THE EFFECT OF OUTSOURCING LOGISITCS ACTIVITY IN HUMANITERIN ORGANIZATION PERFORMANCE, IN THE CASE OF SELECTED HUMANITERIN ORGANIZATIONS IN ADDIS ABABA

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Thesis submitted to the Addis Ababa University, School of Commerce for the requirement for the Award of the Degree of Masters of Arts in Logistics and Supply Chain Management

Advisor: - Fesseha Afework (Asst.Prof **)**

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Addis Ababa, Ethiopia.

Declaration

I confirmed that this thesis is a result of my self-governing research work on the topic entitled **"The Effect of Outsourcing Logistics Activity in Humanitarian Organization Performance, In The Case of Humanitarian Organization in Addis Ababa"** in partial fulfillment of the requirements for the Degree of Masters of Art in Logistics and Supply Chain Management at Addis Ababa University. This work has not been submitted for a degree to any other university. All references I have used have also been accordingly acknowledged.

Estifanos Alemayehu

Signature_____ Date _____

Confirmation

This is to certify that Estifanos Alemayehu has carried out this research work on the topic entitled “the effect of outsourcing logistics activity in humanitarian organization performance, in the case of humanitarian organization in Addis Ababa” under my supervision. This work is original in nature and; therefore it can be submitted for the partial fulfillment of the requirements for the award of the degree of Masters of Art in Logistics and Supply Chain Management, to Addis Ababa University School of Commerce.

Fesseha Afework (Asst.Prof**.)**

Signature_____

Date_____

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

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Approved by a board of Examiners and Advisor

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The Researcher

ACRONYMS & ABBREVIATIONS

UN United Nation

INGO International Non-Governmental Organization

ICRC International Committee of the read crosses

ERCS Ethiopia red crosses society

HRD Human Resource Development

TCE Transaction cost economy

SOP Operating Procedure

LSP Logistics Strategy plan

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ABSTRACT

The purpose of this study is to assess the effective of logistics activity in humanitarian organization performance, in the case of selected humanitarian organization in Addis Ababa.

To address this study descriptive analysis method was employed and also quantitative and qualitative approaches were used. The total number of humanitarian organization is 90 as per the humanitarian requirement document, from the humanitarian organization 69 is selected for the research .to gather data for the study questionnaire and interview for selected people have been used. Data obtained through questionnaire has been analyzed by using regression analysis method is used .mean and standard deviation were supported by SPSS 20.0 software version.. The study focused and discovered outsourcing logistics activity impact such as logistics activity such as transport, inventory, warehouse, distributing, customs clearing activity and re-labeling. Distribution and labeling outsourcing have been found the major problems of the company that needs due attention. Therefore, it has been recommended to the organizations to take measures to solve and improve logistics activities.

CHAPTER ONE

INTRODUCTION

This introductory part of the research paper is discussing the background information regarding outsourcing logistics activity and performance. It also describes the drive of the research, the research problem, objective and the research questions.

1.1 Background of the Study

A key rationale for outsourcing of logistics functions is the intensified globalization of businesses. During the last two decades, globalization has emerged as a major force of shaping business strategies, leading firms to develop products designed for a global market and to source components globally (Cooper, 1993). Performance usually involves the typical trade-o ff relation between cost and quality. This opinion is parallel to the assumption that service quality must be maximized at the lowest logistics costs. For many companies cost of transport is the highest logistical cost. Transport cost is usually defined only as freight charges. Apart from freight charges, costs arise from carrying inventory in-transit, from numerous operations connected with frequent and small deliveries resulted from just in time deliveries (MariuszSzuster, 2010), for humanitarian aid the cost is getting from the donors and the main quality for the logistics performance is delivering the emergency to the affected people on time.

In the current dynamic era which is described by market volatility, cycle times, constant change, and demand to reduce costs and attached with the globalization trend has driven the rising need to outsource the business operations (D'Aveni, Canger, and Doyle, 1995). The return on assets of user's firm can be improved by outsourcing. Returns can be improved significantly through outsourcing by decreasing the not- insignificant investments in material handling, order picking, warehouse facilities, and information technology and transportation equipment.

In today's organizations, the process of taking the decisions for the entire delivery of services and products in the function of marketing with a vision to minimize cost and enhance value is the functions of logistics management (Watson and Pitt, 1989). Importance of logistics activities outsourcing is increasing day by and over the globe. About 70% of firms in Asia Pacific, USA and Western Europe have experience of outsourcing of full logistics network control expanding from basic transportation. Outsourcing may become a value added activity.

However, costs savings are major reasons for companies outsourcing (Hsiao *et al.*, 2009).
Outsourcing decision-making is a potentially complex process, which ideally addresses issues within a wide range of domains, such as political (e.g., union pressures), economical (e.g., financial feasibility) and technological (e.g., performance metrics). Managers not only need to critically analyses all aspects of the business, but also need to interact with multiple organizational layers (e.g., strategic, tactical and operational) in order to understand the associated implications
Outsourcing, which began as an arrangement of necessity and later a major cost cutting move, has now evolved to become a mainstream management practice in a myriad of industries. Recent years have seen dramatic growth in its use statistics indicate that outsourcing is now an $180 billion industry (Anderson, 2004) and information technology outsourcing now accounts for over 35% of global information technology spending (Cap Gemini Ernst & Young, 2003)

The global-sourcing strategy has been recently expanded to include rural-sourcing an obscure form of outsourcing in which the provision and management of services are transferred to rural regions of the client organization's home country (e.g., Arkansas in the United States). It has been indicated that Rural-sourcing has the potential to deliver up to 40% cost savings (Frauenheim, 2004) while providing an opportunity for companies to project a positive public image from the concept of retaining jobs onshore and benefiting rural communities in the process. As such, rural-sourcing is anticipated to be an increasingly viable alternative to offshore outsourcing, which has generated considerable negative publicity due to the controversial connotation of job losses to the client country and the potential of long-term adverse effects to its economy (Ho, Atkins &Eardley, 2004)

In general outsourcing logistics activity needs to know which activity will be outsourcing to successfully met the goal with its performance , student researcher will try to see and read different article and material after many investigations the researcher want to identify the gap based on the above major factors that help to measure logistics performance of outsourcing logistics activity by considering different factors in humanitarian organization in Ethiopia , in addition there are different work in research to measure the logistics performance with outsourcing. But there is limited empirical evidence that can help to address performance with outsourcing logistics activity by considering which activity has an effect for logistic performance when it is outsourced , these relevant issues to the best of the researcher's

knowledge. Thus, the inadequate of empirical works that assess which outsourcing logistics activity has effect on logistics performance and further in this study to test the relationship between execution outsourcing (transportation and warehousing) and planning activity outsourcing (inventory and distribution) with different variable such as cost / time, flexibility, delivery, reliability and lead time, efficiency and effectiveness, as logistic activity to achieve greater impact of logistics service performance. The study will help which activity is outsourcing by humanitarian organization and motivating for researchers to work more on emerging trend of outsourcing.

1.1.1 Overview of Humanitarian Organization in Ethiopia

As 2017, humanitarian requirement document, currently there are over 90 humanitarian organizations operating in Ethiopia and supporting the Government-led response. The Government structures at the national and subnational levels are the backbone of humanitarian response in Ethiopia. Humanitarian partners operating in support of the Government include 11 UN agencies, 66 INGOs, ICRC, IFRC, and the ERCS. At least 11 national NGOs are conducting and supporting humanitarian operations. These include faith-and community-based organizations, which have the multiplier effect of ensuring that assistance reaches those in the most remote areas. In south and south-eastern areas affected by the new drought, limited numbers of operational humanitarian partners requires a shift in operational presence for some partners, and a shift in programmatic focus (to include humanitarian activities in ongoing development programming) for others 2016, through joint efforts over US$1 billion, against the annual HRD requirement, were raised to support Ethiopians impacted by the El Niño-induced drought. For the El Niño response which started in September 2015, the Government allocated more than $730 million to address critical humanitarian needs including some ad-hoc requests that were not captured in the HRD. In addition, international donors contributed $985 million to address humanitarian needs and to safeguard decades of development gains. This phenomenal response enabled the humanitarian partners to successfully meet the needs of the most vulnerable people throughout a challenging year for ordinary Ethiopian women, men and children affected by the drought.

Source: Ethiopian Humanitarian requirement document, (2017) Retrieved from https://reliefweb.int/report/ethiopia/ethiopia-humanitarian-requirements-document

1.2 Statement of the problem

The main purpose to the study on the effect of outsourcing logistics activity in humanitarian organization performance in the case of selected humanitarian organization in Addis Ababa was to assess how each outsourced logistics activity affects the performance, in the meantime to see their determinant factor for humanitarian organization to outsource their logistics activity with the challenge.

A number of studies have been done on the area of logistics outsourcing effect on logistics performance for example Huilan Zhang1 & Sam C. Okoroafo stated Majority of outstanding outsourcing and supply chain management practices take place in the western context , when this practice is try to take as a guide line in Africa like Ethiopia there will be a lot of limitation , resource availability consideration and which activity is better to outsource to get better logistics performance is a major issues .

Most of the article written on the area of outsourcing focused in holistic approach rather than looking outsourcing activities of each activity (transportation activity,warehouse activity, inventory activity and distribution activity) and which one is affected the performance due to outsourced and which logistics determinant has cost effective ,flexible for operation , time delivery and so on . Logistics service quality entails, apart from costs decrease, another extremely important factor which can instigate the employment of external service providers. Outsourcing allows companies the freedom to concentrate their energy on activities critical to maintaining their competitive edge (Bajec&Jakomin, 2010:).tasks fulfillment and logistics management is left in charge of the third party which has invested in the specialization of its work force, information system and specialized equipment in order to be highly competitive in regard to that particular activity (Dunković, 2010).In this way, outsourcing implementation can contribute to a greater market competitiveness of an enterprise. Logistics outsourcing is considered to be an excellent source of competitive advantage for companies (Salanta, Ilies and Muresan, 2012). Hence, hiring external partners for secondary tasks fulfillment can represent an actual competitive advantage.

Service characteristics are not truly tangible and that is why it is not easy to decide which service providers to employ. Enterprises focused on their fundamental business become the users of one or more various services provided by other enterprises. When choosing a certain service, e.g. logistics service, the focus is primarily on the quality of the service. The most undesirable outcome is surely the one in which, after one has entrusted a second party with a certain task, the quality of the performed task is below standard.

