsourcing warehousing and distribution services ensures that organizations are run in a manner that is consistent with markets best practices. Meyer and Allen ,1997 further Hislop 2003 briefly outlines some of the existing empirical data which reflect how general strategies in organizations have been derogative to employee performance. First in relation to influence of implementation of outsourcing warehousing and distribution services , research has shown that all forms of influences are positively when related to organizational efficiency enhancement (Mathieu and Zajac, 1990).

### **5.2.3 To ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

From Table 9 above, the respondents were asked whether Review of interface design, data conversion,& testing strategy is done The respondents were in agreement as shown by the statistics (M=3.77, SD=0.801). This shows this attribute should be worked upon as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding

Also the respondents were asked whether the Knowledge transfer strategy and training plan development is at this stage and the results revealed that respondents were in agreement (M=3.76, SD=0.820). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the Defining ongoing run governance and vendor relationship management is paramount and the results revealed that respondents were in agreement (M=3.87, SD=0.777). This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were asked whether the company establishes delivery centre operations process and procedures and the results revealed that respondents were in agreement (M=3.84, SD=0.804). This shows this attribute should be upheld as this is important in enhancing the

influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

In addition, according to other researchers, some of whom have been referenced, the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services enhances organizational efficiency as well as driving to the best course of action which in turn improves performance of an organization Jorion; (1997), Max Wideman (1992), and Hiliman et al;( 2005). It is the view of the researcher that, once the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services is done by organizations corporations, projects and programs , organizations will not move away from the targeted goals. A clear evaluation, control and monitoring strategy protects the company from associated uncertainty and damages; it turns uncertain events into certain outcomes and promises which in turn lead to improved performance.

### **5.3 Summary of the Findings**

The study established a number of findings which are outlined here under.

#### **5.3.1 To establish how planning of outsourcing warehousing and distribution services is done By DHL Global Forwarding.**

From the discussion above it can be summarized that the respondents agreed that the company defines business needs and key objectives. This clearly indicates a positive factor that can affect performance if well addressed. To enhance performance through planning this indicator should be improved upon.

Also the respondents agreed that the benchmark current processes are considered important. This shows that the Benchmark current processes should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were in agreement that the company understands standard activities and service level measurements conditions. This shows that the company understands standard activities and service level measurements conditions should be upheld as this is important in enhancing planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

From the discussion above still, the respondents were in agreement that the review of future state service delivery options is also important, thus there should be an improvement in the Review of future state service delivery options is also important. This is important to improve as it will enhance planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents were in agreement that the company validates associated costs and cost savings. The attribute above should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents agreed that identifying risks, assumptions, dependencies, & create mitigation plan by the concerned authorities is done. This attribute therefore should be upheld because it is one of the desired attributes to improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

Also the respondents agreed that the business case development & sponsor alignment also is vital to planning. The attribute above should be upheld because it is one of the desired attributes to



improve planning of outsourcing warehousing and distribution services by DHL Global Forwarding.

### **5.3.2 To analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

From the discussion above, the respondents agreed that implementing on a full fiscal year calendar cycle. This clearly indicates a positive factor that can influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding this indicator should be improved upon.

Also the respondents were in agreement that the company doesn't downsize the existing logistics Team prematurely. This shows the company doesn't downsize the existing logistics team prematurely should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were in agreement that the company assigns singular project leadership to the 3PL. This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

From the discussion still, the respondents agreed that the company builds in operational and business case contingencies for unforeseen delays that could dilute or delay savings realization. This shows this attribute should be worked upon as this is important in enhancing the influence

of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were in agreement that the company revisits risk assessment, probabilities, dependencies, and mitigation actions/strategies. This shows this attribute should be upheld as this is important in enhancing the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

### **5.3.3 To ascertain the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

From the discussion above, the respondents agreed that review of interface design, data conversion, & testing strategy is done. This shows this attribute should be worked upon as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding

Also the respondents agreed that the knowledge transfer strategy and training plan development is at this stage. This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were in agreement that the defining ongoing run governance and vendor relationship management is paramount. This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing

warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

Also the respondents were in agreement that the company establishes delivery centre operations process. This shows this attribute should be upheld as this is important in enhancing the influence of evaluation, control and monitoring of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.

