



**Addis Ababa University
School of Commerce
Logistics and Supply Chain Management**

**Effects of Logistics Services on Company Non-Financial
Performance: The Case of Soap and Detergent Industries in
Addis Ababa**

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of Art in Logistics and Supply Chain Management Program**

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DECLARATION

I, declare that this thesis entitled “**Effects of Logistics Services on Company Performance: The Case of Soap and Detergent Industry in Addis Ababa**” is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the thesis Advisor. To the best of my knowledge, this study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of Master of Art in Logistics and Supply Chain Management Program.

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LIST OF ACRONYMS

CSCMP	Council of Supply Chain Management Professionals
CRM	Customer Response Management
FTL	Full truck load
ICT	Information Communication Technology
IBL	Inbound Logistics
INL	Internal Logistics
IT	Information Technology
JIT	Just In Time
LS	Logistics Services
OL	Outbound Logistics
OP	Organizational Performance
SCM	Supply Chain Management
SSCM	Strategic Supply Chain Management
SPSS	Statistical Package for the Social Sciences
TOC	Theory of Constraints
US	United States
VFI	Variance Inflation Factor
WMS	warehouse management systems

ABSTRACT

This study examines the influence of logistics services on the organizational performance of soap and detergent manufacturing companies in Addis Ababa, focusing on internal logistics, inbound logistics, and outbound logistics. Employing an explanatory survey design, primary data was gathered using a questionnaire distributed using census approach to managers of 62 companies in the area. Descriptive and inferential statistical analyses were conducted to explore the relationships between logistics services and organizational performance. Results indicate a positive and significant correlation between all logistics services and organizational performance, with regression analysis revealing their statistically significant contribution. The adjusted R^2 of 0.581 suggests that 58.1% of the variance in organizational performance can be predicted by logistics services. Improved logistics services significantly affect organizational performance, emphasizing the importance of managing internal, inbound, and outbound logistics services for enhancing company performance. This research contributes to understanding the pivotal role of logistics in organizational success and offers practical insights for the industry.

Keywords: Internal Logistics, Inbound Logistics, Logistics Services, Outbound Logistics, Organizational Performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Companies are today facing increasing levels of competitive pressure and difficulty with regard to maintaining and improving their performance. The management of these companies are being forced to seek and implement innovative strategies with which to advance their company's competitive advantage as well as their organizational performance (Dawit, 2020). These circumstances and the increasingly complex nature of logistics operations, are causing companies, such as those in the manufacturing sector, to focus on their core competencies, while others provide, for example, some or many of their logistics services (CSCMP, 2013). Companies are also coming to realize the importance logistics in their organizations and therefore the need for specialist input therein.

Furthermore, as companies find themselves under growing pressure from both customers and shareholders to seek ways in which to decrease their costs while at the same time increasing performance, they are forced to find ways in which they may improve the efficiency and effectiveness of their operations (Hoang & Nguyen, 2019). These pressures are increasingly impacting the way in which companies, and their customers, view logistics activities (Musau, et al., 2018). Logistics is thus playing more and more of an important role in company performance, in particular for companies seeking to increase their competitive advantage and corporate profitability (Blanchard, 2010). Identifying & managing the important role logistics in the company is thus of utmost importance.

The term logistics is used to describe the entire process of materials and products moving into, through and/or out of a company. Logistics according to (Blanchard, 2010) is a concept based on total system view of the material goods and services flow activity from the source of supply chain through to the final point of consumption. Council of Logistics management (1991) defined that logistics is part of the supply chain process 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. Logistics thus includes any activity involved in the management of

inventory at rest (awaiting production into finished goods or distribution at the final point of sale) or in motion (during transportation) (Frazzle, 2002).

Logistical service has been known to be increasingly important to successful supply chain operations. Logistics service creates value by accommodating customers' delivery requirements in a cost-effective manner (Bowersox, et al, 2002). Moreover, logistics is critical as a source of competitive advantage and as an importance factor improving the firm performance [Chase, R. (2004). On other hand, according to Odhiambo et al, (2017) in effective logistics causes competitive loss in the journey to market and now a days intense competition and market saturation forced manufacturing industries to give due attention on logistics activities to access new revenue generation markets and maintain already existed markets everywhere in the world.

Logistics services consist of several components that work together to ensure the efficient movement of goods from one place to another (Hoang & Nguyen, 2019). The components of logistics services include internal logistics, inbound logistics, outbound logistics, and reverse logistics. Internal logistics involves the movement of goods within a company's facilities, while inbound logistics involves the transportation of goods from suppliers to the company's facilities (Hadi & Setiawan, 2013). Outbound logistics involves the transportation of goods from the company's facilities to customers, while reverse logistics involves the movement of goods from customers back to the company.

A vast variety of previous studies has been applied extensively in the supply chain area to examine how logistics service, as a firm resource, can affect the organizational performance. Most of these studies focused on capabilities that are well-recognized supply chain imperatives (Lynch, et al, 2000; Koh, 2007 and Lia, 2005). However, there is a little attention to directly explore the effect of logistics service on the firm performance. Particularly, logistics service has positive influence on the organizational performance for retail firms (Hadi and Setiawan, 2013 and Mensah, 2014). In addition, evidence on the important role of logistics service has also been found in some developing countries, such as Nigeria, India, Malaysia, and Vietnam (Koh, 2007; Hoang and Nguyen, 2019; Abdul, et al, 2019). In Ethiopian context, this result is supported by finding of Dawit (2020), mentioning that there is a positive relationship between the logistics service and organizational performance by using Breweries firms samples in Ethiopia.

Having the above facts in mind which showed the necessity of logistics excellence to exist in the competitive marketing environment, it is inevitable to measure logistics services in terms of its activities parallel with its impact on overall organizational performance to give organized insight to logistics services for a better decision making. This in turn allows seeing where the company is in terms of its logistics services; i.e., internal logistics, inbound logistics, and outbound logistics services and further effects on overall organizational performance. Thus, analysis devoted to the major effects of logistics services on the organizational performance seems to be of great relevance.

Logistics management has emerged as a common practice across industries and the detergent and soap industry is one of the manufacturing sectors that have growing interest in logistics management practices (Mikiyas, 2022). In Ethiopia, there are more than 80 soap and detergent factories and more than 80 percent of them are found in Addis Ababa (Ministry of trade, 2023). In the soap and detergent industry, logistics services play a crucial role in ensuring the efficient movement of products from production to the end consumer. The logistics components involved in this industry include inbound logistics (transportation of raw materials to the production site), and internal logistics (movement of goods within the production facilities). These components are essential for maintaining the quality and timely delivery of products, this industry with diverse raw materials and specific transportation requirements (Isabel, 2011). Different actors are involved in the detergent and soap value chain from initial raw material to final consumption destination including support industries that supplies basic inputs such alternative energy source, packaging and spare parts including associated business among others. The logistics services in the soap and detergent industry are critical for ensuring the cleanliness, appropriate handling, and timely delivery of products to meet customer demand and regulatory standards (Daniel, 2018). Thus, in today's dynamic and very variable; soap and detergent producing companies need to consider their logistics services as of strategic objective in a way of improving their organizational performance.

Hence, in order to improve the logistics services quality, and to be more responsive to market requirements, this study focuses on identifying the critical factors of logistics service significantly affecting organizational performance in context of soap and detergent manufacturing companies in Addis Ababa. This research only looks at the three main logistics

components; internal, inbound, and outbound logistics because reverse logistics are not used as much in the detergent and soap business.

1.2. Statement of the Problem

In today's competitive global business world, logistics service is seen as important success factors for businesses (Musau, et al., 2019). According to Dawit (2020), the actual competition will be between logistics management, not between enterprises.

Ethiopia's supply chain system of manufacturing sector in general is plagued by inefficient supply chain and logistics methods (Fekadu, 2013). The Ethiopian manufacturing sector continues to have little to no backward integration to primary production and intermediate input producers. Average capacity utilization and productivity of the manufacturing sector including soap and detergent products is below 50% due to the domestic raw materials constraint: shortage, seasonal supply, and poor quality (Fasika, et al 2017). Backwards linkages are weak due to ongoing heavy dependency on imported inputs (which in turn reinforces local supply chain weakness) and a deep skills gap resulting in low productivity. And also, main industry in Ethiopia was stop working due to raw material shortage (Annually performance report of industry minister, 2021). This reality, as well as the potential challenges for the industry needs to be strategically handled, particularly in terms of logistics services management. So, all these challenges highly impact on the manufacturer performance.

Soap and detergent manufacturing companies in Addis Ababa is not an exception for all the facts. Currently, there have been challenges in relation to inbound logistics, internal logistics, and outbound logistics services in Soap and detergent manufacturing companies in Addis Ababa. Soap and detergent manufacturers in Addis Ababa face challenges in **inbound logistics**, including fragmented supply chains leading to inefficiencies, difficulties in securing reliable sources of raw materials such as chemicals, transportation bottlenecks due to inadequate infrastructure and congestion, and poor inventory management practices resulting in stockouts or overstocking issues (Mikiyas, 2022). Regarding **internal logistics services**, these companies encounter problems such as inefficient production processes, inadequate storage facilities leading to congestion and disorganization, lack of proper handling equipment causing damage to products, and issues related to workforce management and training, including skills gaps and

productivity constraints (Daniel, 2018). Furthermore, these companies faced **outbound logistics challenges** related with distribution difficulties due to limited access to distribution networks and unreliable transportation, demand forecasting issues leading to inventory imbalances and stockouts, compliance challenges related to product packaging and labeling regulations, and the management of reverse logistics processes for handling product returns, exchanges, and recalls effectively (Mikiyas, 2022). These challenges collectively can impact the efficiency, cost-effectiveness, and overall performance of soap and detergent manufacturing companies in Addis Ababa, highlighting the need for strategic interventions to address each aspect of the logistics chain and improve operational effectiveness and competitiveness within the industry.

The contribution or Significant of soap and detergent factories ranges from Job creation to income generation for the nation economy/GDP. If these companies failed to manage their Logistics services properly their performance will be affected. The effect ranges from losing their income, leading to unemployment, affecting their brand image, losing the market to competitors & even leading to bankruptcy. The problem's impact is from a company to a nation. Therefore this research will be conducted to show the effects of logistics service on the performance of soap and detergent manufacturing companies in Addis Ababa.

Logistics management are topics of ongoing academic debate (Hoang and Nguyen, 2019), and numerous research studies have been undertaken on this topic all over the world. This subject has attracted Ethiopian interest in recent decades as well (Fikrte, 2019). Unfortunately, according to literature reviews, to the best of the researcher's knowledge there is no enough study on the roles of logistics services on organizational performance on context of Detergent and Soap industry in Addis Ababa, Ethiopia. Most of the existing studies on logistics and supply chain management strategies in Ethiopia focus on either the textile industry (Kumsa, 2018) or brewing industry (Fikrte, 2019), service sectors, such as banking (Abel, 2017); Telecom (Tsegaye 2018); humanitarian (Messay, 2018); and construction (Dawit, 2020). However, detergent & soap industry is an important aspect of the Ethiopian economy as part of the manufacturing industry and the issue of logistics management is significant for detergent and soap production enterprises. Thus, study devoted to examine the roles of logistics services on organizational performance on context of Detergent and Soap industry in Ethiopia's is relevant.

Regarding the literature gaps identified, the researcher was able to realize that even if some attention has been given in exploring the extent of the relationship between logistics services and organizational performance, there has been little evidence to prove the impact of logistics services on organization performance (Abdul, et al., 2019). Whereas majority of the studies (Musau, et al., 2017; Kumsa, 2018; Fikrte, 2019; Hoang & Nguyen, 2019) demonstrate a positive impact of logistics services on performance, other scholars (Sabry, 2015; Dawit, 2020) indicated a weak association between logistics management and performance. Therefore, the empirical evidence adduced in literature linking logistics services with performance does not unequivocally rule out context-dependence results. With the hanging clouds of inconsistencies, it is difficult, without multiple evidences across different contexts and over time to conclusively affirm the nature and strength of influence logistics services has on performance (Abdul, et al., 2019). Furthermore, it was obvious from the reviewed relevant literatures that there were relatively few studies that empirically examined the effects of logistics services on business performance in Ethiopia, notably in the domain of the soap and detergent industry. The study therefore aims to fill this gap of literature by studying the impact of logistics services on the firm performance with the case of soap and detergent manufacturing companies in Ethiopia.

Moreover, to the best of the researcher's knowledge there is no earlier study related to examine the effects of logistics services on business performance in Ethiopia, notably in the domain of the soap and detergent industry in general. The researcher had hardly found such studies in the literature. Therefore, this study will bridge this gap in literature by examining the factors of logistics service that impact the organizational performance of Soap and detergent manufacturing companies in Addis Ababa. To address the objective the study will use quantitative approach based on survey questionnaire. By following these methodological steps, researcher will systematically investigate the relationship between logistics services and organizational performance, contributing valuable insights to both academic scholarship and practical decision-making in the business world.

1.3. Objectives of Study

The objective of the study details in to general objective and specific objective.

1.3.1 General Objective

The aim of this study is to investigate the effect of logistics service on organizational performance of Soap and detergent manufacturing companies in Addis Ababa.

1.3.2 Specific Objectives

The specific objectives of this study are: -

- 1) To assess the effects of **internal logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa.
- 2) To investigate the effects of **inbound logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa.
- 3) To examine the effects of **outbound logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa.

1.4. Research Questions

On the basis of the problem, the study framed to answer the following research questions:

- 1) What are the effects of **internal logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa?
- 2) What are the effects of **inbound logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa?
- 3) What are the effects of **outbound logistics** practices on organizational performance of Soap and detergent manufacturing companies in Addis Ababa?