One can hardly foresee the quality of the service; only when the tasks is fulfilled can one decide whether it was performed in accordance with the expected quality level or not. To assess the quality level, the following questions have to be answered (Bloomberg, LeMay and Hanna, 2002)

Humanitarian operations (Cozzolino *et al*.2012). In addition, a more strategic use of resources allows humanitarian organizations to raise donor trust and long-term commitment by increasingly skeptical benefactors (Scholten *et al*. 2010). Humanitarian organizations are therefore under greater scrutiny to monitor the impact of aid and the arrangement of their entire operations; they have to prove to donors, who are pledging millions in aid and goods, that they are really reaching the ones in need (Van Wassenhove 2006). As a consequence, it would be useful identify each of the different phases that constitute the overall logistics process to provide a better guide for potential improvements. In the next section, therefore, the typical stages of an emergency supply chain are described.

Logistics is an important component of supply chain management (Stank *et al*., 2005). The Council of Supply Chain Management Professionals (2007) defines logistics management as "that part of Supply Chain Management 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." Both Stank et al. (2002) and Lin (2006) describe the importance of integrating the logistics processes of all supply chain partners to better serve the needs of ultimate customers. Rodrigues et al. (2005,) identify logistics as "one of the largest costs involved in international trade.

The firm's capacity to supply required goods at an acceptable cost and in the required release time can determine the logistics service performance (Stank *et al*., 2003). The complex connection between service performance and levels of outsourcing defined by (Hsiao *et al*., 2009), are that service performance (flexibility, lead time and delivery reliability) has no direct influence of outsourcing whereas the performance (when outsourcing total distribution network management) activities enhance with the rising level of demand complexity. To shift products from place of delivery to the place of final sales in a way that it contributes to the unambiguous goals of the organization is the major objective of the physical distribution. Customer service and cost has become the most frequent measure to assess and design the usefulness of logistics systems. Analysis of cost-benefit is usually used as the standards for physical distribution. Traditionally, the cost goal for physical distribution has come from the orientation that all

functions of logistics are perceived as “cost centers” and therefore the sub goal for physical distribution is to reduce costs (Mentzer&Konard (1991).

A number of studies have been done on the area of logistics outsourcing effect on logistics performance for example Huilan Zhang1 & Sam C. Okoroafo (2015) stated Majority of outsourcing and supply chain management practices take place in the western context , when this practice is try to take as a guide line in Africa like Ethiopia there will be a lot of limitation , resource availability consideration and which activity is better to outsource to get better logistics performance are also a major issues .

most of the study around logistics activity looked the outsourcing logistics in a holistic approach rather than looking each outsourcing activities and try to see which logistics activity is more outsourced , more challenged and better performance , from the logistics component ,such as transportation activity, warehouse activity, inventory activity and distribution activity which one has a better performance , as the humanitarian organization to be outsourced which one is better to be outsourced.

One of the specific contributions of humanitarian organization is to give a service to disaster-affected area, however if the outsourced logistics activity is not performed effectively and efficiency the impact has a challenge on performance of humanitarian organization. In the context of humanitarian logistics, effectiveness should instead be determined by its fit with the beneficiaries’ requirements, in other words, timely delivery of the right relief items. Similarly, efficiency can be defined as the quantity of relief items delivered for example Cottam.R.H.,Roe,M., & ,Challacombe,R.M(2004)studied and there finding shows trucking operations are smaller in Ethiopia than in industrialized countries. Often the owner will play for hire individually and operate the truck (Chaikin, 2002).the study was not shown other related logistics activity performance.

In understanding of the preceding, it is evident that previous research has mainly focused on only transport outsourcing and commercial logistics performance and also those studies are operating environment is different from that of the humanitarian world. Therefore more research needs to be conducted on the outsourcing logistics activity and more precisely on the correlation between logistics outsourcing activity and its performance of humanitarian organizations. Therefore, this study is intended to examine the effect of outsourcing logistics activity on humanitarian logistics performance in humanitarian organization in Addis Ababa. Finally, this study will be expected to fill the empirical gap in literature as there is lack of empirical studies in the area, as the researcher stated before.

1.3. Basic research questions

This research was needed to answer the following basic questions.

1. What are the determinants of humanitarian organization to outsource their logistics activity?
2. What was the challenge of outsourcing logistics activity in humanitarian organization?
3. What are the effects of outsourcing logistics activity on humanitarian organization performance?

1.4. Objective of the study

1.4.1 General objectives

The general objective of this research was to assess the effect of outsourcing logistics activity in humanitarian Performance: Case of selected humanitarian organization in Addis Ababa

1.4.2 Specific objectives

The student researcher have been the following specific objectives,

- To assess the determinants of humanitarian organization to outsource their logistics activity
- Identify the challenge of outsourcing logistics activity in humanitarian organization
- To assess the effect of outsourcing logistics activity in humanitarian performance

1.5 Significance of the study

This research be significant because it point out the merit and demerit of outsourcing logistics activity by humanitarian organization Since most organization which outsource their logistics activities were not adequately plane to see which logistics activity to be outsourced and if it outsourced they were not question from the outsourced logistics activity which had been a better logistics performance or not, this research to be a serving as a stepping-stone for further study. on the other hand, apart from its relevance for academic purpose, it believed that it supplements its own contribution on the body of knowledge, this study inspire future scholars and researchers to further research of the link between outsourcing logistics activity and its effect on logistics performance It means this study serve as a future reference for new researchers on the subject of outsourcing logistics activity and logistics performance meanwhile it will help Humanitarian organization concerned staff will benefit from this study as the findings would be used to cut costs and optimize their understanding which activity to be outsourced (the staff includes procurement Managers , fleet coordinators, donation planning manager, operations managers or their equivalents in the NGO sector).

1.6 Delimitation of the Study

The geographical scope of the study was focused on 79 humanitarian organizations in Addis Ababa. This is because from the 90 humanitarian organization the rest of 11 organization give consulting support rather than directly involved in aid and relief operation, all the 79 humanitarian organization operate in the country and their head office is found in Addis Ababa, the 79 humanitarian organization are fully active humanitarian organization which makes more relevant context to study the effect of outsourcing logistics activity in humanitarian performance.

This study focused on the main millstone of outsourcing logistics activity with their effect on logistics performance and not all tasks and element of logistics activity, logistics functions were broad and it activity has also sub-activity starting from the origin to the end point including information flow, due to time constraint and budget the research was only focus on the main activity and also time and previous research are also the constraint

1.7 Limitation of the Research

Most of the humanitarian organization in Addis Ababa has been found in scattered and residential area, they re-locate their office and difficult to use their registered phone number in the yellow page or technical key Ngo list to get their office, the securities have not willingness to pass the get, the paper data was collected from logistics area most of the staffs had been in the filed area. all in all most of the humanitarian organizations ware not cooperative, as stated in the preceding most of the organizations were found in the scattered place and it has been a big challenge to get a transport to collect the data as per the schedule, in addition the number of recent related work on the area is very few and the data was not return back on promised time.

1.8 Organization of the study

This research paper is organized in the following ways. It is dividing into five chapters. Chapter 1 has an introduction part. Chapter 2 has about review of the related literature. Chapter Three: Methods of the Study: Under this chapter will describe the type and design of research; the subjects/participant of the study; the sources of data; the data collection tools/ instruments is employed; the procedures of data collection; and the methods of data analysis is used. Chapter Four: this chapter is summarizing the results / findings of the study, and interprets and / or discusses the findings. Chapter 5: This chapter comprises four sections, which include summary of findings, conclusions, limitations of the study and recommendations. The bibliography and other relevant appendix also include supporting finding.

CHAPTER TWO:

RELATED LITERATURE REVIEW

2.1 Introduction

This chapter presented the literature review on the effect of outsourcing logistics activity in humanitarian logistics performance. The first section of the chapter contains outsourcing theory which has been presented by different researchers to different researcher to prop up the study; this section also summarizes the information from other researchers who have studied outsourcing logistics activity effect on the performance. The literature review helps in understanding what other related studies have found and suggested and meanwhile the reviews are used to develop conceptual frame work.

2.2 Theoretical Literature Review

Outsourcing with their have been approached applying a series of different theories, which can often lead to confusion among researchers (Busi& McIvor, 2008), Different theories have been advanced to explain the subject of outsourcing. Various authors identified significant number of theories that could explain the outsourcing phenomenon (Rong, Zuo-Jun & Snydaer, 2009). This study will be propping up on three theories which are; Resource based theory, Relationship theories and transaction cost theory as stated below

2.2.1 Resource based theory

The main premise of the Resource-based Theory is that resources and capabilities can differ significantly among organizations and that these differences remain stable (Barney & Hesterly, 1996). When the resources and capabilities of an enterprise are mixed and used in an appropriate manner, they may create a competitive advantage for the enterprise. This theory applies mainly to the Preparation phase of the process in order to identify the operations that must be outsourced, as well as to the Vendor Selection phase, allowing for the selection of the vendor with the most appropriate resources.

The theory has also been used to explain the decisions made by the organization during the Relationship Management and Reconsideration phases (Kutsikos & Mentzas, 2011). A 2010 research (Alvarez-Suescun, 2010) proposes a model that combines the Resource-based Theory with the TCE theory in order to interpret the implementation of outsourcing processes in respect of IT operations. The model mainly focuses on the Transition phase and suggests that the

Resource-based theory is the most appropriate approach for its interpretation. The research of (Roy & Aubert, 2001) used the Resourced-based theory in order to shape a model which aims at identifying the factors affecting the success or failure of outsourcing at the Preparation phase. (Barthelemy & Quelin, 2006) proposed a model based mainly on the Resource-based theory and to a lesser extent on the TCE, in order to explain the Preparation, Vendor Selection, Relationship Management and Reconsideration phases.

2.2.2 Relationship theories

Relationship theories (Klepper 1995, Kern 1997) relationship theories focus on cooperation, interactions, and social and economic exchanges as major factors in inter organizational relationships (IOR). More specifically, they focus on interactions between parties. Relationship theories often appear in the strategic management and marketing literature, addressing topics such as alliance and partnerships, competitive advantage, supply chain management and supplier-buyer relationship. The underlying notion of relationship theories is that at the root of all relationships is some type of exchange (Klepper 1995, Kern 1997) When applied to outsourcing research, they have been used to identify the key dimensions of ITO relationship.