#### **5.4 Conclusions**

From the fore mention discussion, the following conclusions were made;

##### **5.4.1 To establish how planning of outsourcing warehousing and distribution services is done by DHL Global Forwarding.**

The study reveals that planning helps companies to adapt and install approaches to deal with poor performance and also helps to uncover scenarios where poor performances could occur. In addition planning provides a framework within which threats are managed. However, managers of DHL Global Forwarding often examined a situation in the market at a particular time which would have otherwise helped them determine and classify' areas of potential risk likely to affect the organization and hence document the characteristics of each situation. The study concludes that DHL Global Forwarding management should work on some planning issues in respect to quality of service factors, contracting factors and change management.

DHL Global Forwarding management having worked on all identified planning concerns which may have significantly affected the organization success this will improve the success of DHL Global Forwarding projects.

#### **5.4.2 To analyze the influence of implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding.**

The study revealed that the respondents strongly agreed that downsizing, revisit risk assessment, time and quality factors were found would strongly affect the implementation of outsourcing warehousing and distribution services decision on operations efficiency in DHL Global Forwarding

#### **5.4.3 Ascertain The Influence Of Evaluation, Control And Monitoring Of Outsourcing Warehousing And Distribution Services Decision On Operations Efficiency In DHL Global Forwarding.**

The study revealed that the respondents strongly agreed that Transition governance implementation is done, executes transition exit strategy, establishes delivery centre operations process and procedures and Review of interface design, data conversion,& testing strategy is done should be implemented stimulating evaluation, control and monitoring of outsourcing warehousing and distribution services strongly improve these departments in DHL Global Forwarding.

### **5.5 Recommendations**

Factors influencing organizational performance of any organizations are key issues linked to country's economic performance.

The outsourcing distribution and warehousing services sector in Uganda is an increasingly competitive environment and therefore under constant pressure to manage its cost by putting in place strong performance measurement mechanisms. Under these circumstances organizations,

such as DHL Global Forwarding, should bear in mind focusing on the macro prudential tools to address systemic vulnerabilities. This study makes the following recommendations.

#### **5.5.1 Establish How Planning Of Outsourcing Warehousing And Distribution Services Is Done By DHL Global Forwarding.**

The management of DHL Global Forwarding should focus on the environment in which it is operating by identifying all potential hindrances in the process and developing systematic performance criteria, the management should adapt and install approaches to uncover Scenarios where non performance and fraud in work could occur. This will provide a framework within which threats are discovered and planned for before they occur.

#### **5.5.2 Analyze The Influence Of Implementation Of Outsourcing Warehousing And Distribution Services Decision On Operations Efficiency In DHL Global Forwarding.**

The management of DHL Global Forwarding as a matter of urgency should decide on the relationship between the likelihood (probability of frequency) and the severity of occurrence (Impacts) of the identified factors and strategies proposed respectively- This is because no concern is too small or too large not to have an impact.

This could be done by systematically establishing the scores and ranking of the performance measures to enable management estimate the performance matrix.

### **5.5.3 To Ascertain The Influence Of Evaluation, Control And Monitoring Of Outsourcing Warehousing And Distribution Services Decision On Operations Efficiency In DHL Global Forwarding.**

DHL Global Forwarding should be carrying out a systematic performance checks like quarterly, half yearly and annually for the Organization is able to treat the performance concerns.

Many organizations depend largely on on-job training without a systematic out-door, training component. This implies that the staff is acquainted with adequate theoretical knowledge and tool components of it. Practically this means that their performance matrix is improved for every training carried out.

With the increasing technological risks that call for more steadfastness at work, all Staff should be trained both internally and externally by multi-faceted team-of performance consultants to have better acquaintance with all the practical modern tools of trade.

### **Components of performance management**

DHL Global Forwarding should frequently work to enhance planning, Evaluation, Control and Monitoring Of Outsourcing Warehousing and Distribution Services thus these are key process in improving organizational performance of any organization.

DHL Global Forwarding should adequately invest in research and development. These consultants should also do topical briefings and debriefings occasionally to seat on the emerging trends of losses and high cost in operation associated with performance through so that the staff is kept abreast with new developments and systems.