1.5. Significance of Study

This study examines the effect of logistics service on organizational performance of Soap and detergent manufacturing companies in Addis Ababa assess and explore its shortcomings and solutions to mitigate the problems. In doing so, the results of the study have several benefits. First of all, the research helps the management of soap and detergent manufacturing companies in general and the Logistics and Supply Chain Department Head in particular, to take corrective measures to improve and revise its company logistics services. Understanding the pivotal role of logistics in these industries is crucial for enhancing efficiency and competitiveness. Logistics intricately influence various aspects of the supply chain, from raw material sourcing to distribution channels. Through this examination, opportunities for operational streamlining and

cost reduction can be identified. Moreover, insights gained from this study facilitate effective resource allocation, directing investments towards areas that positively impact logistics efficiency and overall performance.

Furthermore, the findings hold significant policy implications, highlighting the importance of supporting improvements in logistics services infrastructure and processes. Policymakers and regulatory authorities can leverage these insights to enact interventions aimed at enhancing transportation networks, reducing trade barriers, and fostering investment in logistics technology.

Academically, this research contributes to the body of knowledge in logistics management and supply chain optimization, paving the way for future research and discourse. In essence, this investigation serves as a practical guide for industry stakeholders, policymakers, and academics, informing strategic decision-making, improving market competitiveness, optimizing resource allocation, promoting sustainability, and advancing knowledge in logistics management.

1.6. Scope of the Study

The scope of this study delimited in terms of subject (concept) and area (geography). Logistics management encompasses a vast area of managerial practice; however, it is difficult and unmanageable to conduct the study in all areas that summarizes logistics management in terms of time, finance, and research manageability. Thus, the conceptual scope of this study focused on some selected logistics services. In view of that, the study comprises three major logistics services components: internal logistics, inbound logistics and outbound logistics service. Regarding the geographical area coverage, the study was limited to Soap and detergent manufacturing companies in Addis Ababa. And the study is intended to cover the views of current general manager of the Soap and detergent manufacturing companies in Addis Ababa. Methodologically, the study confined to quantitative approach and explanatory research design. The data for this research was primary and 2024 cross-sectional data. The data was collected through surveys or structured questionnaires distributed to soap and detergent manufacturing companies in Addis Ababa.

1.7. Limitation of Study

While this study aimed to provide valuable insights into the effect of logistics service on the organizational performance of soap and detergent manufacturing companies in Addis Ababa, it is important to acknowledge certain limitations. One of the limitations was that the researcher wasn't able to find enough published previous researchers related to the topic of the study especially in Ethiopia.

Additionally, the study measures organizational performance from a non-financial perspective, not considering financial performance measures. This was because most companies weren't willing to give their financial data. But the focus on non-financial metrics might overlook critical financial indicators that provide a more comprehensive understanding of organizational performance.

1.8. Definition of Terms

The following definitions are provided to ensure uniformity and understanding of these items throughout the study.

- 1) **Logistics** is the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost-effective fulfillment of orders (Gattorna et al., 1991).
- 2) **Logistics management** - is to plan and co-ordinate all those activities necessary to achieve desired levels of delivered service and quality at lowest possible cost (Martin, 2011).
- 3) **Logistics Activities:** interdependent activities performed within logistics discipline to make sure inputs to production are ready, smooth flow of process is held and finally outputs are delivered to potential customers to realize aimed level of sales volume by the manufacturer includes customer response, inventory planning and management, supply, transportation and warehousing (Frazzle, 2002).
- 4) **Internal logistics** is identified as a task performance process considering the cooperation and effective information share among various departments, as well as effective internal decision-making (Council of Supply Chain Management Professionals, 2013).

- 5) **Inbound logistics** is a movement process of all materials, collection, shipments, and inventory management, from providers to purchasing firms (Council of Supply Chain Management Professionals, 2013).
- 6) **Outbound logistics** is the process related to movement and storage of products, from the final production line to final users (Council of Supply Chain Management Professionals, 2013).
- 7) **Organizational performance or firm performance** is a subset of organizational effectiveness that covers both operational and financial outcomes (Selvam et al., 2016)
- 8) **Supply chain** is a network of partners who collectively convert a basic commodity (upstream) into a finished product (downstream) that is valued by end-customers, and who manage returns at each stage (Harisson, 2008).
- 9) **Supply chain management** - Planning and controlling all of the business processes – from end-customer to raw material suppliers – that link together partners in a supply chain in order to serve the needs of the end-customer (Harisson, 2008).

1.9. Organization of the study

Next to the above introductory chapter the second chapter deals with theoretical review, empirical review of previous studies and conceptual framework of study. Chapter three outlines the research methodology adopted in this study. Chapter four discusses about the data analysis and interpretation of the outputs. Chapter five outlines the summary of the finding, conclusions, recommendations and further research suggestions.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter includes related literature reviews which are found to be essential to the research inquiry. Thus, the first section discusses the conceptual and theoretical literatures related to the study variables which are considered in order to lay solid foundation for the research. Besides, related studies concerning the effect of logistics services on organizational performance are also discussed in this chapter. In the final analysis, the conceptual framework of the study is presented.

2.1. Theoretical Literature Review

2.1.1. What is Logistics?

First of all, it is essential to understand what is meant by 'logistics'. Many authors have defined logistics in several ways. Here after going to discuss the various definition of logistics.

According to Christopher (1988), logistics refers to “the ongoing business process of managing procurement, smooth movement and storage of materials, parts and finished goods as well as information flow in the organization that will meet profitability align with cost effective order fulfillment.” On the other hand, logistics is defined in the Council of Logistics Management (1991) as “part of the supply chain process that plans, implements, and controls the efficient, effective forward and reverses 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”.

In the words of Christopher, (2005) “logistics is the process of strategically managing the procurement, movement, and storage of materials, parts and finished inventory through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost-effective fulfillment of orders”. Logistics can be also defined as the “flow of materials, information, and money between consumers and suppliers” (Frazelle, 2002). Also, Waters (2003) describes logistics as “the function responsible for the flow of materials from suppliers into an organization, through operations within an organization, and then out to customers”.

In lines of the definition provided by Tilanus (1997), and accepted for the purpose of this research, a logistics can be defined as “the process of anticipating customer needs and wants; acquiring the capital, materials, people, technologies, and information necessary to meet those needs and wants; optimizing the goods- or service-producing network to fulfill customer requests, and utilizing the network to fulfill customer requests in a timely way’. Simply to say, ‘logistics is customer-oriented operation management”.

2.1.2. Logistics Service

The scope of logistics services in the twenty-first century has expanded beyond traditional transportation and warehousing to encompass a wide range of other services under the umbrella of inbound and outbound logistics. Inbound logistics services handle the movement of goods and materials from a supplier to a warehouse until they are required for manufacturing. Outbound logistics services, on the other hand, pay close attention to the movement and storage of production outputs, such as finished items straight after manufacturing or from a warehouse as required by the customer (Luchen and Notteboom, 2011). Internal logistics, which is defined as a task performance process that considers cooperation and effective information sharing among multiple departments, as well as successful internal decision-making, is included in the firm logistics services. Building design, equipment, systems, manpower, and process design are the five primary components of the internal logistics system (Bowersox, et al, 2002).

Manufacturing firms are frequently challenged with keeping track of inventories and ensuring that their products are delivered to clients in a timely manner. This workflow typically entails several types of logistics, each of which works in a somewhat different way. According to (Ristovska, et al, 2017), there are several types of logistics services:

2.1.2.1. Inbound Logistics

Inbound logistics, as defined by (Lerner, 2019), is the movement and handling of incoming shipments of raw materials, semi-finished items, and finished goods to the organization. Inbound logistics refers to the flow of all supplies, collections, shipments, and inventory management from suppliers to buyers (Bowersox, et al, 2002). Inbound logistics, according to Tracy (2004), is one of the key logistics processes that focus on procuring and organizing the inbound transportation of materials, parts, and/or finished inventory from suppliers to manufacturing or

assembly plants, warehouses, or retail stores. Inbound logistics services, according to Fugate et al (2010), are primarily used for cost reduction, inventory optimization, and customer service. A good transportation and business system can improve the firm's efficient activities from supply to buy, or from suppliers to manufacturers.

Inbound logistics, according to Porter (1985), refers to all the processes/activities involved in receiving, storing, and dispersing raw materials, inputs, components, and parts needed in the manufacturing process. The following activities were recognized by Porter (1985) as significant components of incoming logistics services.

- i. **Raw Material Inspection** - The raw materials used in manufacturing should be of acceptable quality, and they must be carefully maintained and handled. This is because the quality of the raw materials used in the manufacturing process has a direct impact on the finished product's appearance.
- ii. **Storage** - The storage and handling of raw materials will play an important role in determining a plant's layout and equipment needs.
- iii. **Materials handling** - the movement and storage of materials at the lowest possible cost through the use of correct processes and equipment is known as materials handling. It is possible to handle the situation manually or automatically. Raw materials or inputs, including as fabric, trims, accessories, and buttons, should be stored and handled carefully with the necessary handling systems after receiving them from suppliers, as their efficient handling is a vital aspect of logistics and manufacturing.
- iv. **Inventory control** refers to the monitoring of things' storage, supply, and accessibility in order to maintain a sufficient supply while avoiding undue oversupply (Miller, 2010). It refers to policies and practices aimed at making the most of an organization's inventory. The cost of holding stock, the cost of placing an order, and the cost of a shortfall are the decision-making elements in inventory control. Businesses can determine how much inventory they can hold to avoid markdowns and losses if they have enough data on these three variables.

Inbound logistics is a complex and important part of every internal operation, depending on the nature of the shipment and external factors that influence movement and activity. There are a few crucial factors for inbound logistics that are critical for implementation attention to ensure the

operation's success in logistics. If the company needs crude materials to make a specific product, it will need a consistent supply of those materials to keep the production yield on track. Every company must work and personalize inbound logistics to meet and satisfy customers' requirements via warehousing and other internal operations to ensure the customer's order delivery in order to boost efficiency and profitability (Lerner, 2019).

2.1.2.2. Outbound Logistics

Outbound logistics refers to the process of storing and transporting the finished product, as well as the information that travels from the end of the production line to the end user (Tracy, 2004). Outbound logistics, according to the Council of Supply Chain Management Professionals, is the process of moving and storing products from the final production line to end consumers. The final phase of the delivery process is included in outbound logistics. Outbound logistics, according to Fugate et al (2010), consists of four primary indicators: inventory management system, distribution system, ultimate customer delivery systems, demand forecasting and planning.

It is the delivery or movement of raw materials, semi-finished products, and finished products to the final consumer or client who has placed an order, and it is the means through which the output reaches its destination. However, some companies outsource inbound or outbound logistics to a third party to perform the shipment activity with high efficiency and effectiveness, such as delivering raw materials to a company for production, and some also work in delivering output to final consumers and distribution centers for final users. Companies are focusing on transporting raw materials to final output and getting them into sales centers or shops as a core competency or as a good competitor to expand the accessibility of the product by ultimate clients (Lerner, 2019).

Outbound logistics, according to Porter (1985), includes activities such as finished goods warehousing, material handling, delivery vehicle operation, order processing, and scheduling that are associated with collecting, storing, processing orders, transporting, and physically distributing products to final consumers. The following actions were recognized by Porter (1985) as significant components of outbound logistics services.

- i. **Warehousing and distributions of finished products:** Outbound logistics is also considered as physical distribution. All actions connected with the control of the flow of completed goods to customers are referred to as physical distribution (Chandra, 1997). The concept of physical distribution has evolved into a broader concept known as supply chain management (SCM). It entails obtaining the appropriate inputs (raw materials, components, and capital equipment), properly transforming them into finished goods, and dispatching them to their final destinations (Poirier, 1998). The factory is where physical distribution begins. Managers select a group of warehouses (stocking stations) and transportation providers that will deliver goods to final destinations on time or at a low overall cost (Arthur, 1997).
- ii. **Transportation of finished products:** Transportation is also included in physical distribution, however this time it is outbound from the factory or storage facility to clients (Alan, 2000). The management of finished goods inventory, as well as protective packaging of items to reduce damage in transit (marketing deals with the style of packaging designed to attract customers and sell products), and storage and materials handling, are all covered here (Carl, 1986).

2.1.2.3. Internal Logistics

Internal logistics is defined as a task-performance process that takes into account collaboration and effective information sharing among multiple departments, as well as successful internal decision-making (Shepherd & Günter, 2010). Building design, equipment, systems, manpower, and process design are the five primary components of the internal logistics system [18]. Internal logistics can also be seen to cover tasks in each company, such as internal transportation, material handling, storage, and packaging (Teixeira, et al, 2012).

Internal Logistics oversees the organization's internal supply chain, including storage, transportation, and distribution of commodities, in order to meet domestic demand and assist manufacturing (Shepherd and Günter, 2010). The cycle of support to manufacturing operations, according to Bowersox et al (2002), is closely tied to internal logistics, i.e., planning and production control. Thus, the major goal of logistical support for production is to build and maintain an efficient and orderly flow of materials and stocks in process in order to satisfy the production sector's timetables. Handling and storage of products, materials, components, and

semi-finished parts are the operational responsibilities of the logistics support production. Logistics service concepts have evolved in response to changes in the corporate environment, and many concerns have been added to operational logistics activities such as packaging, outsourced inventory management, bar code, and information systems. Internal logistics were evaluated for these operational logistics duties, and these operations should "interact with other functional domains" (Teixeira, et al., 2012). Internal logistics, on the other hand, refers to logistics activities that take place within an organization's walls, such as internal transportation, materials handling, storage, and packaging.

Internal logistics, in general, is the planning, implementation, and control of a company's physical movement and internal information in order to maximize profit by optimizing resources, processes, and services (Shepherd and Günter, 2010).