2.2.3 Transaction Cost Economics theory

The Transaction Cost Economics (TCE) theory has traditionally been the most widely-used outsourcing theory. It is considered that the TCE theory provides the best decision-making tools in order to assist organizations in deciding which of their operations should be outsourced and, thereafter, to prepare themselves in order to implement the necessary organizational changes arising from outsourcing. The characteristics of this model allow for its implementation both at the relationship management phase and at the reconsideration phase. Another extremely useful feature of the TCE theory is that it can be used for the analysis and selection of outsourcing contracts, which are often of great complexity.

A number of researchers have approached the phenomenon of outsourcing using the TCE theory. Firstly, in their research on decision-making with regard to the outsourcing of IT operations, researchers Lacity and Willcocks (1995) explored the phases of preparation, vendor selection, relationship management and reconsideration, from the viewpoint of the TCE theory. Aubert, Rivard and Patry (1996) also proposed a model which combines the TCE theory with the theory of Incomplete Contracts, in order to formulate a model that explains the phases of Preparation and Relationship Management. Eight years later, the same researchers Aubert *et al* .

(2004) returned with a new model, which combines again the two theories in order to interpret exclusively the preparation phase of outsourcing. Ulset (1996) explored the role of research and development in the process of outsourcing on the basis of the TCE theory, emphasizing on the need of organizations to safeguard the intellectual property of their patents. his model analyses the phases of preparation, vendor selection and relationship management.

In another research effort, Brandes, Lilliecreutz and Brege (1997) explored the factors that determine the success of an outsourcing effort. Their model was based on the TCE theory and examined the phases of preparation, relationship management and reconsideration. The researchers reached the conclusion that when the decision to outsource is based on the TCE theory the outcome is better, as is the case when the vendor manages to develop a strong manufacturing basis.

1.2.4 Summary of the Theoretical Literature Review

From the above stated types of theoretical review the study was have more related with Transaction Cost Economics theory , as this study is focused on the outsourcing logistics activity correlation with performance all the factors sated on TCE theory such as which of their operation should outsourcing ,selection of outsourcing contract , vendor selection, relationship management and reconsideration, leads for the performance of the outsourced activity , as transaction cost economy provide the best decision making tools in order to assist organizations in deciding which of their operations should be outsourced and, thereafter, to prepare themselves in order to implement the necessary organizational changes arising from outsourcing. this research more related with this theory as once the logistics activity is outsourced it needs revised which have more excellency in the operation and which one is not and all this needs to analyze future decisions to outsource the logistics activity .

2.3 Logistics activity

Logistics process consists of any activity or group of activities that takes one or more inputs (human assets, equipment, facilities, information, material) transforms and adds value to them, and then provides output (e.g. logistics services) to one or more customers. Logistics process can also be decomposed into four levels:

1st level: The first level refers to the execution level of basic activities, such as transportation and warehousing. Table 2.1 shows that activities at this level are outsourced to a large degree.

2nd level: The second level refers to value-added activities.

3rd level: This level refers to the planning and control level. Activities that can be outsourced at this level are inventory management and transportation management. Sub-activities of inventory management are sales forecasting, stock control and event control. Sub-activities of transportation management include route planning and scheduling and event control. Table 2.1 shows that activities at this level are less commonly outsourced than the previous levels.

4th level: At the top level of logistics activities is the distribution network design. This is the strategic planning and control level in which decisions are made concerning road carrier selection, location and site analysis and logistics network management. When activities at this level are outsourced, the LSP takes care of the logistics network design and orchestrates the logistics flow of the network (Van der Vorst, Duineveld, Scheer , and Beulens , 2007). So far, few studies have included these activities in the investigation.

Category of logistics activity

I. Execution Activity contain :Fleet management ,shipment consolidation, carrier selection ,transportation ,rate negotiation ,Logistics information system ,warehouse management ,storage ,product return and order fulfillment and order processing .
II. Value-added Activities contain Product Assembly and Installation, Re-labeling & re-packaging, and Final Product Customization
III. Planning Level contain inventory replenishment and forecasting
IV. Road carrier selection and site selection ,distribution

2.3.1 Transportation activity

Without well-developed transportation systems, logistics could not bring its advantages into full play. Besides, a good transport system in logistics activities could provide better logistics efficiency, reduce operation cost, and promote service quality. The improvement of transportation systems needs the effort from both public and private sectors. A well-operated logistics system could increase both the competitiveness of the government and enterprises.

Transport is needed throughout the whole supply chain being the link between supply chain members. Because demand and supplies have become international processes short lead time is especially important for companies that operate in international or global environment. Consequently quality of transport service a ffects the competitiveness of the entire supply chain. The challenge is to achieve competitive advantage in the context of rapid and unpredictable changes of markets. Over the past years it had place a growing focus on service quality improvement and reduction of inventory. The highly competitive environment along with customers' demands for tailored products and services has forced companies to continuously evaluate, improve and reengineer their logistics operations. These operations have a noticeable contribution in companies' e ffort to meet customers' expectations Gotzamani *et al*.(2010)

Transportation plays a connective role among the several steps that result in the conversion of resources into useful goods in the name of the ultimate consumer. It is the planning of all these functions and sub-functions into a system of goods movement in order to minimize cost maximize service to the customers that constitutes the concept of business logistics. The system, once put in place, must be effectively managed. Fair *et al* (1981) Warehousing services between plants and marketing outlets involved separate transport. Merchandising establishments completed the chain with delivery to the consumers. The manufacturers limited themselves to the production of goods, leaving marketing and distribution to other firms. Warehousing and storage can be considered in terms of services for the production process and for product distribution. There have been major changes in the number and location of facilities with the closure of many single-user warehouses and an expansion of consolidation facilities and distribution centers. These developments reflect factors such as better transport services and pressures to improve logistics performance.

The Role of Transportation in Service Quality The role that transportation plays in logistics system is more complex than carrying goods for the proprietors. Its complexity can take effect only through highly quality management. By means of well-handled transport system, goods could be sent to the right place at right time in order to satisfy customers' demands. It brings efficacy, and also it builds a bridge between producers and consumers. Therefore, transportation is the base of efficiency and economy in business logistics and expands other functions of logistics system. In addition, a good transport system performing in logistics activities brings benefits not only to service quality but also to company competitiveness.

2.3.2 Warehousing management and storage activity:

Warehousing can contribute to manufacturing and retailing efficiency. While the role of the warehouse has traditionally been to stock inventory, contemporary warehousing provides a broader value proposition in terms of economic and service benefits. Economic benefits include consolidation and break-bulk, assortment, postponement, stockpiling, and reverse logistics. Service benefits include spot stocking, full line stocking, production support, and market presence. The perspective of warehousing is changing from a storage mission to one characterized by velocity and movement. Distribution centers and warehouses are designed to accommodate the two primary activities of handling and storage. Handling activities include receiving inbound shipments, in-storage handling to move between different types of storage such as long-term, bulk, and picking, and packing and staging shipments to customers. Active storage activities facilitate cross-docking, consolidation, break-bulk, production sup- port, and postponement. Extended storage activities facilitate balancing supply and demand, speculation, and decoupling. Warehouses are usually classified based on ownership. A private warehouse is operated by the enterprise that owns the merchandise in the facility. A public warehouse is operated independently and offers various for-hire value-added services. A contract warehouse is a long-term business arrangement that provides tailored services for a limited number of customers. An integrated warehousing strategy incorporates a combination of warehouse ownership options. There are numerous managerial considerations in planning and initiating ware- house operations, including design, stocking, staffing, training, security, safety, maintenance, and WMS implementation. Each of these requires considerable managerial effort to ensure facilities start up and run smoothly on a day-to-day basis and can accommodate change rapidly and successfully, as necessary to meet current business demands.

The warehouse is a point in the logistics system where a firm stores or holds raw materials; semi-finished goods, or finished goods for varying periods of time (Langley *et al*., 2006:285) Warehouse as value adding roles is described as follows: Consolidation, Product mixing, Service, Contingency protection, Smooth Operation. Location refers to the geographical setting of supply chain facilities. It also includes the decisions related to which activities should be performed in each facility. The responsiveness versus efficiency trade-off here is the decision whether to centralize activities in fewer locations to gain economies of scale and efficiency, or to decentralize activities in many locations close to customers and suppliers in order for operations to be more responsive. When making location decisions, managers need to consider a range of factors that relate to a given location including the cost of facilities, the cost of labor,

skills available in the workforce, infrastructure conditions, taxes and tariffs, and proximity to suppliers.

The role of warehouses in logistics is as a bridge in production and transport, transport and consumers should always be storage facilities, designed to smooth out uneven cycles of production, consumption and operation of various types of transport. In this regard, in the overall promotion of material flow of logistics chains from the producer and the consumer must take into account the presence of a network of different storage systems. (Linder, Harold, 2002)

Storage systems can be created at the beginning, during and at the end of the movement of transport freight traffic or industrial processes for the temporary accumulation of goods and timely provision of industrial and commercial structures with material resources in accordance with the internal or market needs. (Linder, Harold, 2002)

Set of operations that are performed at various warehouses, fundamentally very similar. The reason is that different processes logistics warehouses perform similar functions are: - Creation of stocks of raw materials, semi-finished or finished products - Conversion of material flows - The orderly storage and preparation for use in the process of moving object flows from producer to consumer object. - Increase the rhythm and timing of production and operation of transport; improve land use enterprises; reduce downtime of vehicles and the total logistic costs; layoffs from unproductive handling and storage operations, and so on. d. Maintaining the quality of products to further its intended use. (Linder, Harold, 2002)

2.3.3 Relief distribution in the logistical perspective

There are four logistical decisions that commonly influence last mile relief distribution. These include facility location (identifying the most suitable place for inventory in the relief network); inventory management (efficiently manage the inflow and outflow of the relief materials); transportation decisions (to transport the relief to the needed area) and distribution decision (to quickly and efficiently distribute the relief materials to the affected population). These decisions are very often treated independently in the literature Ozbay *et al*. (2007); Kongsomsaksakul et al (2005); Jia *et al*. (2005); Sheu (2007) and Tzeng *et al*. (2007)). Conversely Balcik&Beamon (2008) and Duran *et al*. (2007) integrate facility location and inventory policy decisions which improve the relief supply chain with reduction of some associated cost. Again Balcik et al. (2008) integrate the transportation decision and inventory decisions which improve the transportation decision during the relief supply chain process. Transportation decisions directly

affect facility location, facility capacity and inventory policy decisions at the strategic level (Crainic *et al*. (1997)) and the distribution decision level (Sheu, 2007).