### **5.6 Limitation of the Study and how they were addressed**

The study faced a problem of bias and response errors. This was due to the potential respondents who refused to answer questions and those who answered were very careful leading to a number

of response errors. The study used a Lot of assuring of respondents that the information given was for academic Purposes only. Further the researcher avoided response errors by selecting knowledgeable respondents. The study faced a problem of some people who did not return the questionnaires for one reason or the other but the researcher solved this by making sure that he took the questionnaires himself and waited for the feedback.

### **5.7 Areas of further research**

The research findings analyzed factors influencing performance using a case study research. The interested future researchers could formulate hypotheses basing on the findings of this study using a different research design other than the case study future researcher could explore the impact of outsourcing of logistics services on organizational efficiency.

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## **APPENDIX A QUESTIONNAIRE**

Dear respondent,

I am a student of Kyambogo Organization pursuing a Masters' Degree in Business Administration and in my final year of study. This questionnaire is intended to facilitate the study on “**OUTSOURCING LOGISTICS SERVICES AND ORGANISATIONAL EFFICIENCY**”. You have been selected to be one of our respondents, and therefore the information you will provide is extremely important to the study. The information provided will be treated with utmost confidentiality, maintain your anonymity, and shall not be used for any other purpose except for academic purposes. Thank you very much for your cooperation.

### **SECTION A**

#### Background Information of Respondents

**Kindly tick or circle a number of your choice in the options given/which appropriately describes you:**

1. Age

- a) 20-30 years
- b) 31-40 years
- c) 41-50 years
- d) 51 and above

2. Gender

- a) Male
- b) Female

3. Marital Status

- a) Single
- b) Married
- c) Separated/divorced

d) Others specify.....

4. Level of Education

- a) Advanced level
- b) Diploma
- c) Bachelors' degree
- d) Post graduate
- e) Masters degree
- f) Others specify.....

5. How long have you been working with this company?

- a) Less than 1 year
- b) 2-4 years
- c) 5-7 years
- d) More than 7 years

6. What department are you in this company?

- a) Procurement
- b) Finance
- c) Human resource
- d) Others

**SECTION B**

*Questions about the objectives of the study*

Please read each item in the following statements and indicate with a tick  $\checkmark$  in the appropriate box according to the following definitions:

1. Strongly Agree    2. Agree    3. Neutral    4. Strongly disagree    5. Disagree

	<b>Planning of outsourcing warehousing and distribution services</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a.	<b>Needs Assessment</b>					
1.	The company well defines outsourcing business needs and key objectives					
2.	Benchmarking of current processes of outsourcing warehouses are considered important in the company					
3.	The company understands standard activities and service level measurements conditions of outsourcing activities					
4.	Review of future state service delivery options of outsourcing services is also important					
5.	Assessing the gaps between current and desired state of outsourcing warehouses is done in the company					
6.	Assessing feasibility of options & define strategy for service delivery alternatives of outsourcing logistics is important to the company					
7.	Investigating implications of assessment of outsourcing warehouses and distribution activities by the company is important					
8.	The company validates associated costs and cost savings of outsourcing logistics services during this stage					
9.	Identifying risks, assumptions, dependencies, & create mitigation plan by the concerned authorities of outsourcing warehousing logistics and distribution is done in the company					
10	Business case development & sponsor alignment of warehousing activities is also vital to the planning process of the company					