2.1.3. Organizational Performance

Organizational performance is difficult to assess, because no common definition exists. Performance refers to an organization's ability to deal with the four systemic processes (inputs, outputs, transformations, and feedback effects) in order to meet its objectives (Damanpour & Arvind, 2011). External parties usually assess a company's ability based on its results. This explains why a company's performance is like a mirror. According to Richard et al. (2009), performance refers to an organization's actual output or results as compared to its expected outputs (or goals and objectives). It can be defined as a company's efficiency and productivity in relation to the market in which it operates. It is determined by how well a company uses its assets in its primary job of conducting business and generating income (Omondi & Muturi, 2013). The outcomes obtained in satisfying a firm's internal and external goals are referred to as performance (Liao et al., 2010).

Performance, according to Alam et al. (2011), is a multidimensional construct made up of four elements: financial and market performance, customer-focused performance, human resource performance, and product or service performance. Revenue, profits, earnings per share, market position, and other financial and market performance metrics are examples. Customer satisfaction and human resource performance indicators, such as employee satisfaction, are examples of customer-focused performance indicators. Organizational performance, according to Richard et al. (2009), encompasses three distinct areas of business outcomes: financial

performance (profits, return on assets, return on investment, and so on); product market performance (sales, market share, and so on); and shareholder return (total shareholder return, economic value added, etc.). Santos and Brito (2012) proposed a subjective indicator-based performance measurement approach. Growth, profitability, employee happiness, customer satisfaction, social performance, and environmental performance are the six dimensions of this approach.

Various techniques of assessing performance are used by different companies, all of which are based on their organizational objectives. This performance metric can be evaluated in both monetary and nonmonetary terms (Bergin-Seers & Jago, 2007). The majority of businesses, on the other hand, choose to measure their performance using financial metrics (Beccalli, 2007). Financial performance, according to Omondi & Muturi (2013), is the use of financial indicators to assess the extent to which objectives have been met, as well as the bank's contribution to providing investment opportunities assesses how well a corporation can use assets from its principal method of operation to produce revenue (Heremans, 2007). Revenue, profit margins, sales growth, return on equity, return on assets, net interest income, stock prices, Operating Expenses/Operating Incomes, liquidity ratio, and capital adequacy are just a few of the financial measurements mentioned by Simpson & Kohers (2012).

Financial factors, however, are not the only way to assess a company's performance. Bergin-Seers and Jago (2007) suggested using a combination of financial and non-financial indicators. Following a review of existing research, the study established an operational definition for assessing company performance as the sum of financial (profitability) and non-financial (operational performance) indicators. Firm performance refers to how successfully an organization meets both market-oriented and financial goals for the purposes of this study. This term encompasses both financial and operational results.

2.1.4. The Measure of Organizational Performance

In this study, researchers make an attempt to empirically investigate the effect of logistics service on organizational performance of Soap and detergent manufacturing companies in Addis Ababa. Thus, dependent variable of the study is organizational performance.

Previous research has shown that there are two types of performance measure: subjective and objective measurement. Objective measures are based on secondary data (firm financial statement report) that represent the unlimited financial gain in terms of sales and profitability whereas subjective measures also represent the owner's perception with firm performance that may represent both financial concerns such as profitability, sales growth, and market share, as well as non-financial factors like productivity, customer satisfaction, employee satisfaction, customer feedback, workplace communication, owner satisfaction, and work-life balance, are all important.

Based on the researcher review the performance measurement literature highlights the limitations of both objective and subjective measures of performance. However, most researchers argue that, with careful planning, subjective measures can be successfully employed to assess firm performance. This is because often consistent, reliable and comparable objective data on organizational performance measures – particularly across sectors – is difficult to come by. Considering that an inflated organizational performance measure can be cross-checked with the use of secondary data, managers have little incentive to report such figures. As a result, when quizzed over the stand-alone performance measures of their organizations or vis-à-vis their rivals, managers accurately assess and respond to questions on the performance of their organizations. An in-depth statistical exercise conducted on the subjective measures of firm performance as reported by managers of four sets of companies in four separate countries, show consistent results, thus lending support to subjective measures (Ahmad & Zabri, 2015). More so, in our country context, it is difficult to get objective data from secondary sources about the firm performance specifically when we come to Small and Medium Enterprise as most of SME not make public about financial report. Thus, based on the aforementioned reasons, subjective measure of organizational performance will be employed.

Different firms are implementing different methods of measuring their performance based on their organizational objectives as a basis. This performance indicator may be measured in financial and non-financial terms (Bergin-Seers & Jago, 2007). Majority of firms, however, choose to use financial indicators to measure their performance. Nonetheless, financial factors are not the only indicator for measuring firm performance. It needs to combine with nonfinancial measurement in order to adjust to the changes of internal and external environments. Most of

previous studies adopted only financial indicators to measuring firm performance, but it is not enough, so it must use non-financial indicators through an integrated approach (Hansen & Wernerfelt, 2019). According to Bergin-Seers and Jago (2007) recommended to use a combine financial and non-financial indicator. Similarly, Santos and Brito (2012), encourages the use of both financial and non-financial performance measure as it provides the business owner with balanced opinion regarding the overall state of the business.

This study employed measuring organizational performance mainly from the non-financial performance dimensions including: customer satisfaction, quality, operational efficiency, market share, brand reputation, and employee satisfaction & engagement. The decision to primarily focus on non-financial dimensions for measuring organizational performance in this study is grounded in several practical considerations. Firstly, it addresses the challenge posed by the absence of reliable and accessible financial data, particularly in the context of soap and detergent manufacturing companies where financial information is often not publicly disclosed. In such instances, relying on non-financial performance measures becomes necessary to gain insights into the company's performance. Secondly, non-financial measures, such as customer satisfaction, quality, operational efficiency, market share, brand reputation, and employee satisfaction & engagement, provide a holistic view of organizational performance beyond financial metrics alone. These dimensions capture important aspects of a company's operations, customer perceptions, market position, and internal processes, which collectively contribute to its overall success. Thirdly, perceptions of managers and owners regarding non-financial performance indicators offer valuable insights into how the company is perceived internally and its standing in the market. By incorporating these perspectives, the study can provide a comprehensive assessment of organizational performance that goes beyond financial data, thereby enhancing the understanding of factors influencing company success in the soap and detergent manufacturing industry.

2.1.5. Theoretical Framework

The study adopts three main theories namely; Resource Based View Theory, Transactions Theory and Theory of Constraints.

2.1.5.1. Resource-Based View (RBV)

Wernerfelt (1984) first proposed this notion, which was later expanded upon by Barney (1991). According to the theory, the tangible and intangible resources accessible in a given business are the ultimate sources of competitive advantage (Tukamuhabwa, et al., 2011). These resources, according to the theory, should be well linked so that they complement each other in achieving the desired goals. To reap the most benefits, the organization should strive to diversify and enhance the number of resources it owns.

The theory assumes that each firm contains resources that are unique to that firm and that, if properly employed, will provide an additional competitive advantage. However, because resources are varied, and corporations are prone to having their resources duplicated by competitors, this is not always the case. As a result, operational advantage can only be gained when the available resources are unique and unlikely to be duplicated (Karia & Wong, 2011).

Business activities are highly connected thanks to advances in logistics services (Seuring et al., 2010). The resources developed through logistics and transportation integration are more valuable than the resources of individual companies. According to the theory, organizations who participate in resource integration receive higher benefits. However, the influence of these logistics and transportation tactics on operational performance will be limited by the firm's available resources. Through strategic management, infrastructure management, and resource management, the logistics distinct capability can be instrumental in the creation of time, place, quantity, form, and possession utilities within and among firms and individuals, with the goal of creating products/services that satisfy the customer through the attainment of value (Karia & Wong, 2011).

2.1.5.2. Transactions Theory

Williamson was the first to propose the Transactions Theory (1985). The theory tries to improve vertical integration and corporate trust. According to the theory, several expenses are incurred during the execution of operations. If these costs are not adequately handled, they may result in losses rather than predicted gains (Gunasekaran & Kobu, 2007). Only when costs are minimized, primarily through asset specificity and the reduction of uncertainty, can operational efficiency be achieved (Williamson, 1985).

The significance of the theory is that it demonstrates the potential benefits of implementing logistics and transportation methods into companies. As a result, transportation and logistics will improve the firm's operational performance by not just enhancing efficiency but also lowering operational costs.

According to Platje (2013), three types of logistical flows have historically been identified: products, information, and money. The goal of transaction cost economics in relation to information flows is to lower the costs of information access, processing, use, and so on. This flow includes both pre-contractual information gathering and post-contractual agreement monitoring. The cost of transactions affects the flow of money. Money enables price comparison (lowering market transaction costs) and development. On the other hand, money as a means of payment for goods and services is accompanied by post-contractual opportunistic behavior (cheating). Monitoring and enforcement costs associated with late or non-payment emerge when using various types of credit or when clients are not required to pay promptly. Insurance and other instruments are merely transaction charges for minimizing the risk of payment commitments not being met. In this discipline, the development of logistics services aims to lower transaction costs by providing safeguards against potential opportunistic behavior associated to inaccurate information and monetary flows.

The cost of transportation and the cost of production (from the production of raw materials to the creation of finished items) are both included in the flow of commodities. When services and products are sold between companies, there are management transaction costs (connected to production within a company) and market transaction costs. Logistics is a tool for lowering transaction costs at the margin (the transaction costs of undertaking extra activity). Logistics can also be used to enhance the flow of commodities while lowering transportation and manufacturing expenses.

2.1.5.3. Theory of Constraints

Goldratt established the theory of constraints (TOC), which has been applied in a variety of management disciplines (Cyplik, et al., 2009). According to the theory, every organization has at least one limitation that prevents it from achieving its established targets and goals. As a result, the theory not only initiates but also implements breakthrough improvements.

The theory proposes that companies face challenges in conveying their products between the parties involved. As a result, incorporating transportation and logistics into the supply chain will ensure that all partners are connected. TOC is thus valuable in assessing the impact of transportation management, inventory management, and order procedures on manufacturing company performance..

Overall, all the aforementioned theories are relevant, the present study is mainly based upon the transactions theory. The theory is more appropriate for this study as it tries to include important factors that affects logistics performance including transaction cost, information flow, vertical integration and corporate trust. According to the theory, several expenses are incurred during the execution of operations, if these costs are not managed properly, they may result in losses rather than expected gains. Only by reducing costs during the process of logistics services, principally through asset specificity and uncertainty reduction, can operational efficiency be attained, which in turn improves organizational performance. The significance of the theory is for this study is that it demonstrates the potential benefits of implementing integrated logistics service and methods into companies. As a result, logistics services will improve the firm's performance by not just enhancing efficiency but also lowering operational costs.

2.2. Review of Empirical Literatures

Despite the fact that many empirical researches have been conducted on the effects of logistics services on firm performance, the available literature contains mixed evidence and yields inconclusive findings. The majority of studies found a favorable and significant effect, whereas some found insignificant effects. This section covers prior research on the impact of logistics services on firm performance.

Previous studies have linked better organizational performance to proficiency in performing logistics operations and capabilities. For example, Zhang and Lim (2005) published research titled "The Impact of Logistics on Organization Performance: Case Study on a USA Manufacturing Firm" in the United States. A survey of 273 manufacturing companies in the United States revealed that logistics flexibility has a large, positive, and direct impact on customer satisfaction. This proved that companies may achieve customer satisfaction by enhancing logistics flexibility, allowing for quick replenishment of incoming supplies and timely delivery of finished goods to customers. The findings show that accurate, timely, and relevant

information from both inside and outside the firm enables appropriate and timely decision making.

Li et al. (2006) used their instrument for measuring supply chain practices (developed in 2005) in studying the impact of SCM practices on organizational performance and competitive advantage in South Korea. They discovered that SCM practices as a multidimensional concept cover upstream and downstream supply chains as well as internal supply chains. Their research also found that SCM methods have a significant impact on organizational performance and competitive advantage. Higher levels of SCM practice, according to the findings, can lead to increased competitive advantage and greater organizational performance. Furthermore, competitive advantage can have a direct and positive impact on the performance of an organization.

According to Tabeni's (2006) research on the impact of inbound logistics activities on the operational performance of the South African postal services organization, there is a significant relationship between inbound logistics activities and the business's operational performance. According to the findings of this study, inbound logistics operations and revenue production are strongly associated. According to the findings, any improvements made to inbound logistics will help to boost business performance in terms of higher revenue generated in a cost-effective manner.

Kim (2006) investigates the causal relationships between supply chain management (SCM) practice, competition capability, supply chain integration level, and firm performance. He discovered that the role of SC integration as a critical intervening variable between SCM practice or competition capability and firm performance is highly emphasized in small firms, whereas the infrastructure role of SC integration, which drives the strong interrelationship between SCM practice and competition capability, is highly emphasized in large firms. This indicates that large firms have already achieved significant levels of SC integration, and that, as a result of this high level of SC integration, a closer interrelationship between SCM practice and competition capability, as well as a more significant direct effect of these two constructs on performance, may be possible. His findings suggest that efficient SC integration may be more important for performance improvement in small organizations, whereas in large firms, the close link between

SCM practice and competition competence may have a greater impact on performance improvement.

Hyvönen (2007) conducted research on logistics in Finnish businesses. Data was collected and analyzed using descriptive statistics. According to the study's findings, when information technology was used to logistics management, sales and customer satisfaction improved. However, other than information technology, the study was unable to determine the impact of other areas of logistics management on performance.

Vijayaraghavan and Raju (2008) investigated the impact of transportation and logistics on performance in Indian-based businesses. The study looked at a ten-year period to see if there were any notable changes before and after transport and logistics techniques were implemented. According to the study's findings, there was a favorable relationship between the organizations' logistics capabilities and their performance. The goal of this research was to see if the same favorable relationship exists in locally based businesses.

Green et al. (2008), evaluated the impact of transportation and logistics on the performance of US manufacturing enterprises. The research was conducted as a cross-sectional survey, with data acquired through primary sources. According to the study's findings, increased efficiency in transportation and logistics methods led to increased organizational performance and product innovation. As a result, the supply chain has seen an increase in innovation. The study, on the other hand, was unable to ascertain the type and strength of the relationships between the research variables.