The efficient management of inflow and outflow of the relief materials depends on the size of the facility, number of facilities, number and capacity of vehicles. Likewise, quick and efficient distribution process of the relief materials to the affected population depends on the number of vehicles, capacity of vehicles, efficiency of managing relief materials, accessibility to the field warehouse and distribution center. Therefore, it is clear that these four decisions are sequentially related with each other. As shown above, these factors have not been studied a whole, but individually or by pairs at the most. For an efficient and effective relief distribution these four decisions (facility location decision, inventory decision, transportation decision and distribution decision) need to be integrated. From the above discussion, a working definition of last mile relief distribution in the logistical perspective is presented.

2.3.4 Inventory Management activity

Inventory management permeates decision-making in countless firms and has been extensively studied in the academic and corporate spheres Rosa *et al*. (2010). The key questions – usually influenced by a variety of circumstances – which inventory management seeks to answer are: when to order, how much to order and how much stock to keep as safety stock (Namit and Chen 1999; Silva 2009). According to Wanke (2011) inventory management involves a set of decisions that aim at matching existing demand with the supply of products and materials over space and time in order to achieve specified cost and service level objectives, observing product, operation, and demand characteristics.

In today's business environment, an increasing number of inventory operations are being outsourced by organizations to third party service providers in an attempt to ensure that costs and investments in inventory management are effective reduced. This is a common trend that has developed in recent years, provided that organizations focus on reviewing and overseeing both inventory operations as well as inventory management periodically to guarantee effective controls are maintained decision making processes are followed and implemented within companies. Specifically, the management of inventory comprises of a study of the movement of inventory or stocks, its ordering time, its demand patters, cycles of its supplies and sales flows. In light of these there is a need to actively manage inventory through continuous management of inventory items and its analysis in order to direct the company towards a lean inventory management Zhou & Yu (2011). It is the inventory planers within the company who have the

responsibility to manage the inventory management function in a manner that is closely aligned with supply chain logistics and finance, and procurement apart from marketing departments. However, the efficiencies of such functions are highly dependent on the knowledge, skills and aptitudes of inventory planners, the inventory management systems itself coupled with the focus and involvement of the management and its related policies. However, in certain cases inventory operations management and its control lies under the authority and supervision of third party service providers and not rests within the control of the inventory management team. There are a few action points and critical areas on part of such outsourced operations that can have a significant impact on the inventory management of the organization. Primarily these include; the unskilled labor and staff and an inadequate standard operating procedure (SOP).

2.4 Logistics Performance measurements

Performance measurement there is a vast and diverse body of literature on performance measurement. Review studies in performance measurement research particularly addressing the corporate sector include Neely et al. (1995), Folan and Browne (2005), and Neely (2005) Neely *et al*. (1995), define a performance measure as a metric used to quantify the effectiveness and efficiency of an action. Effectiveness is defined as the extent which customer requirements are met, while the efficiency is the measure of how economically the resources are utilized when providing a given level of effectiveness. Neely *et al*. (1995) examine performance measurement on three levels: individual performance metrics, sets of performance metrics (the performance measurement system) and the relationship between the performance measurement system and its environment. Performance measurement frameworks and systems are often used interchangeably in the literature. Rouse and Putterill (2003) clarify this by stating that performance measurement frameworks assist in performance measurement system development by clarifying boundaries, specifying dimensions and providing initial intuition into relationships among the dimensions. That is, performance measurement frameworks are not systems, but they form a basis for developing performance measurement systems. Folan and Browne (2005) classify performance measurement frameworks as structural frameworks (i.e. frameworks specifying a typology for performance measure management;, e.g. Balanced Scorecard by Kaplan and Norton (1992)) and procedural frameworks (i.e. a step-by-step process for developing performance metrics from strategy;, e.g. Wisner and Fawcett (1991) and Medori and Steeple (2000)), which are usually developed in isolation and combined inperformance measurement systems. Neely et al. (1995) note that different measurement frameworks have

been developed; however, a generally applicable systematic approach to performance measurement has not been developed. According to Beamon (1999), the difficulty in creating a general approach is that the different types of systems require specific measurement system characteristics. Although there is an increasing interest in performance measurement of nonprofit organizations, fewer attempts have been made to provide these organizations with a performance measurement framework (Micheli and Kennerly, 2005). Some examples are as follows: Buckmaster (1999) develops a performance measurement framework with a focus on measuring program outcomes for nonprofit organizations. Kaplan (2001) describes an implementation of the Balanced Scorecard approach to several nonprofit organizations. Sawhill and Williamson (2001) develop a performance measurement framework for a nonprofit organization (The Nature Conservancy). The proposed performance measurement framework assesses organizational performance in three areas: impact, activity, and capacity. Henderson *et al*. (2002) reports on an international child care agency's experience in developing a performance measurement system based on outcome and output-type metrics. Sowa *et al*. (2004) present a measurement framework to assess organizational performance for nonprofits. The authors' model captures two dimensions of effectiveness: management effectiveness and program effectiveness. Zimmermann and Stevens (2006) provide an exploratory study that gives examples of performance measurement used in nonprofit organizations.

Supply chain performance measurement Schmitz and Platts (2004) and Folan and Browne (2005) classify performance measurement as intra- and inter-organizational and note that inter-organizational performance management (e.g. supply chain performance measurement) is relatively neglected but a growing area in the literature. Beamon (1998, 1999) provides a literature review of performance metrics used in supply chains. Beamon (1999) observes that performance measurement in commercial supply chains focuses primarily on cost and customer responsiveness. However, many types of costs are not quantifiable, and many other types of metrics are not easily or appropriately converted into costs. Based on system complexity, the author argues that a performance measurement system (rather than a single metric) is required in order to meet the characteristics of effective performance measurement. Beamon (1999) develops the following three-part framework for performance measurement consisting of resource metrics, output metrics, and flexibility metrics:

(1) **Resource performance metrics measure** the level of resources used to meet the system's objectives. Resources are generally measured in terms of the minimum requirements (quantity) or a composite efficiency metric (resource utilization), and are explicitly tied to flexibility and

(usually) output. Examples of resource performance metrics include the number of person-hours required for an activity, inventory holding costs, and heating and air conditioning costs.

(2) **Output performance metrics measure** the effectiveness with which supply chains are able to supply. Ideally, output performance metrics correspond to an organization's strategic goals and to its customers' goals and values. Examples of output metrics include sales (dollars or units), percent on-time deliveries, and customer responsiveness, manufacturing lead time, number of back-orders or stock-outs per cycle, quality, and the quantity of final product produced.

(3) **Flexibility metrics**, as applied to supply chain analysis, describe the range of possible operating conditions that are profitably achievable by the chain. Examples of flexibility metrics include the number of automobiles that a plant can profitably produce in six hours and the shortest delivery lead time that the distribution center can profitably achieve.

Several studies use this framework to select performance metrics in supply chain modeling, such as Persson and Olhager (2002) and Angerhofer and Angelides (2006). There are other performance measurement frameworks in the literature developed for the supply chain or its specific components, such as transport logistics (e.g. Chow et al., 1994; Lai *et al*., 2002) and supplier performance (e.g. Schmitz and Platts, 2004). The proposed frameworks are mostly structural; a procedural (process-based) framework is developed by Chan and Qi (2003). For a detailed literature review of performance metrics and frameworks for commercial supply chains, the interested reader is referred to a recent review paper by Shepherd and Gunter (2006).

2.4.1 Relief chain performance measurement

Poister (2003) explains why performance measurement is vital in the nonprofit sector: "Effective performance measurement systems can help nonprofit managers make better decisions, improve performance, and provide accountability. Moreover, when they are designed and implemented effectively, performance measures provide feedback agency performance, and motivate managers and employees to work harder and smarter to improve performance. They can also help allocate resources more effectively, evaluate the efficacy of alternative approaches, and gain greater control over operations, even while allowing increased flexibility at the operating level.

2.5 Benefits and risks of outsourcing

A variety of benefits and risks in relation to 3PL have been reported in the literature. These can be classified as strategy-, finance- and operations-related. Outsourcing non-strategic activities enables organizations to focus on core competence and exploit external logistical expertise (Sink and Langley, 1997). 3PL providers can also contribute to improved customer satisfaction and provide access to international distribution networks (Bask, 2001). The most often-cited risks are associated with loss of control over the logistics function and loss of in-house capability and customer contact (Ellram and Cooper, 1990). However, it is usually the case that shippers employ a mixed strategy regarding logistics and retain important logistics activities (e.g. order management) in-house (Wilding and Juriado, 2004). While it is reported that users of 3PL enhance their flexibility with regard to market (investments) and demand (volume flexibility) changes, lack of responsiveness to customer needs is also cited as a problem of outsourcing (van Damme and Ploos van Amstel, 1996). Logistics outsourcing offers many cost-related advantages such as reduction in asset investment (turning fixed cost into variable), labour and equipment maintenance costs (Bardi and Tracey, 1991). LSPs serve multiple customers and are able to utilize capacity better and spread logistics costs, thus achieving economies of scale (van Damme and Ploos van Amstel, 1996). However, cost reduction is not always realized due to unrealistic fee structures proposed by service providers (Ackerman, 1996); and even if realized, it can be offset by the provider's margin (Wilding and Juriado, 2004). Cost savings evaluation can be difficult due to the shipper's lack of awareness of internal logistics costs. Indeed, the outsourcing option may be chosen in order to give Third party logistics.

2.5.1 Layers of outsourcing challenges

Logistics planning attempts to make decision at three different levels, namely strategic, tactical and operational. These three levels are differentiated by their planning horizon, where strategic level is in years, tactical level in months, and operational level in weeks and days, at the top level is the Logistics Network Configuration layer (most tangible), to Material Flow layer, to Information Flow layer, and finally to Relationship Management layer (least tangible).Logistics network configuration is concerned with designing the optimal network to satisfy service requirements at the minimum cost.

2.6 Empirical Review

This section reviews and summarizes former related studies within the area of logistics outsourcing activity strategy. More specifically, it looks into what researchers have found out

about the implication of outsourcing logistics activity and the performance and other related areas.