<b>b.</b>	<b>Proposal &amp; Contracting</b>						
1.	Review of the business objectives & scope requirements of the outsourcing of warehouses and distribution is done						
2.	Review of regulatory matters concerning outsourcing of warehouses and distribution is also important						
3.	Request For Proposals creation of the warehousing and distribution services is done at this stage						
4.	Bidder meetings, vendor down selections, & vendor site visits of the warehousing exercise in the company is also done at this stage						
5.	Identifying of vendors' ability to provide required warehousing services and distribution is at this stage						
6.	Solution preparation and discussions of the warehousing activities in the company are involved						
7.	Delivery centre planning & visits of the warehousing activities is also catered for in the company						
8.	Review of transition strategy and deliverables of the warehousing activities is done in the company						
9.	Vendor selection of the outsourcing activities is done at this stage in the company						
10.	The company's contract review and discussions of the outsourcing activities are taken care of						
11.	Signing of the outsourcing of logistics Master Service Agreements (MSA), Service Level Agreements (SLA), & Statement of Work (SOW) evaluation are also done at this stage						
12.	The company assesses governance requirements of the outsourcing warehouses and distribution						
<b>c.</b>	<b>Communications &amp; Change Management</b>						
1.	Identifying all impacted populations and stakeholders of outsourcing warehouses and distribution						
2.	The company defines transformation strategies & communications plans during the outsourcing of warehouses and distribution						
3.	The company retains organization designs & retention planning strategies of the outsourcing warehouses and their distribution						
4.	During this process of outsourcing warehouses, the company establishes the foundations for relationship management and change management						
5.	The company executes strategies to ensure proper alignment throughout the organization during the outsourcing of warehouses and distribution						

	<b>Implementation of outsourcing warehousing and distribution services decision</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	Implementing of the outsourcing warehousing and distribution on a full fiscal year calendar cycle					
2.	The Company doesn't downsize the existing logistics team prematurely during outsourcing					
3.	The company assigns singular project leadership to the Third party Logistics during the outsourcing of its services					
4.	The company builds in operational and business case contingencies during outsourcing for unforeseen delays that could dilute or delay savings realization.					
5.	The company takes the longer view on where to house Third Party Logistics project leadership during outsourcing activities					
6.	The company revisits risk assessment, probabilities, dependencies, and mitigation actions/strategies when dealing with outsourcing of the warehousing					

	<b>Evaluation, control and monitoring of outsourcing warehousing and distribution services decision</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>d.</b>	<b>Transition Management</b>					
1.	The transition governance implementation is done					
2.	Project Management and Operations & project support functions setup is important in the company during outsourcing warehousing activities					
3.	The firm establishes change control processes during outsourcing of the warehouses					
4.	The company creates project plan, defines deliverables, & milestones of the outsourcing of its warehouses and distribution					
6.	There is knowledge transfer strategy and training plan development during the outsourcing and distribution exercise in the company					
8.	The company executes transition exit strategy during outsourcing of warehouses and distribution					
9.	The company establishes delivery centre operations process and procedures during outsourcing of warehouses and distribution					
<b>e.</b>	<b>Service Stabilization &amp; Run Operations</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
4.	Service delivery / Service Level Agreement monitoring in the company during outsourcing of warehouses and distribution					
5.	The company has the ability to track and trace international shipments during outsourcing of warehouses and distribution					
6.	Timeliness of shipments in reaching destination also is a prime effect of efficiency in the company during outsourcing of warehouses and distribution					
7.	The domestic logistics costs affects efficiency of the outsourcing of warehouses and distribution					

**End.....Thank you**

**APPENDIX B**  
**PROPOSED BUDGET**

<b>ITEM</b>	<b>QUANTITY</b>	<b>Unit Price</b>	<b>AMOUNT (UGX)</b>
Stationary			
Reams of paper	4 reams	17,000	68,000
Pens/pencils	1 dozen	5,000	5,000
Toner	1 pc	130,000	130,000
Transport to the field 20 days	Lump sum	100,000	100,000
Internet and Library charges	Lump sum	300,000	300,000
Air time	Lump sum	150,000	150,000
Questionnaire development	100 copies		50,000
Miscellaneous			50,000
<b>TOTAL</b>			<b>853,000/=</b>



**APPENDIX C:**

**WORK PLAN (October 2012- September 2013)**

<b>ACTIVITY</b>	<b>O</b>	<b>N</b>	<b>D</b>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>
Reviewing related literature	■	■	■									
Writing the research proposal	■	■	■									
Typing and editing the proposal	■	■	■									
Handing in the first draft of the proposal			■									
Soliciting funds for research			■	■								
Making necessary collections of the first and the proceeding drafts of the proposal				■	■	■						
Questionnaire & Interview schedules formulation						■	■					
Gathering data from the field									■	■		
Data processing and analysis									■	■	■	■
Interpretation of results and writing draft report										■	■	■
Making necessary corrections for the report										■	■	■
Finalizing the research report										■	■	■
Handing in the final report										■	■	■