GKuswantoro and Rosli (2012) found that the significant impact of logistics innovations in information sharing and transportation coordination on firm performance is sufficient to explain the variation in performance in their study *Logistics Efficiency and Firm Performance: Evidence from Indonesian Small and Medium Enterprises*. Furthermore, the results of this study revealed that using information technology, such as the internet, allows businesses to increase their market knowledge and relationships with clients and suppliers within the same value chain. This would boost logistical efficiency in terms of cost, delivery time, and, ultimately, performance. Furthermore, it was discovered that creative transportation coordination improved logistics efficiency, which had a direct impact on performance.

Mugo (2013) examined into the logistics and transportation of Kenyan mobile service providers. The study took a random sample of all Kenyan mobile phone carriers and analyzed them using descriptive statistics. The study found that logistics improve operational efficiency by boosting company activities, lowering aggregate costs, reducing business risks, and allowing organizations to acquire a competitive edge. However, due to differences in organizational structures with mobile service providers, the study's findings may not be applicable to describing the influence of logistics services in the soap and detergent industry.

According to Nyaberi and Mwangangi (2014), order process logistics management practices contribute to increase in profit, sales volume, service delivery, production levels and quality of product. As a result, the significance of logistics management in any business cannot be underestimated. Formulating and designing order processing logistics strategies to improve performance should be the core business of the company. According to them, inventory control logistics management aids in the reduction of stock maintenance costs, the maintenance of product quality, the improvement of production flow, and the reduction of breakage costs. This, in turn, leads to increased client loyalty and sales volume, resulting in an overall improvement in the company's success.

Bwari et al. (2016) conducted supply chain research in East African Breweries Limited in Kenya. The research was conducted using a descriptive research approach. The study focused on all of EABL's 1653 workers. The survey took a 10% sample from each strata, resulting in a total of 165 respondents. Inventory control, distribution management, and transportation management all had a significant impact on supply chain performance, according to the study, whereas warehousing management services had a small impact. The study, on the other hand, did not look into the relationship between the research factors. Wathe (2016) looked at the impact of logistics, which was the independent variable, on the performance of manufacturing enterprises, which was the dependent variable. Both descriptive and explanatory research designs were used in this study. An e-mail survey and hand delivery were used to distribute a semi-structured questionnaire. According to the findings, there is a link between logistics and manufacturing company performance in Kenya.

Kumsa (2018) conducted a study in Ethiopia to evaluate the impacts of logistics operations on organizational execution case ponder on Modjo dry port. A relationship examination found four

logistics operations, namely: Transportation management, inventory management, distribution management, and customer service are the four categories. These four variables had a significant and favorable impact on organizational success. The administration of transportation had a significant positive impact on organizational performance. The most basic activities for organizational performance are transportation management and inventory management. The dependent variable is organizational performance, and the independent variables are the rate of variation in execution clarified by inventory management, and the coefficient for inventory management development is significant.

Tsegaye (2018) investigated the impact of logistics management strategies on Ethio Telecom's performance in terms of customer service, warehouse management, inventory management, transportation management, information flow management, and supply management. According to the study, Ethio Telecom used logistics management on occasion. The study found that logistics management technique had a moderate impact on Ethio Telecom's organizational performance. The study also discovered a link between Ethio Telecom's logistics management techniques and its overall organizational performance. Customer service techniques, inventory management practices, transportation management, and information flow management practices all have predictive power on Ethio Telecom's organizational performance, according to the study.

Gudeta (2021) did a study on the impact of logistics management on organizational performance at Wonji Sugar Factory in Ethiopia. The study's major objective was to examine the impact of logistics activities on organizational performance. The study's findings suggest that logistics, inventory, and warehouse management have a favorable and statistically significant impact on organizational performance. This study suggests that, because the results reveal that logistical activities have a substantial impact on organizational performance, the management of the organization should include the activities under study into all elements of the factory, as this will increase the factory's performance.

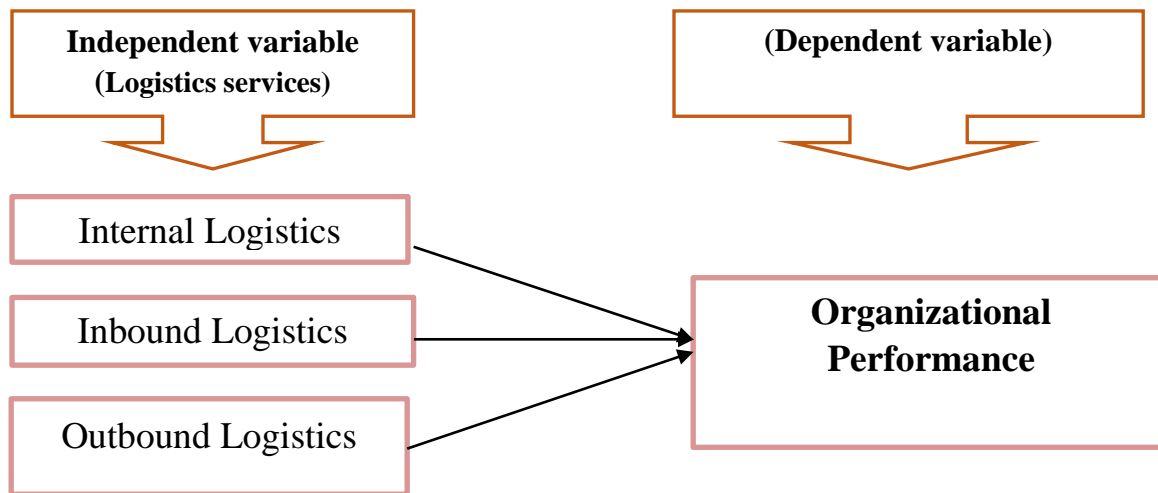
2.3. Identified Literature Gaps

Regarding the literature gaps identified, the researcher was able to realize that even if some attention has been given in exploring the extent of the relationship between logistics services and organizational performance, there has been little evidence to prove the impact of logistics services on organization performance. Generally, from above literature reviews it can be easily

understandable that despite the fact that many empirical researches have been conducted on the effects of logistics services on firm performance, the available literature contains mixed evidence and yields inconclusive findings. The majority of studies found a favorable and significant effect and the work on logistics services and its influences on different perspectives of the organization are increasing. Whereas majority of the studies (Liu and Luo, 2008; Musau, et al., 2017 and) demonstrate a positive impact of logistics services on performance, other scholars (Lenny et al., 2007; Ristovska, et al., 2017 and Dawit, 2020) indicated a weak association between logistics services and performance. Therefore, the empirical evidence adduced in literature linking logistics services with performance does not unequivocally rule out context-dependence results. With the hanging clouds of inconsistencies, it is difficult, without multiple evidences across different contexts and over time to conclusively affirm the nature and strength of influence logistics services had on performance (Abdul, et al., 2019). More so, there is a lack of previous studies concerning logistics services implementation and how it impacts the organizational performance in Ethiopian soap and detergents manufacturing firms. Therefore, this study had bridged the gap by examining the effect of logistics services on organization performance in context of soap and detergents manufacturing firms in Addis Ababa.

2.4. Conceptual Framework

A conceptual framework is a collection of general ideas and principles drawn from various fields of study that are used to organize a future presentation (Kombo & Tromp, 2009). It is a research tool that assists a researcher in developing awareness and comprehension of the subject under investigation, as well as communicating that knowledge. A concept, unlike a theory, is an abstract or overall impression determined or inferred from a specific case. The researcher develops the following conceptual framework of the study based on the theoretical and empirical literature reviews.



Source: (Researcher's observation and Literature (Santos & Brito, 2012; Hoang & Nguyen, 2019))

Figure 2.1 Conceptual Framework

In this framework, logistics service is independent variable and organizational performance is dependent variable. The independent variable logistics services are operationalized through: internal logistics, inbound logistics and outbound logistics while the dependent variable organizational performance is operationalized through; financial/profitability and non-financial performance indicators.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

The research methodology chapter outlines the structured framework employed in the study to guide scientific operations and ensure the reliability and validity of research findings. It encompasses key components such as the research approach, design, target population, sampling methods, data sources and types, reliability and validity assessment, analysis techniques, and ethical considerations. By delineating the overarching strategy for data collection and analysis, selecting representative samples, and ensuring the accuracy and consistency of measurements, the methodology chapter provides researchers with a systematic approach to address research questions and achieve study objectives. Additionally, ethical considerations underscore the importance of conducting research responsibly, safeguarding participants' rights, and adhering to ethical guidelines throughout the research process.

3.1. Description of Study Area

The study was conducted in Addis Ababa, the capital city of Ethiopia, known for its diverse landscape and population density. Covering a total geographic area of 527 square kilometers (203 square miles), Addis Ababa is divided into 11 sub-cities, each with its own distinct characteristics and population. As Ethiopia's capital, Addis Ababa commands a significant market size and consumer demand for various goods, including soaps and detergents.

The soap and detergent industry in Addis Ababa is a significant contributor to the city's economy and serves as a vital component of Ethiopia's manufacturing sector. With a growing population, urbanization, and increasing disposable income, there is a consistent demand for these essential household products. Local manufacturers play a crucial role in meeting this demand by producing a diverse range of soaps and detergents. These manufacturers vary in scale, encompassing both small-scale enterprises and large-scale industrial operations. While some companies may focus on traditional soap-making methods, others employ modern production techniques to enhance efficiency and product quality.

3.2. Research Approach and Design

The research approach employed in this study was quantitative, chosen to analyze the effect of logistics service practices on the organizational performance of soap and detergent manufacturing companies in Addis Ababa. This approach facilitated the statistical testing of relationships among variables, essential for determining the relationships among the study variables.

Following Kombo and Tromp (2009), the research design served as the blueprint guiding the research process, from formulating research questions and hypotheses to reporting findings, aligning with the study's goal of investigating the impact of logistics services on organizational performance. An explanatory research design was chosen, aiming to explain patterns of interactions between variables by analyzing specific problems or contexts. This design facilitated the exploration of the cause-and-effect relationship between logistics service practices and organizational performance. Specifically, a survey design was employed due to its cost-effectiveness, convenience in data collection, and standardized questionnaire interpretation, making it suitable for comprehending the subject's features effectively. Thus, the choice of an explanatory survey design was justified as the most suitable approach for this study.

3.3. Population and Census

The target population for this study comprises soap and detergent manufacturing companies in Addis Ababa. To identify these companies, the researcher referenced the Ethiopian Ministry of Trade (2023) report and manufacturing firm lists. According to the report, there are approximately 62 soap and detergent manufacturing companies in Addis Ababa. Given the manageable size of the population, the researcher opted for a census survey instead of sampling. This approach ensures that data is collected from every unit within the population, allowing for comprehensive insights into the practices and perspectives of all soap and detergent manufacturing companies in Addis Ababa.

3.4. Data Source and Collection Method

In this research, primary data was gathered using a questionnaire as the primary data collection instrument, chosen for its simplicity and ease of administration. As described by Schwab (2005),

questionnaires are effective measuring devices that prompt respondents to answer a series of questions or respond to statements. Given the need to gather extensive information and the advantages of using questionnaires, they were administered to employees to gather their perspectives on the impact of selected logistics management practices on the performance of soap and detergent manufacturing companies in Addis Ababa. The data type for this study was primary and cross-sectional, sourced directly from General Managers of soap and detergent factories in Addis Ababa through structured questions. This approach ensured a direct and comprehensive understanding of the subject matter from key stakeholders within the industry.

3.5. Data Collection Instrument

The necessary data for this study was collected through a questionnaire. The questionnaire was carefully created and evaluated with all of the population to see where it can be improved. Each item was meticulously designed to collect the desired data, satisfy study objectives, and be connected to the broader research topic. The questionnaires were created based on the literature, conceptual framework, and research question in order to examine the relationship between logistics services and organizational performance. The questions in the study are closed-ended. This is because closed-ended questions are frequently used in surveys since they yield greater response rates. Furthermore, the ease with which responses to closed-ended questions may be processed and evaluated makes them particularly valuable when attempting to demonstrate the statistical significance of survey data.

The classification of the questionnaire is divided into three sections: (1) Demographic data of the respondent employees, (2) Questionnaires on logistics services and (3) Questionnaires on organizational performance. The demographic data was used to obtain information about members of staff of the company. For measuring the logistics services, 23 item survey questionnaire was adopted from previous literature (Hoang & Nguyen, 2019), which included three logistics services components, namely: inbound logistics service (7 items), outbound logistics service (8 items), and internal logistics service (8 items). On the other hand, in order to measure the perception of employees towards their organizational performance, some questions were designed for this variable which is adopted from Richard, et al (2009) and from Santos and Brito (2012). The questionnaire responses were expected to fall on the five-point Likert scale.

Table 3.1: Measuring Instrument

Variables	Instrument Source	No. of Items
Inbound Logistics Service	Hoang & Nguyen, (2019); Ristovska, et al., (2017)	7
Outbound Logistics Service	Ristovska, et al., (2017); Hoang & Nguyen, (2019)	8
Internal Logistics Service	Hoang & Nguyen, (2019); Ristovska, et al., (2017)	8
Organizational Performance	Richard, et al (2009); Santos and Brito (2012)	16

3.6. Data Collection Procedure

Primary data collection involved administering questionnaires to managers of Soap and detergent manufacturing companies in Addis Ababa. Before the full-scale survey, a pilot survey was conducted with a sample of respondents to evaluate the questionnaire's effectiveness and identify any potential issues with question content or wording. During the main survey, the researcher personally contacted the target groups and administered the questionnaire, politely requesting respondents to complete it. Additionally, an online survey option was provided for those unable to access the paper-based questionnaire, ensuring inclusivity in data collection.