D'Aveni, Canger, and Doyle (1995) ,In the current dynamic era which is described by market volatility, cycle times, constant change, and demand to reduce costs and attached with the globalization trend has driven the rising need to outsource the business operations The return on assets of user's firm can be improved by outsourcing. Returns can be improved significantly through outsourcing by decreasing the not- insignificant investments in material handling, order picking, warehouse facilities, and information technology and transportation equipment.

According to Stuckey and White (1993) a firm has to decide that what kind of activities they have to obtain from a third party provider "outsource" and what kind of activities they have to vertically incorporate and execute using internal resources "insource".

Stank et al., (2003). The decisions to entirely or partially outsource activities are generally analyzed within a buy or make decision frame work that assesses the standing trade-off between the inefficiencies of internal production and the transaction costs of market activities. Logistics creates value in a cost effective way by helping customers delivery needs (Stank et al., 2003). According to Bowersox and Closs (1996), the service performance of logistics evaluates a supplier's capability to deliver required goods at an acceptable cost and within the desired delivery time frame consistently.

Lieb ,(1992).Previously, logistics activities have been given less importance as compared to other business operations like distribution, warehousing, and material handling, management of inventory, transportation, material handling and order processing which were handled by the firms themselves. However, the rising importance on supplying good customer service efficiently and effectively, the need for developing sustainable competitive advantage, and the re-engineering and strategic value of concentrating on major business activities resulted in maturity of contract logistics which is almost unusual from conventional logistics.

Heidi-Rebecca Cottam, Michael Roe and Jonathan Challacombe (2004), the distribution of humanitarian aid to millions of people was no simple task. In a country as vast as Ethiopia effective logistics was central to famine relief since the greatest task in providing aid was getting the food to the people who were in need. Crucial to the success of humanitarian aid in Ethiopia were the delivery systems of which land transport dominated. Trucks were the most common mode of land transport. Political and environmental risks were great, making the maintenance costs high. With this in mind numerous relief organizations chose to partially or wholly outsource their trucking activities to third party providers. Relief organizations outsourced their trucking activities from both international companies that exclusively served relief organizations

and local commercial entities. Relief organizations mainly used commercial contracts; letters of assist and subcontracting were also employed. Not all experiences with outsourcing were positive. Some of the local transport companies on whom relief organizations relied, employed badly maintained, haphazard trucking fleets and the lack of spare parts and the age of the trucks meant their reliability was poor.

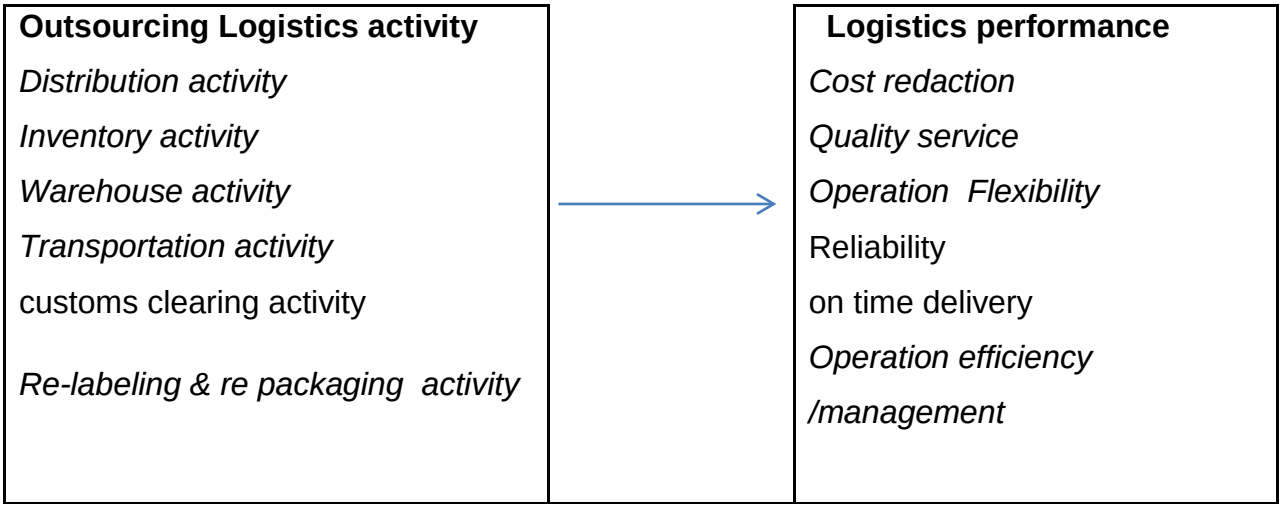
Zaryab Sheikh and Shafaq Rana ,(2012) Service performance has stronger influence of level 4 activities as compared to first three levels. The total control of manufacturer's logistics activities is in service providers court in total distribution network, e.g. from daily transportation to strategic planning activities which may include selection of carriers and relocation of warehouses etc. Logistics performance especially cost has positive impact of logistics outsourcing (Power *et al*., 2006). LSP's have capabilities in assembling and managing several resources and can help the firm to deal with high demand complexity. Furthermore, in uncertain situations, the LSP's are ready to help and make efforts in emergencies and responding flexibly to customers in total outsourcing as they are much more capable to deal with such situations rather than manufacturers itself. Although, first three levels of logistics activities have their own benefits but level 4 activities is more beneficial and comparatively has more impact on logistics service performance. The complex relationship between performance and levels of outsourcing defined by (Hsiao *et al*., 2009), are that service performance (flexibility, lead time and delivery reliability) has no direct influence of outsourcing whereas the performance (when outsourcing total distribution network management) activities enhance with the rising level of demand complexity.

2. 8 Conceptual Framework

This framework attempted to examine and explain factors behind the rationale behind outsourcing and its challenge on the performance of humanitarian organizations in the case of selected humanitarian organization found in Addis Ababa. These factors include the transportation activity outsourcing, Distribution activity outsourcing, inventory replenishment activity out sourcing and warehousing outsourcing in the humanitarian organizations. This will influence the humanitarian organizations on either to offer or not to offer humanitarian services. The study therefore aimed to determine the effects of independent variables on the dependent variable in an attempt to evaluate the impact of logistics outsourcing activity on the performance of humanitarian organizations.

Figure 2.1: Conceptual framework

In Dependent variable **Dependent Variable**



SOURCE: Self Adapted (2018)

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

These chapter summaries the research methodology that utilized for research.it gave a direction how the data is collected, where the data is collected and summarized how the measurement and analysis of data was directed. This section used to answer the research questions and meanwhile to test the studies of the resource factors in the base of Ethiopia context by defining the extent usage:

The processes and techniques that used in the collection, processing and analysis of data were described and also the research methodology could have research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

Research design helped the researcher to plan and implement the study in a way that to help the researcher to obtain intended outcome. As the main purpose of this study is to see the effect of outsourcing logistics activity in humanitarian organization performance the study is a descriptive research which follows a correlational research approach in order to address the above-mentioned objectives. Correlational studies trace relationships among two or more variables in order to gain greater situational insight.

3.3 Target Population

This research targeted humanitarian organizations carrying out their operations in Addis Ababa, as per 2017, humanitarian requirement document, currently there are over 90 humanitarian organizations operating in Ethiopia and supporting the Government-led response. The research target population will focus on 69 humanitarian organizations that are operating in Ethiopia and found in Addis Ababa as per appendix II (List of NGO

3.4 Sample Design

The population of this study comprised of all the 69 humanitarian organizations. Since the population was small there was no need for sampling rather the total population of 69 proceeded as the sample population by use of census method.

3.5 Data Collection

The researcher collected the primary data from humanitarian organization logistics and transport division and secondary data was collected from the annual report of their organization and from other related sources.

Primary data was collected using mixed type questioner, questions with open and closed ended, the open ended questions is helped the respondents to include more information, including feelings attitude and allow the researcher to better access the respondents true feeling on the issues and also uses to obtaining the additional information from the respondent. Closed ended question is used due to easier and quicker for respondents to answer, used to captured the answer of different respondents, easier to code and analyze statically

To test the reliability ,validity and to know its strength and weakness of the questionnaires and if it is necessary to modify the questioner, pilot test or try out was conducted by providing the questioner to one of the selected sampling respondent, by providing for others who have a knowledge on the field and after the pilot test email or hardcopy of the questioner was provided to the respondent depend on the interest of the respondents and collected upon the agreed time from the respondent .

The questionnaire is divided into five (5) sections. The first section (I) contained information on general data that include; name of the organization, type of organization and position held by the respondent. The second section (II) contained information on outsourcing logistics activity, The third section (III) implored with information on Determinant factors for outsourcing of logistics activities and the fourth section (IV) contain information Challenge of outsourcing and the fifth section(V) contain information about performance .

3.6 Data Analysis

The research is both qualitative and quantitative in nature. Content analysis techniques used to make replicable and valid inferences by interpreting and coding textual material by systematically evaluating texts of the quantitative data ,this more is help full to analyze and multiple regression method use to summarize the basic feature of the data ,this is provided

simple summarize about the sample and the measure and more help full to analyze the quantitative question , the research proceed with regression models to study the correlation of the effect outsourcing logistics activity to logistics performance and to test which the determinant factor , challenge and its effect on the performance .used regression method for data analysis.

$$\mathbf{Y = \beta 0 + \beta 1X1+ + \beta 2X2+ \beta 3X3 + \beta 3X4+\varepsilon}$$

Where:

Y = Logistics performance of humanitarian organizations

β0 = Constant Term;

β1, = Beta coefficients (Transportation activity outsourcing)

β2, = warehouse activity outsourcing

β3, = Distribution activity outsourcing

β4, = Inventory activity outsourcing

β5,=Custom clearing activity

β6=labeling activity

β7=Re-packaging

ε = Error term

3.7 Data Validity

Validity seeks to answer the following question: “Does the instrument or measurement approach measure what it is supposed to measure?” to guarantee its validity, the questionnaire were developed from relevant literature , Piloting of the research instrument was necessary for various reasons: It helped to clarify the wording and grammar of the instrument so as to avoid misinterpretations; to avoid research bias; detect ambiguous questions; and to pick out in advance any problems in the methods of research. This helped to validate the data used in this analysis.

3.8 Data Reliability

Cronbach 's alpha is the most common measure of internal consistency ("reliability"). It used to check the reliability of the data collection instrument (questionnaire) for this study. It is believed to be a very good measure of reliability to test the reliability of the Likert scale used in this study, reliability analysis was done using Cronbach‘s Alpha as the measure. Reliability co-efficient of $\alpha \geq 0.7$ will considered adequate.

3.9 Ethical issues

Research as any other human activity can involve direct (or indirect) fraud, lies and wrong-doing. Misconduct in science has serious consequences. Therefore, normative guidelines and a code of ethics and rules are needed in order for academic institutions and organizations to monitor the integrity of science endeavors and to create ways to handle mistakes (Eriksson & Kovalainen 2008).

As a part of consideration to ethical issues, the respondents in this study have the right either to participate or not. The researcher explained the purpose of the study to considered confidentiality by not sharing the names of respondents. In addition, there was not any compensation to be paid for any of the participants and the researcher has no conflict of interest with the findings of the research developing ethical issues is also being considered while conducting the study.

CHAPTER FOUR

RESULTS, DISCUSSIONS AND INTERPRETATIONS

4.1 Background

The study was conducted among 26 Humanitarian and Development None-Governmental Organization (NGOs) found in Addis Ababa. Most of the organizations participated in this study (>88% or 23 of them) are international organizations and the rest are country resident (commonly called local NGOs).

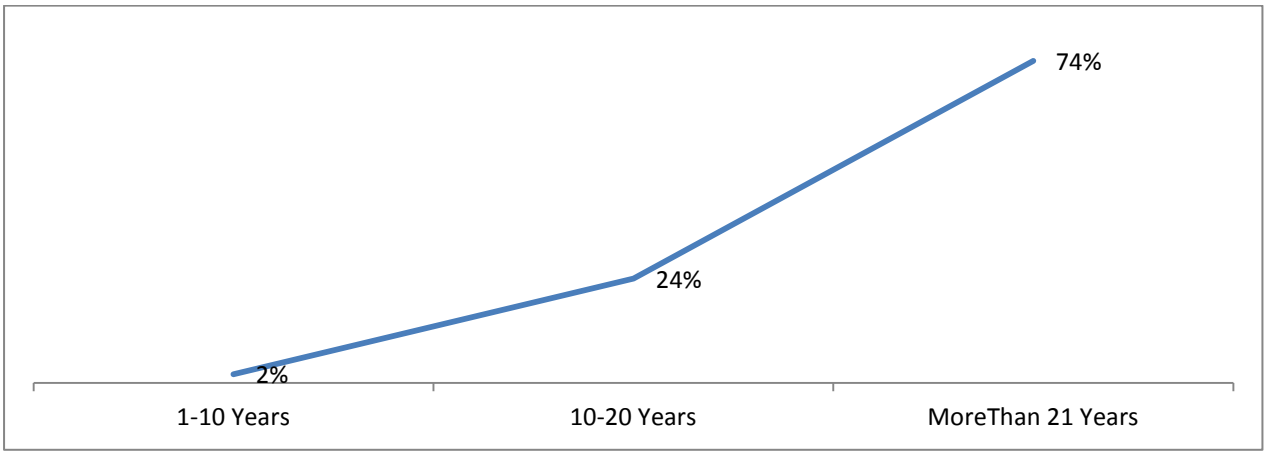


Fig 4.1. Number of Years Organizations Operating in Ethiopia

Source: Primary Data Collected for this particular study, 2018

74% of have reported that their respective organizations have been operating in the Ethiopia for more than 21 years and 24% have reported also that their organizations have worked from 10 to 20years. These organizations have been engaged in development aid works (as reported by nearly 60% of the respondents) and the rest are working in relief and disaster response and interventions in various parts of the country.

The participants of the study were employees of those organizations and have reported that they are directly or indirectly responsible for coordination and management of the logistics in their respective organizations.

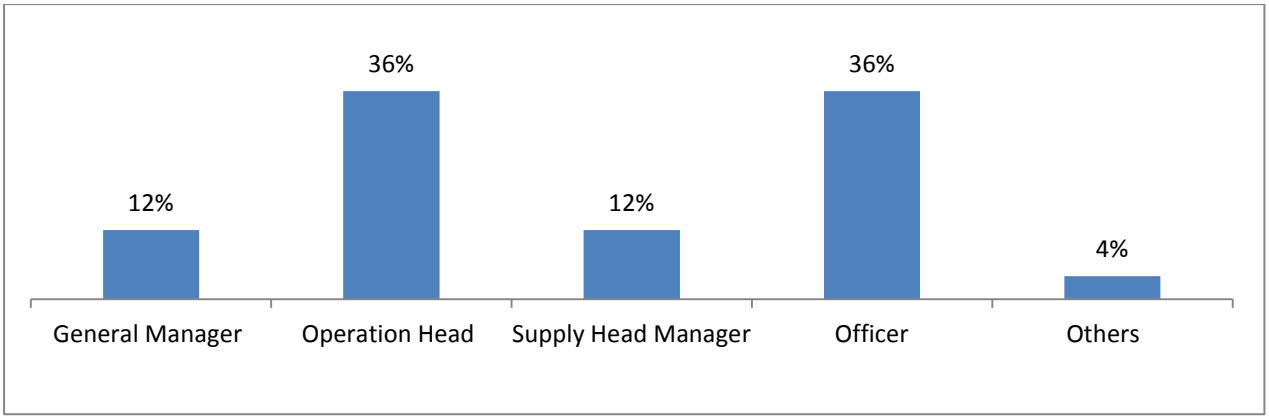


Fig4.2 Participants job responsibility in the Organizations

Source: Primary Data Collected for this particular study, 2018

As further indicated 42% of them have less than 5 years of service in their organization, 34% served 5 to 10 years and 24% have served over 10 years. Finally, the study participants were also asked to provide average annual budget allocations by their organizations for logistics services.

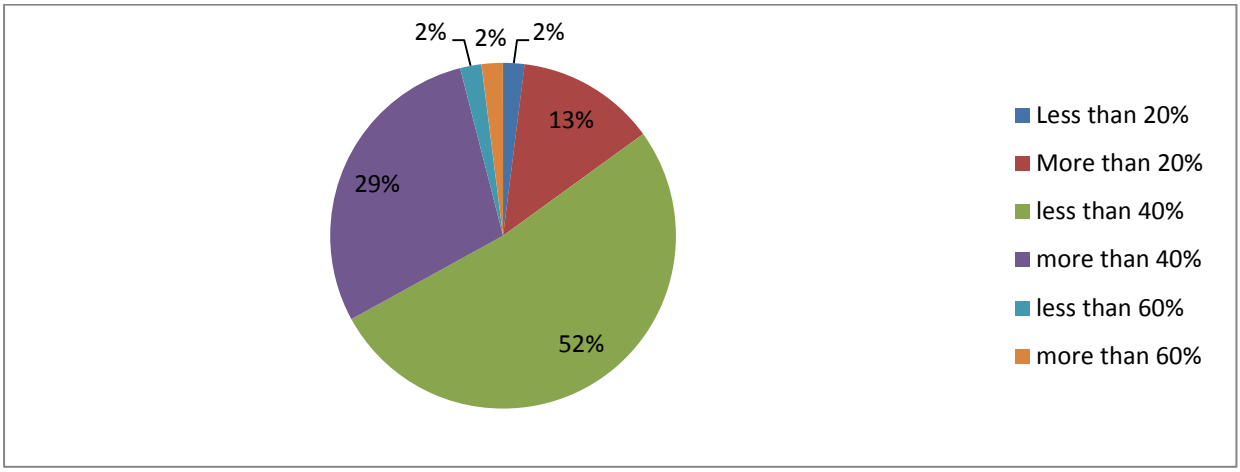


Fig4.3 Organizations' Budget for Logistics Costs

Source: Primary Data Collected for this particular study, 2018

Accordingly, 98% of them have showed that their organization usually allocate minimum of 20% of their total budget for logistic services. Furthermore, nearly 80% explained that their organizations allocate over 20% (and goes up to 40%) of their budget for logistics costs.

4.2 Data Presentation

4.2.1 Data Validity

The researcher issued questionnaires to one humanitarian organization from the targeted organizations so as to conduct a pilot study. Piloting of the research instrument was necessary for various reasons: this helped to validate the data used in this analysis.

4.2.2 Data Reliability

To test the reliability of the Likert scale used in this study, reliability analysis was done using Cronbach‘s Alpha as the measure. Reliability co-efficient of $\alpha \geq 0.7$ was considered adequate. In this case, a reliability co-efficient of 0.786 was registered indicating a high level of internal consistency for the Likert scale used.

Table 4.1: Cronbach’s Alpha

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
.786	.735

Source: Researcher (2018)

4.3 Outsourcing Logistics Services

Participants of the study have indicated that transport (70%), distribution (71%) and Custom clearing activities (61%) are among the major activities which have been mostly outsourced by their organizations.

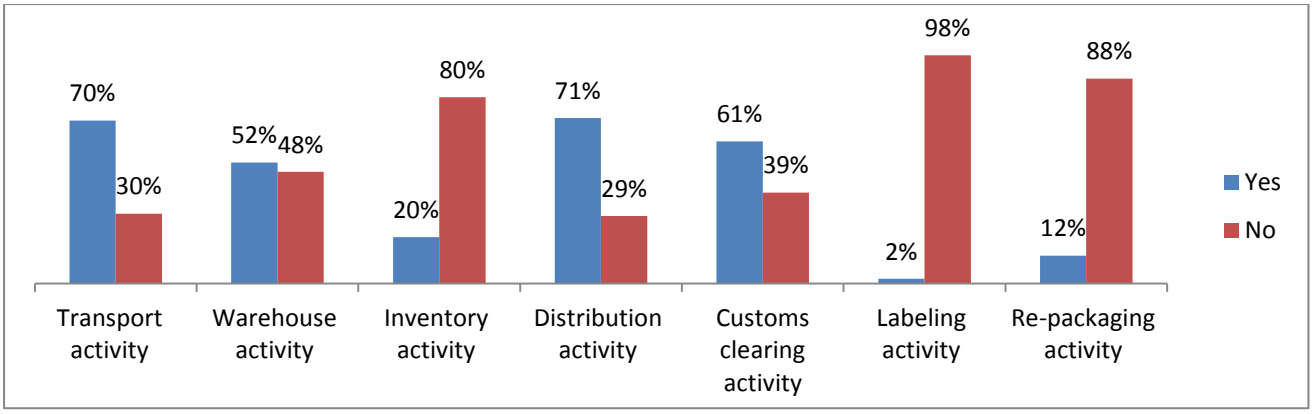


Fig4.4 Outsourced Logistics Activities

Source: Primary Data Collected for this particular study, 2018

Activities related with warehouse are also fairly (52%) outsourced as reported by the respondents. On the Other hand, Inventory, Labeling and Re-packing activities have been reported to be less outsourced by the organizations