3.7. Method of Data Analysis

The primary data for this study was obtained through a distributed questionnaire. Upon collection, the data underwent a series of processing steps including editing, cleaning, encoding, and error-checking using Statistical Package for the Social Sciences (SPSS) software version 22. This facilitated the compression and organization of data into manageable segments for further study and analysis. Descriptive statistics such as mean scores and standard deviations were computed to elucidate the characteristics of the variables of interest. Additionally, inferential statistical analyses including correlation and multiple linear regressions were employed to evaluate the relationships between variables and to draw conclusions based on the data.

3.8. Model Specification

The generic objective of the study is to examine if selected logistics services practices influence organizational performance of Soap and detergent manufacturing companies in Addis Ababa.

Regression analysis is a statistical tool for the investigation of relationships between variables. The following multiple linear regression equation was used to examine the effect of selected logistics service practices on performance of Soap and detergent manufacturing companies in Addis Ababa.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y represents organizational performance of the company, while X₁, X₂, and X₃ represent the independent variables: internal logistics, inbound logistics, and outbound logistics, respectively. β_0 is the constant, while β_1 , β_2 , and β_3 represent corresponding coefficients or parameters for the respective independent variables to be estimated and e represent the error term that captures all relevant variables not included in the model.

3.9. Variables definition and Expected Signs

Table 3.2: Study variables and expected signs

Variables	Definition of variables	Expected sign
<i>Dependent variable</i>		
Organizational performance	The ability of an organization to reach its goals and optimize results	-
<i>Independent variables</i>		
Internal logistics	Movement of goods within a company's facilities	positive
Inbound logistics	Transportation of goods from suppliers to the company's facilities	positive
Outbound logistics	Transportation of goods from the company's facilities to customers	positive

3.10. Ethical Consideration

The researcher took measures to address ethical considerations regarding confidentiality, privacy, and informed consent throughout the study. Consent was obtained from the administrators of the companies after providing a clear explanation of the study's relevance. Prior

to data collection, all participants were informed about the study's objectives, and verbal consent was obtained from each participant. Participants were also informed of their right to withdraw from the study at any time. To maintain anonymity, the names of the interviewees were not recorded. These ethical safeguards were implemented to ensure the protection of participants' rights and privacy throughout the research process.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the discussions of the results of the study. As mentioned earlier, the purpose of the study was to investigate the effect of logistics services on the organizational performance of soap and detergent manufacturing companies in Addis Ababa. The first part presents an analysis of the demographic information such as gender, age, education, employee category, and duration of work with soap and detergent manufacturing companies. The second part explores findings from descriptive statistics regarding the data designed to respond to the research question. Then, results and discussions from correlation analysis and multiple linear regressions are presented.

4.1 Response Rate

Table 4.1 indicates the response rate. When distributing the questionnaire, the aim was to gather data from 62 soap and detergent manufacturing companies.

Table 4.1: Response Rate

Response rate	Sample size	Percentage (%)
Returned questionnaires	60	96.7
Un-returned questionnaires	2	3.3
Total	62	100

Source: (Own Survey, 2024)

The response rate for this study was exceptionally high, with 96.7% of the distributed questionnaires being returned. The sample size of 60 out of the intended 62 participants is large enough to provide a comprehensive understanding of the logistics services and organizational performance within the industry. The high response rate ensures that the findings can be generalized to the entire population with greater confidence.

4.2 Demography Information of Respondents

This section presents general information about the respondents, who were company managers. They were asked about their gender, age, level of education attained, and tenure in their present company. While this information is not directly linked to the research objectives, it provides

important context that helps assess the respondents' ability to contribute meaningfully to the investigation. The results are presented in Table 4.2.

Table 4.2 General Information of the respondent

Main factor	Factor level	Frequency	Percentage
Gender	Male	44	73.3
	Female	16	26.7
	Total	60	100
Age	30 - 39 years	24	40.0
	40 - 50 years	28	46.7
	Over 50 years	8	13.3
	Total	60	100
Educational qualification	First Degree	44	73.3
	Master and above	16	26.7
	Total	60	100.0
For how long have you been employed in this company?	Under 2 years	2	5.0
	2 – 5 years	6	10.0
	6 - 10 years	29	48.3
	above 10 years	22	36.7
	Total	60	100.0

Source, (Survey data, 2024)

Gender Distribution: The majority of respondents are male (73.3%), while females constitute 26.7% of the sample. The gender distribution suggests a male-dominated management workforce in the soap and detergent manufacturing industry in Addis Ababa.

Age Distribution: The largest age group is 40-50 years (46.7%), followed by 30-39 years (40.0%), and over 50 years (13.3%). The age distribution indicates that the management workforce is mature, with a significant portion of managers in their prime working years (30-50 years). This maturity suggests a wealth of experience and stability in managerial roles, which is likely to contribute positively to organizational performance through seasoned leadership and strategic decision-making.

Educational Qualification: A majority of respondents hold a first degree (73.3%), with the remainder (26.7%) having a master's degree or higher. The high level of educational attainment among managers suggests they possess the necessary knowledge and skills to effectively oversee

logistics and organizational operations. This education level is beneficial for implementing best practices and innovative solutions in logistics services, ultimately enhancing organizational performance.

Tenure in Present Company: Nearly half of the respondents have been employed in their current company for 6-10 years (48.3%), with a significant portion (36.7%) having more than 10 years of tenure. A smaller group has been with their company for 2-5 years (10.0%) or under 2 years (5.0%). The tenure data indicates a relatively stable and experienced managerial workforce, with the majority having long-term employment. This stability is advantageous for organizational continuity and the implementation of long-term strategic initiatives. Managers with extensive tenure are likely to have a deep understanding of their company's logistics processes and performance metrics, contributing to more informed and effective decision-making.

4.3 Descriptive analysis of study variables

In this study, descriptive statistics were employed to elucidate the basic features of the data collected from the field, focusing on measures of three major logistics service components (internal logistics, inbound logistics, and outbound logistics) as well as organizational performance, assessed through a five-scale Likert-type questionnaire. Respondents' feedback was captured across 23 items designed to measure each component. The descriptive analysis utilized mean and standard deviation to interpret respondents' perceptions. The composite mean value provided an average perception across all respondents for each question, while standard deviation gauged the diversity of perceptions among respondents. The range of mean values was categorized using a guide adapted from Shrestha (2015), where mean scores falling within specific intervals were interpreted as follows: very low (1.00 – 1.80), low (1.81 – 2.60), medium (2.61 – 3.40), high (3.41 – 4.20), and very high (4.21 – 5.00). This approach facilitated a nuanced understanding of respondents' views on logistics service components and organizational performance, aiding in the interpretation of the study results.

Table 4.3: Descriptive statistics result interpretation guide

Interval of Means	Interpretation
1.00 – 1.80	Very Low
1.81 – 2.60	Low
2.61 – 3.40	Medium
3.41 – 4.20	High
4.21 – 5.00	Very High

Source: (Shrestha, 2015)

4.3.1. Respondents view on Internal Logistics services

The study assesses the perception of company managers towards internal logistics service of the soap and detergent manufacturing companies in Addis Ababa. To assess the company internal logistics service, the study made an attempt to develop a five scale Likert types of questions and employees were invited to indicate their views for each of the questions. Based on these, respondents were asked about internal logistics service, the result mean score value and standard deviation presented the Table 4.4.

Table 4.4: Respondents view on the Internal Logistics service

Indicators	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	Mean	SD
	1	2	3	4	5		
Cooperation activities among departments in the company are smooth	0	31.5	10.1	51.7	6.7	3.33	1.0
The company has sufficient resources to serve the production and business activities	0	31.7	18.3	45.0	5.0	3.23	.96
In the company there is smooth flow of information to support effective internal decision-making for logistics functions	0	45.0	16.7	35.0	3.3	2.97	.97
Every functional unit makes its information easily accessible for the other units.	3.3	48.3	10.0	36.7	1.7	2.85	1.03
There is enough inventory level at stock, every time, to satisfy your	0	5.0	36.6	31.7	26.7	3.15	.88

customers order							
Complaint handling process is quick.	1.7	3.3	20.0	33.3	41.7	3.45	.98
Internal distribution of Inputs is handled properly	13.4	11.7	8.3	33.3	33.3	2.97	1.30
The technologies in use allows strong link and coordination among functional units	10.0	46.7	8.3	25.0	10.0	2.78	1.22
Average						3.03	1.04

Source: (Survey data, 2024)

The analysis of the results presented in Table 4.4 offers a detailed understanding of employees' perceptions regarding various aspects of internal logistics service within soap and detergent manufacturing companies, along with their implications:

Smooth Cooperation among Departments: The high percentage of respondents perceiving smooth cooperation among departments (58.4% agreeing or strongly agreeing) indicates a positive organizational culture conducive to collaboration. This suggests that departments work effectively together, which can streamline processes, minimize delays, and enhance overall productivity. The implication is that fostering a collaborative environment can contribute to improved internal logistics operations and organizational performance.

Availability of Sufficient Resources: While half of respondents acknowledges the availability of resources (50% agreeing or strongly agreeing), the other half were neutral & negative response rate (50%) which suggests potential gaps in resource allocation or utilization. Addressing resource shortages or reallocating resources based on demand patterns can optimize internal logistics processes, ensuring smooth operations and timely delivery of goods. This highlights the importance of aligning resource allocation with operational needs to enhance efficiency and effectiveness.

Flow of Information for Decision-Making: The perception of a smooth flow of information for decision-making (38.3% agreeing or strongly agreeing) indicates that employees feel adequately

informed to make logistics-related decisions. However, the presence of a significant neutral & negative response rate (61.7%) suggests that there may be opportunities to improve communication channels or information-sharing practices. Enhancing communication processes can facilitate faster decision-making, improve responsiveness to changing conditions, and ultimately enhance operational efficiency.

Accessibility of Information among Functional Units: The mixed perceptions regarding the accessibility of information among functional units highlight potential communication challenges within the organization. While some proportion of respondents perceive accessibility positively (38.4% agreeing or strongly agreeing), a high percentage expresses neutral or negative views (61.6%). Improving information-sharing mechanisms and promoting transparency across departments can address these challenges, fostering better coordination and alignment of efforts toward common goals.

Inventory Management: The perception of inventory levels among respondents appears to be mixed. While majority (58.4%) either agrees or strongly agrees that there are enough inventory levels to meet customer orders, the significant percentage (36.6%) of neutral responses indicates uncertainty or ambiguity among respondents. This suggests that there may be variability or inconsistency in inventory management practices within the companies. Such variability could potentially lead to challenges in consistently meeting customer demand and satisfaction, highlighting the importance of improving inventory management processes to ensure more reliable and efficient fulfillment of customer orders.

Complaint handling process is quick: The relatively high mean score of 3.45, coupled with a majority agreeing or strongly agreeing (75%), suggests that most respondents perceive the complaint handling process as quick. This indicates that the companies have effective procedures in place for addressing customer complaints promptly, which is crucial for maintaining customer satisfaction and loyalty.

Internal distribution of Inputs: Majority of the respondents (66.6%) either agrees or strongly agrees that Internal distribution of Inputs is handled properly, but the rest percentage (33.3%) of neutral responses indicates uncertainty or ambiguity among respondents. This implies potential inefficiencies or challenges in the internal distribution process.

Technological Integration: With a mean score of 2.78 and a high percentage of disagreement (56.7%), it appears that many managers do not perceive the technologies in use as facilitating strong link and coordination among functional units. This suggests potential limitations or inadequacies in the technological infrastructure, which could hinder efficient communication and collaboration within the company.

Overall, the grand mean response for the internal logistics service of companies was 3.03, categorized as medium according to Shrestha's classification (2015). This suggests a moderate level of satisfaction among respondents but also highlights areas for improvement within the company's internal logistics operations. Particularly, shortcomings were identified in the accessibility of information among functional units, the utilization of modern technology for coordination, and the flow of information for decision-making. Addressing these challenges, such as improving communication channels and integrating technology solutions can enhance internal logistics efficiency. Ultimately, these improvements can lead to enhanced organizational performance and competitiveness within the industry.

4.3.2. Respondents view on Inbound Logistics Services

The study assesses the perception of company managers towards inbound logistics service of the Soap and detergent manufacturing companies in Addis Ababa. To assess the company logistics service, the study made an attempt to develop a five scale Likert types of questions and employees were invited to indicate their views for each of the questions. Based on these, respondents were asked about inbound logistics service, the result mean score value and standard deviation implied below 4.5 in the table.

Table 4.5: Respondents view on the Inbound Logistics Services

Indicators	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	Mean	SD
	1	2	3	4	5		
Material transportation process for production is favorable.	9.3	22.9	9.3	55.9	2.6	3.19	1.11
Order time and material transportation ensure the production progress.	4.2	35.6	11.0	43.3	5.9	3.11	1.09

Company Storing goods according to recommended guide line.	6.8	30.5	7.6	44.9	10.2	3.21	1.18
The company has good relationships with raw material suppliers	5.9	29.7	5.9	47.5	11.0	3.28	1.17
Product defect (such as technical defect, packing defect, faulty quantity, missing product) occur rarely when dealing with raw material suppliers.	2.5	14.4	25.4	45.8	11.9	3.50	.967
Order requisition procedures are effective and easy to use	16.2	30.5	9.3	38.1	5.9	2.87	1.25
In company the movement and storage of materials are made at the lowest possible cost through the use of proper methods and equipment.	9.3	39.0	20.3	26.3	5.1	2.79	1.09
Average						3.13	1.12

Source, (Survey data, 2024)

The above table presents respondents' perceptions of inbound logistics services within soap and detergent manufacturing companies, assessed through a Likert-type questionnaire. Mean scores and standard deviations are provided, with mean scores below 4.5 indicating generally positive perceptions of the services. Let's delve into the details of the analysis:

Material Transportation Process: A majority of respondents, comprising 58.5%, agree or strongly agree that the material transportation process for production is favorable. This indicates confidence in the efficiency of transportation channels supporting production activities, suggesting smooth operations and timely delivery of materials. Conversely, 32.2% of respondents disagree, signaling potential issues or dissatisfaction with the transportation process. Addressing these concerns is essential for maintaining operational effectiveness and meeting production timelines.

Order Time and Material Transportation Ensure Production Progress: Nearly half of the respondents, accounting for 49.2%, agree or strongly agree that order time and material

transportation ensure production progress. This suggests confidence in the effectiveness of these processes, contributing to smooth production operations. However, a significant portion, comprising 39.8%, disagree, indicating perceived delays or inefficiencies in order processing and transportation. Addressing these concerns is crucial for maintaining production efficiency and meeting customer demands. Moreover, 11.0% remained neutral, signaling uncertainty or lack of confidence, necessitating clearer communication and process refinement to ensure timely production.

Company Storing Goods According to Recommended Guidelines: A substantial proportion, representing 55.1%, agree or strongly agree that the company stores goods according to recommended guidelines. This reflects trust in the company's ability to maintain proper inventory management practices, ensuring product quality and operational efficiency. Conversely, 37.3% of respondents disagree, raising concerns about storage practices that could lead to inventory discrepancies or product damage. This raises concerns regarding storage practices, potentially leading to issues such as inventory discrepancies or product damage. Furthermore, 7.6% remained neutral, indicating a possible lack of awareness or understanding, underscoring the importance of training or improved communication on proper storage procedures. Improving adherence to storage guidelines is essential for maintaining product quality and customer satisfaction.

The Company Relationships with Raw Material Suppliers: The majority of respondents, comprising 58.5%, agrees or strongly agrees that the company has good relationships with raw material suppliers. This indicates strong supplier partnerships crucial for ensuring a reliable supply chain and mitigating risks. However, a notable percentage, accounting for 35.6%, disagreed with the assertion of good relationships with raw material suppliers. This suggests potential challenges or dissatisfaction with supplier relationships, which could impact the reliability of the supply chain. Strengthening communication and collaboration with suppliers is essential for maintaining a robust supply chain. Additionally, 5.9% remained neutral, indicating uncertainty or lack of awareness, highlighting the need for efforts to strengthen supplier partnerships through improved communication and collaboration.

Product Defect Occurrence When Dealing with Raw Material Suppliers: A significant majority, representing 57.7%, agree or strongly agree that product defects occur rarely when dealing with raw material suppliers. This suggests effective quality control measures and supplier management practices, ensuring product integrity and customer satisfaction. Conversely, 16.9% of respondents disagree, indicating potential inconsistencies in product quality or dissatisfaction with supplier quality control measures. Addressing these concerns is crucial for maintaining customer trust and loyalty.

Order Requisition Procedures Are Effective and Easy to Use: A notable proportion, comprising 44%, agree or strongly agree that order requisition procedures are effective and easy to use. This indicates satisfaction with procurement processes, contributing to operational efficiency. However, a significant portion, representing 46.7%, disagree, suggesting inefficiencies or complexities in the current procedures. Improving process efficiency and user experience is essential for streamlining procurement operations. Additionally, 9.3% remained neutral, suggesting ambiguity or lack of clarity, emphasizing the need for process improvements and user training to enhance effectiveness and usability.

In Company, the Movement and Storage of Materials Are made at the Lowest Possible Cost: A minority of respondents, comprising 31.4%, agree or strongly agree that the movement and storage of materials are made at the lowest possible cost. This suggests cost-effective practices contributing to improved profitability. However, a significant proportion, representing 48.3%, disagree, indicating perceived inefficiencies or cost overruns. Analyzing cost drivers and optimizing logistics processes is crucial for reducing expenses and enhancing profitability. Moreover, 20.3% remained neutral, indicating uncertainty or lack of awareness regarding cost-saving measures, emphasizing the need for enhanced awareness and implementation of cost-effective strategies.

The overall mean response for inbound logistics service in soap and detergent manufacturing companies, averaging at 3.13, falls within the medium range according to Shrestha's classification (2015). This suggests that while there are areas where the company performs adequately, there is considerable room for improvement. Specifically, weaknesses were identified in terms of cost-effective material movement and storage practices, as well as the simplicity and effectiveness of requisition procedures. Addressing these areas for improvement

can lead to enhanced operational efficiency, cost-effectiveness, and ultimately, higher levels of customer satisfaction. By focusing on these aspects, companies can bolster their competitive edge in the market and pave the way for sustained success in the long term.

4.3.3. Respondents view on Outbound Logistics Services

The study assesses the perception of company managers towards outbound logistics service of the Soap and detergent manufacturing companies in Addis Ababa. To assess the company outbound logistics service, the study made an attempt to develop a five scale Likert types of questions and employees were invited to indicate their views for each of the questions. The result of mean score value and standard deviation presented the Table 4.6.

Table 4.6: Respondents view on the Outbound Logistics service

Indicators	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	Mean	SD
	1	2	3	4	5		
Packing process and product delivery are convenient.	5.1	28.8	7.6	44.9	13.6	3.33	1.17
Packing and product storage is well done.	9.3	15.3	8.5	47.5	19.4	3.53	1.23
In the company there is on time delivery order for customers.	5.8	33.1	13.6	29.7	17.8	2.81	1.17
Good relationship between company and its business partners.	0	16.1	27.1	43.2	13.6	3.54	.921
A little of mistakes (such as the number of products, product patterns) in delivery	3.4	20.3	16.9	47.5	11.9	3.44	1.05
Through transportation management practice products are made available to the customers desired location	3.4	5.1	27.1	41.5	22.9	3.22	.971
The company's products are delivered using the right mode of transportation	0	17.8	27.1	44.9	10.2	3.47	.903

The company spends at a minimum cost to transport products to customers	8.5	23.7	21.2	44.9	1.7	3.35	.942
Average						3.37	1.04

Source: (Survey data, 2024)

Let's analyze the responses provided in Table 4.6 regarding the outbound logistics service of the soap and detergent manufacturing companies:

Convenience of Packing Process and Product Delivery: The majority of respondents (58.5%) agree that the packing process and product delivery are convenient, suggesting that the company's streamlined procedures contribute to operational efficiency and customer satisfaction. Maintaining convenience in these processes is crucial for fostering positive customer experiences and loyalty. However, a notable percentage (41.5%) expresses disagreement or neutrality, indicating potential areas for improvement to ensure consistent convenience and efficiency in packing and delivery processes.

Quality of Packing and Product Storage: Respondents overwhelmingly agree that packing and product storage are well done, with 66.9% expressing agreement. This indicates the company's commitment to maintaining high standards and ensuring product integrity. Consistently high-quality packaging enhances brand reputation and fosters customer trust, leading to increased market share and customer loyalty. However, a small percentage (33.1%) express disagreement or neutrality, suggesting potential areas for enhancing quality control measures and storage practices to address any perceived shortcomings and maintain customer satisfaction.

Timeliness of Delivery Orders: Regarding the timeliness of delivery orders, 47.5% of respondents express agreement, indicating satisfaction with the company's delivery timelines. However, 52.5% express disagreement or neutrality, suggesting potential challenges in meeting delivery timelines consistently. Delays in delivery can lead to customer dissatisfaction and damage the company's reputation, highlighting the need for improvements to maintain customer trust and loyalty. Addressing these challenges is crucial for enhancing customer satisfaction and retention.

Relationship Between Company and Business Partners: Positive agreement regarding the relationship between the company and its business partners is strong, with 56.8% expressing agreement. This underscores the importance of strong partnerships in ensuring a reliable supply chain. Fostering good relationships with partners facilitates smoother operations and reduces supply chain risks, contributing to long-term business success. However, a minor percentage (43.2%) express disagreement or neutrality, indicating potential areas for strengthening collaboration and communication with business partners to further enhance supply chain efficiency and resilience.

Accuracy of Product Delivery: Respondents predominantly agree on the accuracy of product delivery, with 59.4% expressing agreement. This suggests effective quality control measures and attention to detail. Accurate deliveries are vital for enhancing customer satisfaction and loyalty by ensuring timely receipt of the correct products, ultimately leading to positive brand experiences and repeat purchases. However, a small percentage (40.6%) expresses disagreement or neutrality, highlighting the need for continuous improvement in delivery accuracy to meet evolving customer expectations and maintain competitive advantage.

Availability of Products at Desired Locations: When it comes to the availability of products at desired locations, 64.4% of respondents express agreement, indicating satisfaction with the company's distribution practices. However, the rest portions (35.6%) express disagreement or neutrality, suggesting potential inconsistencies in distribution processes. Ensuring timely and accessible product availability is essential for meeting customer demands and preferences. Enhancements in distribution processes can improve customer satisfaction and retention, ultimately contributing to long-term business success.

Utilization of Right Mode of Transportation: Agreement that the company utilizes the right mode of transportation is substantial, with 55.1% expressing agreement. This highlights effective transportation management practices. Optimizing transportation modes and routes enhances operational efficiency, reduces costs, and ensures timely deliveries, contributing to improved customer satisfaction and overall business performance. However, a significant percentage (44.9%) express disagreement or neutrality, indicating potential areas for further optimization

and innovation in transportation strategies to address any inefficiencies and maintain competitiveness in the market.

Minimization of Transportation Costs: Regarding the minimization of transportation costs, 46.6% of respondents express agreement. However, 53.4% express disagreement or neutrality, suggesting potential inefficiencies in cost management. High transportation costs can negatively impact profitability and competitiveness, emphasizing the importance of implementing cost-saving measures. Optimizing transportation routes and modes can enhance financial performance and sustainability, contributing to the company's overall success in the market.

Overall, the average response for outbound logistics service was 3.37, suggesting a moderate level of satisfaction among respondents. However, there are areas identified for improvement, particularly in meeting delivery timelines and optimizing cost management practices. Addressing these challenges can enhance outbound logistics efficiency and ultimately contribute to improved customer satisfaction and loyalty.

4.3.4. Respondents view on organizational Non-Financial performance

The respondents were also asked to rate their opinion concerning organizational performance of Soap and detergent manufacturing companies in Addis Ababa. In order to measure the company performance, questions regarding various measures of non-financial organizational performance indicators were asked. The summary of their responses to specific questions, as revealed by the results, will be presented in Table 4.7.

Table 4.7 Respondents opinion on non-financial performance of companies

Non-Financial Performance	Mean	STD
Customer Satisfaction	3.34	0.86
Product Quality	3.38	.786
Operational Efficiency	3.81	.773
Market Share	3.21	.875
Employee Satisfaction and Engagement	3.45	.845
Brand Image	3.48	.855
Grand Mean	3.44	0.83

Source: (Field Survey, 2024)

The respondents' opinions regarding various non-financial performance indicators of Soap and detergent manufacturing companies are summarized in Table 4.7. The grand mean score for general company staffs' opinion on the company non-financial performance was 3.44 on a 5-point scale. The mean scores for each indicator provide insights into how respondents perceive the companies' performance in different areas.

- **Customer Satisfaction:** The mean score of 3.34 suggests a moderate level of perceived customer satisfaction across the industry. While companies may be meeting customer needs to some extent, there may be opportunities for improvement to enhance overall customer satisfaction and loyalty.
- **Product Quality:** With a mean score of 3.38, managers perceive product quality favorably. This indicates that companies are generally delivering products that meet or exceed quality standards, which is crucial for maintaining competitiveness and consumer trust.
- **Operational Efficiency:** The highest mean score of 3.81 indicates a positive perception of operational efficiency among managers. This suggests that companies are effectively utilizing resources and processes to achieve objectives, leading to improved productivity and cost-effectiveness industry-wide.
- **Market Share:** The mean score of 3.21 reflects a moderate perception of market share. While companies may hold satisfactory market positions, there may be opportunities for expansion and strategic growth initiatives to increase market presence.
- **Employee Satisfaction and Engagement:** With a mean score of 3.45, managers perceive satisfaction and engagement levels positively. This indicates that companies are fostering positive work environments conducive to employee well-being and commitment, which can lead to higher productivity and retention rates across the industry.
- **Brand Image:** The mean score of 3.48 indicates a favorable perception of brand image among managers. This suggests that companies have successfully cultivated positive brand reputations, which are essential for building trust and loyalty among consumers.

Overall, the grand mean score of 3.44 reflects a generally positive perception of non-financial performance indicators across the soap and detergent manufacturing companies in Addis Ababa. However, there may still be areas for improvement identified through the analysis of specific

indicators. Addressing any identified weaknesses can contribute to further enhancing industry-wide performance and competitiveness.

4.4. Correlation Results

The study utilized correlation analysis to explore the relationship between three explanatory variables (internal logistics, inbound logistics, and outbound logistics) and the organizational performance of Soap and detergent manufacturing companies. The correlation coefficient, ranging from -1 to 1, indicates the strength and direction of the relationship between variables. A positive correlation coefficient (+1) signifies a perfect positive relationship, while a negative correlation coefficient (-1) indicates a perfect negative relationship. A correlation coefficient of 0 suggests no linear relationship between variables. To interpret the correlation results, a guide developed by Marczyk et al. (2005) was employed, as presented in Table 4.8. This guide categorizes correlation values into different ranges, from weak to very high correlation, facilitating the interpretation of the relationships between variables.

Table 4.8: Correlation result interpretation guide

Correlation value in range	Interpretation
0.00 to 0.19	Weak/ very low correlation
0.20 to 0.39	Low correlation
0.40 to 0.59	Moderate correlation
0.60 to 0.79	High correlation
0.8 to 1.0	Very high correlation

Source: (Marczyk, et al., 2005)

The above interpretation guide (Table 4.8) developed by Marczyk, et al (2005) becomes handy. Accordingly, this guide has been used to interpret the results which are summarized in the coming sections. The findings of the study are presented in Table 4.9.