4.4 Criteria Selection of Logistics Service Providers

In this section the study aimed to what extent does humanitarian organization outsourcing their logistics activity, the result is showed as in the figure and the table

Table: 4:4 logistics service provider selection criteria

Type	Mean	Std. Deviation
Market share	2.94	0.94
Government direction	3.36	0.90
Recommendation	3.68	0.84
Price	4.35	0.69
Management expertise	4.52	0.81
Availability of resource	4.66	0.62
Reliability	4.9	0.46
Total	**28.41**	**5.28**
Average	**4.058**	**.754**

Source: Researcher (2018)

As reported by the respondents (94% or mean score 4.90) dependability and/or reliability of the firms providing the logistics service is by far reported as the most preferred quality or criteria while selecting logistics service providers or firms. The Criteria 68% or mean score 4.35 of respondents indicated price has one for the selection criteria), availability of resources (72%) or 4.66 has a mean score selection for the logistics provider and Management expertise (64% or mean score 4.52) are also reported as highly considered criteria by their respective organizations. Moreover, market share and recommendations of the companies is also seen as proxy indicator for management capacity and reliability as reported by the respondents, and hence seen as very important factor in selection. On the other hand, government directions are always seen as important criteria in selection as they are issues of compliance and is precondition for any firm to participate in the bid itself as explained by the respondents.

Logistics activities like distribution of goods, Staff transportation for monitoring and evaluation activities (especially to very remote target areas) and customs clearing activities are among the key activities outsourced by the organizations. The respondents indicated that better efficiency has been achieved through outsourcing such activities. Some organizations which have huge relief and emergency goods and service also seek assistance of logistics service firms to their warehouse management because the warehouse activities provide a huge burden to the daily function of the organizations. On the other hand, with regards to customs clearance, customs regulations and compliance issues are better understood and managed by the logistics service providers than the our organizations as the firms are well aware of the required procedures.

Resource constraints including ample budget, time and human resources are among the key factors for outsourcing logistics firms. In terms of budget most relief and disaster projects and programs have one time provision and distributions of goods and services and hence, they have rarely allocate for fixed assets like motor vehicles and human resources for management of logistics activities. As a result the projects usually allocate some moderate budget for delivery of goods. As a result of that the organizations prefers usually to work with the logistics firms. Moreover, as further explained by the respondents, working with the firms is more flexible and also help their respective organization to focus accomplishment of their organizational missions other than other than being engaged with activities like distribution, customs clearance and others.

4.5 Determinant Factor for Outsourcing

As most respondents indicated organizations want to work with logistics services providers due to different factor, the most determinant factor has quality services which has 84% of the respondents or mean factor of 4.74, operation flexibility has scored (72% or mean score 4.69) , timely delivery (88% or mean score 4.69), and for reduction of risks and uncertainty (60% or mean score 4.42). Cost reductions are sought also as important factor for choosing working with the firms. On the other hand, however, the respondents were not certain on relevance of factors like market relationships, transaction costs, operating costs for outsourcing.

Determinant factor for Outsourcing

Source: Primary Data Collected for this particular study, 2018

Table: 3 Determinant factors for outsourcing

Type	Frequency	Mean	Std. Deviation
Market relationship	45	2.91	.99
Transaction Cost	48	3.35	.89
Operating cost	50	3.70	.99
cost reduction	50	4.20	.67
Risk and uncertainty	50	4.42	.81
Operation flexibility	50	4.66	.63
On time delivery	49	4.69	.92
Quality service	50	4.74	.66
	Total	**32.68**	**6.68**
	Average	**4.08**	**0.84**

4.7 Performance in outsourcing Activity

The Study participants have strongly agreed that outsourcing logistics services increases their efficiency in resources use (mean score 1.3), contributes for the attainment of the strategic goal

of the organizations (1.48), enhances effectiveness (mean score 1.48), improves efficient budgeting and location of resources (), and improves effectiveness of programs and projects (mean score 2.02). As shown below in the graph, in general they reported that outsourcing has the benefit of improving efficiency and effectiveness, enhances flexibility and provides more time and space for the organizations to focus on their other important activities.

Table 4.3 .Benefits of Outsourcing

Source: Primary Data Collected for this particular study, 2018

	N	Mean	Std. Deviation
It help the organization allocate resource more efficiency	50	1.30	.46
It increases the organization resource utilization	50	1.30	.46
It helps beneficiary in the extent of effectiveness and efficiency of action	50	1.44	.61
It increase the strategic goal of the company goal and values	50	1.48	.51
It increase management and program effectiveness	50	2.02	.32
	Total	7.54	2.36
	Average	1.256	0.39

The Study participants have strongly agreed that outsourcing logistics services increases their efficiency in resources use (mean score 1.3), contributes for the attainment of the strategic goal of the organizations (mean score 1.3), enhances effectiveness (mean score 1.44), improves

Improves effectiveness of programs and projects (mean score 2.02). As shown below in the graph, in general they reported that outsourcing has the benefit of improving efficiency and effectiveness, enhances flexibility and provides more time and space for the organizations to focus on their other important activities

4.8 Challenges of outsourcing

A number of challenges have been stated by the participants of the study. Though working with logistics service providers have number of benefits, it's not without challenges. Limited control over the logistics activity as indicated by 48% of the respondents, loss of in-house capacity of the organizations (54% or mean score 3.54), delay in provision of the services (that results to delay in timely provision of goods and services to the targeted communities) (52% or mean score 3.70), and limited control over the resources (50% or mean score 3.50) are among the key bottlenecks of the sector. Absence or limited safety and comfort of staff while working with transport service providers, lack of customer regulation, shortage of foreign currency (especially to work with foreign firms), and corruptions are also reported as among the biggest challenges as shown during discussions. Language barriers (especially during traveling with foreigners), lack of communication technology and limited capacity in reporting detail activities are among the gabs that need improvement as well. As further explained by the respondents, most of these challenges have their own causative factors including limited number of capable logistics service providers in the market, limited infrastructures in various part of the country; lack of knowledge, skills and in general lack of adequate trained man power.

Table 4:3 Challenges

Source: Primary Data Collected for this particular study, 2018

Type	N	Mean	Std. Deviation
Result in Loss of outputs	50	3.12	.96
Loss of control over the logistics activity	50	3.28	.97
Result in Loss of controlling resources	50	3.50	1.04
result loss of in-house capability and customer contact	50	3.54	.88
Result lack of responsiveness to aid needs	50	3.70	1.07
	Total	17.14	4.93
	Average	3.43	.99

Table: 4 challenge of outsourcing

Source: Primary Data Collected for this particular study, 2018

4.9 Regression Analysis of the Findings

The researcher conducted a multiple linear regression analysis so as to determine the relationship between logistics performance in Humanitarian Organisations in Addis Ababa operate in Ethiopia and the six independent factors namely re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, Labelling activity outsourcing, distribution activity outsourcing, Customs clearing activity outsourcing.

$$\mathbf{Y = \beta 0 + \beta 1X1+ + \beta 2X2+ \beta 3X3 + \beta 3X4+ \beta 3X5+ \beta 3X6+\varepsilon}$$

Where:

Y = Logistics performance of humanitarian organizations

β0 = Constant Term;

β1, = Beta coefficients (Transportation activity outsourcing)

β2, = warehouse activity outsourcing

β3, = Distribution activity outsourcing

β4, = Inventory activity outsourcing

β5, = customs clearing activity outsourcing

β6= Re-labeling and re-packing

ε = Error term

Table: 4.9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693[a]	.48	.38	.26

a. Predictors: (Constant), re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, Labeling activity outsourcing, distribution activity outsourcing, Customs clearing activity outsourcing

The study used the R square. The R Square is called the coefficient of strength of character and tells us how the performance of humanitarian organisations wide-ranging with re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, labelling activity outsourcing, distribution activity outsourcing, Customs clearing activity outsourcing The six Independent variables that were studied explain 48 % of the factors distribute to the respondent indicated outsourcing logistics activity affected performance of humanitarian organizations as denoted by R Squared (Coefficient of determinant).

Table: 4.4

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.11	7	.301	4.74	.001[b]
	Residual	2.29	36	.063		
	Total	4.39	43			

b. Predictors: (Constant), re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, Labeling activity outsourcing, distribution activity outsourcing, Customs clearing activity outsourcing

The study used ANOVA to establish the significance of the regression model from which an f-significance value of p less than 0.05 was established. The model is statistically less significant in predicting **),** re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, labelling activity outsourcing, distribution activity outsourcing, Customs clearing activity affect the performance of humanitarian organisations. This shows that the regression model has a less than 0.05 likelihood (probability) of giving a wrong prediction. This therefore means that the regression model has a confidence level of above 95% hence high reliability of the results.

Table: 4.5 Coefficients Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.11	0.40		7.71	0.00
Transport outsourcing	-0.03	0.10	-0.04	-0.31	0.76
warehouse outsourcing	-0.08	0.08	-0.13	-0.98	0.34
inventory outsourcing	-0.11	0.12	-0.13	-0.88	0.38
distribution outsourcing	-0.39	0.10	-0.75	-3.90	0.00
Customs clearing outsourcing	0.04	0.10	0.07	0.37	0.72
Labeling outsourcing	0.49	0.16	0.52	3.08	0.00
re-packaging outsourcing	0.04	0.12	0.06	0.31	0.76

a Dependent Variable , Performance of humanitarian organisations

a. **Predictors: (Constant),** re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, Labeling activity outsourcing, distribution activity outsourcing, Customs clearing activity outsourcing,

The established regression equation was

Y = 3.11- 0.75X4-+0.52X6 x 5+ ε

The regression equation above has established that holding all factors (re-packaging activity outsourcing, Transport activity outsourcing, inventory activity outsourcing, warehouse activity outsourcing, Labeling activity outsourcing, distribution activity outsourcing, Customs clearing activity) outsourcing constant, factors affecting performance of humanitarian organisations will be The findings presented also shows that taking all other independent variables at zero, only distribution and labelling have significant ,the others are not significant .