Table 4.9: Pearson Correlation Logistics Services and organizational performance

		Inbound Logistics	Internal Logistics	Outbound Logistics	Organizational Performance
Inbound Logistics	Pearson Correlation	1	.527**	.527**	.637**
	Sig. (2-tailed)		.000	.000	.000
	N	60	60	60	60

Internal Logistics	Pearson Correlation	.527**	1	.597**	.664**
	Sig. (2-tailed)	.000		.000	.000
	N	60	60	60	60
Outbound Logistics	Pearson Correlation	.527**	.597**	1	.647**
	Sig. (2-tailed)	.000	.000		.000
	N	60	60	60	60
Organizational Performance	Pearson Correlation	.637**	.664**	.647**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	60	60	60	60
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: (Survey data, 2024)

The correlation analysis in Table 4.9 reveals significant relationships between the three logistics services (inbound, internal, and outbound) and organizational performance within Soap and detergent manufacturing companies.

Looking closely at the correlation coefficients, all three logistics services demonstrate positive and statistically significant correlations with organizational performance at the 0.01 level. Specifically, inbound logistics exhibits a moderate positive correlation with organizational performance ($r = 0.637$, $p < 0.01$). This suggests that effective management of inbound logistics, encompassing activities such as material transportation, order fulfillment, and supplier relationships, contributes positively to overall organizational performance in terms of efficiency and customer satisfaction.

Similarly, internal logistics demonstrates a strong positive correlation with organizational performance ($r = 0.664$, $p < 0.01$). This indicates that efficient internal logistics processes, including cooperation among departments, resource availability, and information flow, play a crucial role in enhancing organizational effectiveness and performance in soap and detergent manufacturing companies.

Furthermore, outbound logistics also shows a strong positive correlation with organizational performance ($r = 0.647$, $p < 0.01$). This suggests that proficient outbound logistics operations, involving activities such as packing, product delivery, and transportation management,

significantly impact the ability of companies to meet customer demands promptly and efficiently, thereby influencing overall organizational performance positively.

These findings corroborate previous studies in the field, such as those by Kumar et al. (2013) and Chen et al. (2016), which have highlighted the importance of effective logistics services in driving organizational success across various industries. By efficiently managing inbound, internal, and outbound logistics, soap and detergent manufacturing companies can improve their operational efficiency, customer satisfaction, and ultimately, their overall performance in the market.

4.5. Regression Result

The analysis begins with testing the basic assumptions of regression analysis to ensure the validity and reliability of the results. Following this, the results of multiple linear regression models are presented, which allow for the examination of the combined effects of various logistics service components on organizational performance. By utilizing regression analysis, this study aims to provide insights into the extent to which logistics services influence the overall performance of soap and detergent manufacturing companies, thereby contributing to a better understanding of the factors driving success in this industry.

4.5.1. Assumptions/diagnostic test for multiple linear regressions

In order to ensure the validity of the multiple linear regression analysis, it is essential to assess whether the data meets the assumptions of Ordinary Least Squares (OLS) regression. These assumptions include linearity, independence of errors, homoscedasticity (constant variance of errors), normality of residuals, and absence of multicollinearity among the predictor variables. Diagnostic tests are conducted to evaluate whether these assumptions hold true for the dataset under study. By verifying these assumptions, researcher can ensure that the results obtained from the multiple regression analysis are valid and reliable, thus providing meaningful insights into the relationship between the predictor variables (logistics services) and the outcome variable (organizational performance) in the context of Soap and detergent manufacturing companies.

4.5.1.1. Outlier, leverage and influential points

In multiple linear regression analysis, it is essential to examine outliers, leverage points, and influential observations to ensure the validity of the results. Outliers are data points that deviate

significantly from the overall trend of the data, while leverage points are observations with extreme predictor values that can affect regression analysis. Influential points unduly influence regression analysis, including the estimated coefficients and hypothesis test results. To assess these factors, residual analysis is conducted. For the dependent variable "Organizational Performance," standardized residuals, studentized residuals, Cook's distance, and centered leverage values are examined. Table 4.10 contains summaries of residual statistics.

Table 4.10. Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Std. Residual	-2.099	1.996	.000	.974	60
Stud. Residual	-2.142	2.056	.004	1.010	60
Cook's Distance	.000	.150	.019	.030	60
Centered Leverage Value	.007	.148	.050	.035	60
a. Dependent Variable: Organizational Performance					

Source: (Survey data, 2024)

Standardized residuals, which quantify the size of residuals in standard deviation units, range from -2.099 to 1.996, indicating no outliers. Leverage values, ranging from 0.007 to 0.148, are all below the cutoff point of 0.2, suggesting the absence of high leverage points. Cook's distance, a measure of how much residuals would vary if a certain record was removed, ranges from 0 to 0.150, all below the cutoff point of 1, indicating no influential points. Thus, the data appears to meet the assumption of no outliers, high leverage points, or influential observations, ensuring the validity of the multiple linear regression analysis.

4.5.1.2 Multicollinearity

Multicollinearity, which occurs when independent variables are highly correlated with each other, can complicate the interpretation of regression results. To assess multicollinearity, Variance Inflation Factor (VIF) was examined, with values below 10 indicating no significant multicollinearity. In this study, the tolerance values and VIF for each independent variable were assessed. Tolerance values for Inbound Logistics, Internal Logistics, and Outbound Logistics were found to be 0.652, 0.581, and 0.581, respectively. Corresponding VIF values were 1.533, 1.721, and 1.722. All values were well below the cutoff of 10, as suggested by Neter et al. (1996), indicating no significant multicollinearity among the independent variables. Therefore,

the assumptions of multicollinearity for multiple linear regression analysis were met, ensuring the validity of the regression results.

Table 4.11: Multicollinearity test for the Study Variables

Variable	Tolerance	VIF
Inbound Logistics	.652	1.533
Internal Logistics	.581	1.721
Outbound Logistics	.581	1.722

Source: (Survey data, 2024)

4.5.1.3 Homoscedasticity

Homoscedasticity, the assumption that the variance of residuals remains constant across all predicted values, is crucial for valid regression analysis. To test for homoscedasticity, the Breusch-Pagan test was employed, evaluating the null hypothesis that error variances are equal against the alternative of varying error variances. A significance value below 0.05 indicates rejection of the null hypothesis, indicating heteroscedasticity. In this study, the significance value for the fitted values of the dependent variable organizational performance was 0.1908, suggesting that heteroscedasticity was not a concern. Therefore, the assumption of homoscedasticity was met, ensuring the reliability of the regression results.

Table 4.12: Breusch-Pagan for Heteroscedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity Ho: Constant variance Variables: fitted values of organizational performance $\chi^2(1) = 1.78$ Prob > $\chi^2 = 0.1806$
--

Source: (Survey data, 2024)

4.5.1.4 Linearity

The linearity assumption of multiple regression analysis assumes that there must be a linear relationship between the dependent variable and each of independent variables, as well as the dependent variable and the independent variables collectively (Asghar & Saleh, 2012). The study used ANOVA (Analysis of Variance) for testing for linearity. ANOVA (Analysis of Variance)

was employed to determine if a statistically significant linear relationship exists between each logistics group (Inbound, Internal, and Outbound) and organizational performance.

Table 12: Linearity Test for three logistics groups and Organizational Performance

			Sum of Squares	Mean Square	F	Sig.
Organizational Performance * Inbound Logistics	Between Groups	(Combined)	1074.533	59.696	4.290	.000
		Linearity	667.375	667.375	47.965	.000
		Deviation from Linearity	407.159	23.951	1.721	.078
Organizational Performance * Internal Logistics	Between Groups	(Combined)	802.288	61.714	3.369	.001
		Linearity	725.485	725.485	39.601	.000
		Deviation from Linearity	76.804	6.400	.349	.974
Organizational Performance * Outbound Logistics	Between Groups	(Combined)	836.758	69.730	4.055	.000
		Linearity	688.474	688.474	40.035	.000
		Deviation from Linearity	148.284	13.480	.784	.654

Source: (Survey data, 2024)

For inbound logistics and organizational performance, the ANOVA results indicate a significant linear relationship, as evidenced by a p-value less than 0.001. This suggests a strong linear association. The deviation from linearity, with a p-value of 0.078, is not significant, implying that the linear model is adequate for this relationship. Similarly, the analysis for internal logistics reveals a significant linear relationship with a p-value less than 0.001. The deviation from linearity has a p-value of 0.974, indicating minimal deviations and affirming the appropriateness of the linear model. For outbound logistics, the linear relationship with organizational performance is also significant, with a p-value less than 0.001. The p-value for deviation from linearity is 0.654, suggesting that deviations from linearity are not substantial and that the linear model is appropriate.

In summary, for all three logistics groups—Inbound, Internal, and Outbound—there is a significant linear relationship with organizational performance. The p-values for deviation from linearity in each case are greater than 0.05, supporting the adequacy of the linear model in describing these relationships.

4.5.1.5 Autocorrelation

In multiple regression analysis, the assumption of autocorrelation, or serial correlation, is essential, particularly for time series data. This assumption posits that the error terms are independent of one another. The Durbin-Watson test is commonly used to detect autocorrelation, with a value of d falling between 1.5 and 2.5 indicating the absence of autocorrelation. In this study, the Durbin-Watson test yielded a value of 1.755 for the dependent variable organizational performance (Table 4.13), indicating no evidence of autocorrelation in the data. Thus, the assumption of independence among error terms is upheld, ensuring the validity of the multiple regression analysis results.

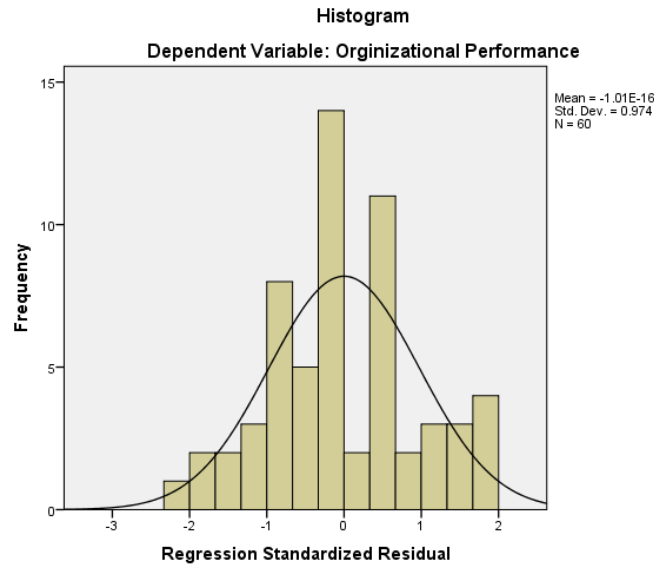
Test	Dependent variable	Value
Durbin-Watson	Organizational Performance	1.755

Table 4.13: Durbin-Watson Test for Autocorrelation

Source: (Survey data, 2024)

4.5.1.6. Normality

In multiple regression analysis, the normality assumption requires that residuals (errors) are approximately normally distributed. To validate this assumption, histogram can be used; a histogram of the residuals can provide a visual assessment of their distribution. In a normally distributed sample, the histogram should resemble a bell-shaped curve and the histogram should be symmetric along the center 0. As indicated in Figure 4.2, the histogram has bell shape curve and it's symmetric along the center 0, indicating normality of data.



Source: (Survey data, 2024)

Figure 4.2: Histogram for Normality Test

4.5.2 Analysis of Regression Results

The primary aim of the study was to assess how logistics services impact the performance of Soap and detergent manufacturing companies, achieved through regression analysis. The independent variables representing logistics services were operationalized as internal logistics, inbound logistics, and outbound logistics. Consequently, the study aimed to ascertain the influence of each logistics service component on organizational performance. The regression analysis results will be outlined in the following section, providing insights into the relationships between logistics services and organizational performance.

4.5.2.1. The Multiple Coefficient of Determination R^2

Coefficient of determination explains the percentage of variation in the dependent variable (the organizational performance) that is explained by all the three independent variables (internal logistics, inbound logistics and outbound logistics). The table 4.14 below preset the model summary.

Table 4.14: Model Summary for logistics Services and the organizational performance^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	.776 ^a	.602	.581	3.41720	1.755
a. Predictors: (Constant), internal logistics, inbound logistics and outbound logistics					
b. Dependent Variable: Organizational Performance					

Source: (Survey data, 2024)

The coefficient of determination, represented by R^2 , elucidates the percentage of variation in the dependent variable, organizational performance that is accounted for by all three independent variables: internal logistics, inbound logistics and outbound logistics. The model summary in Table 4.14 indicates that the multiple regression model exhibits a coefficient of determination (R^2) of 0.602, indicating that approximately 60.2% of the variability in organizational performance can be explained by the combined influence of internal logistics, inbound logistics, and outbound logistics. Additionally, the adjusted R^2 value, which adjusts for the number of predictors in the model, is 0.581. This value provides a more conservative estimate of the explained variance. The standard error of the estimate, which measures the average deviation of the observed values from the predicted values, is 3.41720.

4.5.2.2. ANOVA Interpretation

The analysis of variance (ANOVA) table, presented in Table 4.15, provides insights into the overall significance of the regression model in explaining the variance in organizational performance. The table indicates that the regression model is statistically significant, as evidenced by a significant F-statistic of 28.291 at a p-value of .000. This result suggests that at least one of the independent variables (internal logistics, inbound logistics, and outbound logistics) significantly contributes to predicting organizational performance. Additionally, the sum of squares for regression (991.074) is substantially higher than the sum of squares for the residual (653.926), indicating that a significant portion of the total variance in organizational performance is accounted for by the regression model. Hence, the ANOVA results affirm the relevance and effectiveness of the logistics services (internal logistics, inbound logistics, and outbound logistics) in predicting organizational performance within the soap and detergent manufacturing companies.

Table 4.15: ANOVA for Logistics Services and the organizational performance ^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	991.074	3	330.358	28.291	.000 ^b
	Residual	653.926	56	11.677		
	Total	1645.000	59			
a. Dependent Variable: organizational performance						
b. Predictors: (Constant), internal logistics, inbound logistics and outbound logistics						

(Source: Survey data, 2024)

4.5.2.3. Regression Coefficients

The findings in Table 4.16 show the coefficients of the regression. According to the findings, the all three logistics services (internal logistics, inbound logistics and outbound logistics) are significant in predicting the organizational performance since the p values were less than 0.05.