Humanitarian organisations, when libelling activity is outsourced the performance of humanitarian activity increase by 0.488 and when the distribution activities are outsourced performance is decreased by 0.39.

4.10 Discussion

According to the study findings assessment were done to bridge the gap between outsourcing the whole logistics activities or outsourcing logistics activity which have more cost reduction, quality in service operational flexibility, capital investment, lead time operation and operation efficiency, most of the activity is decreased while they are outsourcing and from the stated outsourcing activity Labeling, re-packaging and clearing are increase relatively from other activity, The finding is similar result with the study by As Heidi-Rebecca Cottam, Michael Roe and Jonathan Challacombe (2004) study on Outsourcing of trucking activities by relief organizations thireconclution had been The outsourcing of logistics functions involves the use of external companies to operate functions that traditionally have been performed within an organization. Benefits of outsourcing center upon the reduction of complexities in international distribution channels, reduction in capital occupied and the third party's ability to reconfigure the distribution system to adjust to changing markets or technological advantages. Just as there are many reasons that favour outsourcing there are many that discourage its use - loss of control to the provider, lack of technology linking the manufacturer, carrier, warehouse and customers operations, difficulty in selecting a suitable provider and extortionate charges sometimes imposed upon the customer.

Famine occurs not because there is not enough food in the world, but because the food is not where it is needed. In April 2000 over 12.5 million people faced shortages of food and water in Ethiopia. A major humanitarian relief effort combined with the eventual delivery of food aid averted a crisis at that time, but the danger is far from over as the physical distribution process

continues to face obstacles. A multitude of relief organizations participated in the Ethiopian famine 2000. Their aim was to provide succor in the form of food, medicines, clothing and shelter to the victims of the famine with the overall objective of future self- sufficiency.

According to the study, overall outsourcing has less success and low extent and the outsourcing practice only increased on labeling, re-packaging and clearing, however most of the logistics activity decreased while outsourced.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

This chapter is devoted to present summary of the main findings and conclusions of the study and forward researchers recommendations based on the findings and conclusions.

To analyze the data percentage, frequency, and mean and rank order were used, consequently the finding of the research is as follows:-

1. Reasons for outsourcing greatly vary from company to company. From items stated as reasons of outsourcing mean values for all items are above 2.94 It means that most of the respondents agree that items stated are all reasons for outsourcing with different reason, from the stated reason of outsourcing logistics activity reliability mean score 4.9 , and availability of resources is the second mean score 4.66 great extent for the reason of outsourcing , from the weighted mean the reason for outsourcing by humanitarian organization is reliability, So it can be inferred that most of the organization outsource their logistics activity for .

2. Humanitarian organization outsources their logistics activity with expectation of gaining some benefit. Eight items were formulated in the question to get the determinant factor of outsourcing by humanitarian logistics ,from the mean value quality service and on time delivery have the great extent for the reason , from the eight factors the five determinant factors were more than 4 .2 Mean score. So it this verifies that as a result of humanitarian organization outsource their logistics activity on focusing and to gain cost, risk, flexibility ,on time delivery and quality service The first ranking factor as per the result of the analysis is quality service .

3. Challenges were one of the factors examined with regards to outsourcing logistics' activity and lack of responsiveness has a mean score of 3.7 , all the mean score for the challenge is more than 3 and the finding penning outsourcing logistics' activity has challenges , loss of output , controlling the logistics' activity ,controlling the resources ,customer contact and responsiveness are among the challenge scored by the humanitarian organization .

4. As per the result of the analysis to assess the performance with its benefit most of the factors has less than mean score of 2. All the performance which is helping to allocate resource,

resource utilization effectiveness, to compute strategic goal and effectiveness are all metric shows less performance.

5.2 Conclusions

Based on the analysis and the summary of findings the following conclusions are forwarded

1. Deferent studies mentioned the main reasons for outsourcing of logistics activities Logistics service quality entails, apart from costs decrease, another extremely important factor which can instigate the employment of external service providers. Outsourcing allows companies the freedom to concentrate their energy on activities critical to maintaining their competitive edge (Bajec&Jakomin, 2010: 287). Tasks fulfillment and logistics management is left in charge of the third party which has invested in the specialization of its work force, information system and specialized equipment in order to be highly competitive in regard to that particular activity (Dunković, 2010:7) the major reason that humanitarian organization outsourcing logistics' activity is to seeking Reliability .

2. In line with the reasons of outsourcing logistics' activity, the greatest benefit for humanitarian organization get from outsourcing of its logistics' activity is increased management and program flexibility. Based on system complexity, the author argues that a performance measurement system (rather than a single metric) is required in order to meet the characteristics of effective performance measurement. Beamon (1999) develops the following three-part framework for performance measurement consisting of resource metrics, output metrics, and flexibility metrics:

3. The major challenge faced by humanitarian organization due to outsourcing their logistics' activity is result of los of their outputs and unable controlling their logistics' activity , this indicate humanitarian organization should be increase their management system to control the output and controlling the whole logistics' system.

4. Following the analysis and summary of the findings, the major performance for outsourcing logistics' activities (Transport ,warehouse, inventory ,distribution ,labeling and re-packaging shows when this activist are outsourced the major outsourced activity performance decreased , The outsourcing of logistics functions involves the use of external companies to operate functions that traditionally have been performed within an organization . Benefits of outsourcing center upon the reduction of complexities in international distribution channels, reduction in capital occupied and the third party's ability to reconfigure the distribution system to adjust to changing markets or technological advantages. Just as there are many reasons that

outsourcing there are many that discourage its use - loss of control to the provider, lack of technology linking the manufacturer, carrier, warehouse and customers operations, difficulty in selecting a suitable provider and extortionate charges sometimes imposed upon the customer.

5.3. Recommendation

It can be seen from the summary of findings and conclusions outsourcing logistics' activity affected the performance of humanitarian organization different ways. Based on the data found on the result of the analysis the following recommendation is made.

1. The three basic reasons that humanitarian organization outsourcing their logistics' activity are to get reliability and due to availability of resources , therefore it recommended that humanitarian organization needs evaluate their logistics' provider timely and , in the mean time they should work on both horizontal and vertical integration .

2. Since all the benefit items scored are great, however the benefit or performance is less mean value humanitarian organization should develop there metric and should know which logistics' activity should be outsourced and which one is better if it is work in house, the highest ranking are those activity which are less outsourced the major activity outsourced are ranked less performance and needs work with the logistics' provider.

3. Most of the organization have a standard contractual agreement with stipulated bid by considering safety and due to technology gap they are not control there logistics' activity, most of international relief organization need outsource their logistics' activity and focused to their major activity, the finding shows outsourcing activity is very low and it needs transformation for all the major logistics' providers

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APPENDIX

Appendix I:

Questionnaire

Introduction

The questionnaire is divided into five sections

Section I: General Information for the Respondent

1. Name of the organization? ……..

2. Department…… .

3. Position held by the Respondent:

General Manager [ ] Operation head [ ] Supply chain Manager [ ]

Officer [ ] Other [ ] (Specify)……

4. Type of organization (Please tick as appropriate)

International [ ] Local [ ]

5. Mandate in humanitarian aid (Tick as appropriate)

Aid [ ] Disaster response [ ] Relief [ ]

Other (please specify) …….

6. How long has your organization been in operation in Ethiopia?

1-10 years [ ] 10 – 20 years [ ] More than 21 years [ ]

7. Length of continuous service with the organization?

Less than 5years [ ] 5-10 years [ ] Over 10 years [ ]

8. What percentage of your funding goes to logistics outsourcing activities?

Less than 20% [ ] More than 20% [ ] less than 40 [ ] more than 40[ ] less than 60[ ] more than 60[ ]

Section II outsourcing logistics activity

9. Please indicate whether your organization has outsourced the following logistics activities. Tick where appropriate between YES and NO.

Activity /Function	**Yes**	**No**
Transport activity		
warehouse activity		
inventory activity		
distribution activity		
customs clearing activity		
Labeling activity		
re-packaging activity		

10, what do you consider as the most important criterion used when your organization selecting logistics provider? (Use the scale 1= Very low Extent; 2= Low extent; 3=moderately; 4=Great extent; 5=very great extent)

Important criterion	**1**	**2**	**3**	**4**	**5**
Dependability/reliability					
price					
Market share					
Availability of resources					
Management expertise					
Recommendation					
Government direction					

Other

Reasons……

……

III. Determinant factors for outsourcing of logistics activities

11 In which logistics activity are your organizations more satisfactory?

……

……

……

.

12. What is your determinant factor to evaluate the performance?

……

……

13. To what extent does the reasons of outsourcing matches to your organization drive to outsource its logistics activity (please put a tick mark)

5= strongly agree, 4= agree, 3= uncertain, 2=disagree and 1= strongly disagree

Determinant factor for outsourcing	**5**	**4**	**3**	**2**	**1**
cost reduction					
Time saving					
Operation flexibility					
deliver reliability					
Capital investment					
Lead time of operation					
Operation Efficiency					
Control Resource					

Other Reasons

……

……

IV. Challenge of outsourcing

14. To what extent does the company challenged from outsourcing its logistics activity (please put a tick mark)

5= strongly agree, 4= agree, 3= uncertain, 2=disagree and 1= strongly disagree

Other Reasons

……

……

	5	4	3	2	1
Outsourcing logistics activities will result in Loss of control operation					
Outsourcing logistics activities will result in Loss of control delivery reliability					
Outsourcing of humanitarian logistics activities will result in Loss of control logistics provider					
Outsourcing of humanitarian logistics activities will result in Loss of control operation flexibility					
Outsourcing of humanitarian logistics activities will result in Loss of control resources					

V. Performance

15 How do you find the overall performance of your logistics provider?.....

.....

16, State the extent to which you agree with the following statements concerning your organizations performance in relation to the outsourced practices you have adapted. (Use the scale 1= Very low Extent; 2= Low extent; 3=moderately; 4=Great extend; 5=very great extend)

	1	2	3	4	5
It has made the organization achieve timely delivery of services to the venerable people					
The outsourcing activity has led to a decrease in operating costs					
The outsourcing activity has led to increase in operating costs					
As a result of logistics outsourcing the donation distribute equally for affirmative people					
As a result of logistics outsourcing the organization focuses on its core business					
Overall success on the mandate assigned					