Table 4.16: Coefficients for logistics services and the organizational performance ^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.274	3.790		-1.128	.264
	Inbound Logistics	.342	.114	.313	3.004	.004
	Internal Logistics	.542	.182	.328	2.971	.004
	Outbound Logistics	.538	.208	.286	2.583	.012

a. Dependent Variable: Organizational Performance

Source: (Survey data, 2024)

The coefficients indicate the extent to which each logistics service influences organizational performance. The findings reveal that all three logistics services have significant effects on organizational performance, as evidenced by their respective p-values being less than 0.05. Specifically, for every one-unit increase in inbound logistics, there is a corresponding increase of 0.342 units in organizational performance. Similarly, a one-unit increase in internal logistics is associated with a 0.542 unit increase in organizational performance, while a one-unit increase in outbound logistics results in a 0.538 unit increase in organizational performance. These results

indicate that effective management and improvement of internal, inbound, and outbound logistics services can positively impact the overall performance of soap and detergent manufacturing companies.

When these beta coefficients are substituted in the equation, the model becomes

$$\text{Organizational Performance} = -4.274 + (0.342 * \text{Inbound Logistics}) + (0.542 * \text{Internal Logistics}) + (0.538 * \text{Outbound Logistics})$$

This equation indicates how changes in the independent variables (Inbound Logistics, Internal Logistics, and Outbound Logistics) affect the dependent variable (Organizational Performance). By substituting the respective beta coefficients for each logistics service, we can predict the impact of improvements or changes in logistics operations on the overall organizational performance of soap and detergent manufacturing companies. The coefficients in the regression equation represent the change in the dependent variable (Organizational Performance) for a one-unit change in each independent variable while holding other variables constant. Here's the interpretation of each coefficient:

- **Inbound Logistics (0.342):** For every one-unit increase in Inbound Logistics service quality (e.g., better transportation processes, efficient inventory management), we expect Organizational Performance to increase by 0.342 units, holding other variables constant.
- **Internal Logistics (0.542):** A one-unit improvement in Internal Logistics operations (e.g., smoother cooperation among departments, better information flow) is associated with a 0.542 unit increase in Organizational Performance, assuming other factors remain constant.
- **Outbound Logistics (0.538):** If Outbound Logistics services (e.g., effective packing and delivery, timely order fulfillment) experience a one-unit enhancement; we anticipate a 0.538 unit rise in Organizational Performance, all else being equal.

These coefficients indicate the strength and direction of the relationship between each logistics service and Organizational Performance, suggesting that improvements in all three logistics areas are positively associated with enhanced organizational outcomes in soap and detergent manufacturing companies.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of this study was to assess the effect of logistics services on the organizational performance of soap and detergent manufacturing companies, focusing specifically on internal logistics, inbound logistics, and outbound logistics services. This chapter presents a summary of the findings, the conclusions drawn from the analysis, and recommendations for enhancing logistics services to improve organizational performance.

5.1 Summary of Key Findings

The general objective of this study was to assess the effect of logistics services on the organizational performance of soap and detergent manufacturing companies in Addis Ababa. To address this objective, a comprehensive literature review on logistics services was conducted, followed by a survey to collect primary data from 60 soap and detergent manufacturing companies in Addis Ababa through a structured questionnaire. The key findings based on the specific research objectives are summarized as follows.

The study's descriptive analysis of logistics service components within soap and detergent manufacturing companies in Addis Ababa revealed moderate satisfaction levels among respondents. Internal logistics showed cooperation among departments but highlighted issues in information accessibility and technological integration. Inbound logistics indicated favorable material transportation and strong supplier relationships, though improvements are needed in order requisition and cost-effective storage. Outbound logistics demonstrated effective packing, product storage, and accuracy in delivery, yet faced challenges in meeting delivery timelines and optimizing transportation costs. Overall, while logistics services are functioning adequately, enhancements in communication, resource allocation, and cost management are essential for improving organizational performance and customer satisfaction.

The study's analysis of non-financial performance indicators in soap and detergent manufacturing companies revealed generally positive perceptions among respondents, with a grand mean score of 3.44 on a 5-point scale. Customer satisfaction (3.34) and market share (3.21) were perceived moderately, indicating room for improvement in meeting customer needs

and expanding market presence. Product quality (3.38), employee satisfaction and engagement (3.45), and brand image (3.48) were rated favorably, suggesting strong performance in these areas. Operational efficiency received the highest score (3.81), reflecting effective resource utilization and process management. Overall, while the industry shows solid performance across various metrics, opportunities for enhancing customer satisfaction and market expansion remain.

The correlation analysis in the study demonstrates that there are significant positive relationships between logistics services (inbound, internal, and outbound) and the organizational performance of soap and detergent manufacturing companies. Inbound logistics shows a moderate positive correlation ($r = 0.637$, $p < 0.01$), indicating that effective management of activities such as material transportation and supplier relationships enhances overall performance. Internal logistics exhibits a strong positive correlation ($r = 0.664$, $p < 0.01$), underscoring the importance of efficient internal processes like departmental cooperation and resource availability in improving organizational effectiveness. Outbound logistics also has a strong positive correlation ($r = 0.647$, $p < 0.01$), highlighting the impact of proficient operations like product delivery and transportation management on meeting customer demands and boosting performance. These results align with previous research, emphasizing that well-managed logistics are crucial for operational efficiency and organizational success.

The regression analysis aimed to evaluate the impact of logistics services (internal, inbound, and outbound) on the organizational performance of soap and detergent manufacturing companies. The coefficient of determination (R^2) was 0.602, indicating that 60.2% of the variability in organizational performance can be explained by these logistics services. The ANOVA results confirmed the regression model's significance with a high F-statistic and a p-value of 0.000. Regression coefficients showed significant positive effects of each logistics service on organizational performance: a one-unit increase in inbound logistics, internal logistics, and outbound logistics improved performance by 0.342, 0.542, and 0.538 units, respectively. These findings highlight the crucial role of effective logistics management in enhancing organizational outcomes, aligning with previous studies that emphasize the importance of streamlined internal processes, efficient inbound practices, and optimized outbound operations. The study provides practical insights for improving logistics services to boost performance in the soap and detergent manufacturing industry.

5.2 Conclusions

Based on the comprehensive assessment of logistics services and their impact on the organizational performance of soap and detergent manufacturing companies, several key conclusions can be drawn.

Firstly, logistics services, encompassing internal, inbound, and outbound logistics, play a crucial role in enhancing the organizational performance of soap and detergent manufacturing companies. Efficient management of these logistics components is essential for achieving operational efficiency and meeting customer demands.

The descriptive analysis indicates that while there is moderate satisfaction with logistics services among respondents, there are significant areas for improvement. Internal logistics require better information accessibility and technological integration. Inbound logistics need enhancements in order requisition processes and cost-effective storage solutions. Outbound logistics must address challenges related to delivery timelines and transportation cost optimization.

Secondly, the study reveals generally positive perceptions of non-financial performance indicators, such as product quality, employee satisfaction, and brand image. However, customer satisfaction and market share are perceived as moderate, highlighting the need for strategies to better meet customer needs and expand market presence.

Correlation analysis shows significant positive relationships between all three logistics components and organizational performance. Internal logistics, with the highest correlation, emphasizes the importance of efficient internal processes. Inbound and outbound logistics also show strong correlations, underscoring the need for effective material transportation, supplier relationships, and proficient delivery operations.

Thirdly, the regression analysis confirms that logistics services significantly impact organizational performance. With an R^2 of 0.602, the study indicates that over 60% of the variability in organizational performance can be attributed to logistics. Each component—internal, inbound, and outbound logistics—has a substantial positive effect on performance, suggesting that improvements in these areas can lead to notable gains in efficiency and effectiveness. To enhance organizational performance, soap and detergent manufacturing

companies should strategically focus on improving logistics services. This includes fostering better departmental cooperation, optimizing resource allocation, enhancing transportation processes, and ensuring timely delivery. Investments in technology and process improvements can lead to significant performance gains.

Lastly, the findings align with existing literature, reinforcing the notion that well-managed logistics are vital for operational efficiency and organizational success. Effective logistics contribute to improved coordination, reduced inefficiencies, and higher customer satisfaction.

In conclusion, logistics services are integral to the success of soap and detergent manufacturing companies. By addressing the identified areas for improvement and strategically enhancing logistics operations, these companies can achieve better organizational performance, increased customer satisfaction, and a stronger competitive position in the market. The study provides valuable insights and practical guidance for industry practitioners and policymakers aiming to optimize logistics operations and drive organizational success.

5.3 Recommendations

Based on the findings regarding the impact of logistics services on the organizational performance of soap and detergent manufacturing companies, specific recommendations can be provided for enhancing logistics services to improve organizational performance:-

- Firstly, concerning internal logistics, which demonstrated cooperation among departments but showed issues in information accessibility and technological integration, several improvements can be suggested. It's essential to invest in integrated information systems to facilitate real-time data sharing across departments, thereby enhancing decision-making and operational efficiency. Additionally, adopting advanced logistics software and automation technologies can streamline internal processes and reduce manual errors. Moreover, promoting interdepartmental collaboration through regular cross-functional meetings and team-building activities can foster better communication and cooperation among departments.
- Moving on to inbound logistics, which indicated favorable material transportation and strong supplier relationships but required enhancements in order requisition processes and cost-effective storage, targeted actions can be taken. Implementing automated

procurement systems can ensure timely and accurate order placement, reducing lead times and streamlining operations. Developing strategic partnerships with suppliers is crucial to ensure quality materials and negotiate better terms, such as bulk discounts or priority service. Furthermore, investing in modern warehouse management systems (WMS) can optimize inventory levels, reduce storage costs, and improve material handling efficiency.

- Regarding outbound logistics, which demonstrated effective packing, product storage, and accuracy in delivery but faced challenges in meeting delivery timelines and optimizing transportation costs, specific strategies can be implemented. Developing a robust distribution network and utilizing route optimization software can improve delivery schedules and meet customer expectations promptly. Additionally, focusing on cost-effective transportation methods and negotiating better rates with logistics providers can help reduce overall shipping expenses. Moreover, investing in efficient packing technologies can enhance product protection during transit and reduce damage rates.
- In terms of non-financial performance indicators, such as customer satisfaction, product quality, and market share, which were generally perceived positively but with room for improvement in certain areas, targeted actions, can be taken. Implementing customer feedback systems can gather insights to address pain points promptly and enhance product quality and customer service. Developing strategic marketing and sales initiatives can help penetrate new markets and increase brand visibility, thereby expanding market share. Continuing to invest in process improvements and lean management techniques is crucial to maintaining high levels of operational efficiency.
- Lastly, considering the overall impact of logistics services on organizational performance, as confirmed by the regression analysis, strategic investment in logistics is essential. Allocating resources strategically to enhance all aspects of logistics services, ensuring a balanced improvement across internal, inbound, and outbound logistics, is crucial. Establishing continuous improvement programs to regularly evaluate and enhance logistics processes can lead to sustained improvements over time. Additionally, investing in training programs for employees to improve their skills in logistics management and adopt best practices is essential for long-term success.

In conclusion, by implementing these recommendations, soap and detergent manufacturing companies can enhance their logistics services, leading to improved organizational performance, higher customer satisfaction, and a stronger competitive position in the market.

5.4 Area for Further Research

This study was conducted to investigate the effect of logistics services on organizational performance of soap and detergent manufacturing companies in Addis Ababa. Concerning this still there is a room for further investigation by considering the financial performance and other factors which affect the logistics services of soap and detergent manufacturing companies in Addis Ababa.

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Appendix I: Research Questionnaire

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN

MANAGEMENT



Dear Respondents,

I am a student in Addis Ababa university school of commerce department of logistics and supply chain management. Am carrying out a research on the “Effects of Logistics Service on Company Performance: The Case of Soap and Detergent Industry in Addis Ababa”. This questionnaire is required to assist in determining the objectives of the study. I will be grateful if you answer the questions in the questionnaire. The data will be used only for academic purpose and your responses will be kept confidential. Kindly complete all sections of the questionnaire. Please do not indicate your name on the questionnaire.

Thank you.

Yours faithfully,

Fasika Worku

General Instruction: - Write your response or indicate "√" in the box beneath for closed-ended questions among the provided alternatives.

Section A: Demographic Profile of Respondent

Instruction: Please fill out the below questions.

1. Sex Male Female
2. Age _____
3. Education level : _____
4. How long have you been owner or employed in this company? _____
5. Position in the Organization? _____

Section II: Logistics Services

This part of the questionnaire consists of items concerning logistics services. Evaluate to what extent each statement fits the culture of **your organization**. Use the following rating scale, and put “√” mark for each rating. **1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree**

S.N.	Statements on logistics services	5	4	3	2	1
		(SD)	(D)	(N)	(A)	(SA)
I.	Internal Logistics					
1	Cooperation activities among departments in my company are smooth					
2	My company has sufficient resources to serve the production and business activities					
3	In My company there is smooth flow of information to support effective internal decision-making for logistics functions					
4	Every functional unit makes its information easily accessible for the other units.					
5	There is enough inventory level at stock, every					

	time, to satisfy my customers order					
6	Handling complaint process is quick					
7	Internal distribution of Inputs is handled properly					
8.	Our technology in use allows strong link and coordination among functional units					
II.	Inbound Logistics					
9.	Material transportation process for production is favorable.					
10	Order time and material transportation ensure the production progress.					
11	My company Storing goods according to recommended guide line.					
12	My company has good relationships with raw material suppliers					
13	Product defect (such as technical defect, packing defect, faulty quantity, missing product) occur rarely when dealing with raw material suppliers.					
14	Order requisition procedures are effective and easy to use					
15	In company the movement and storage of materials are made at the lowest possible cost through the use of proper methods and equipment					
III	Outbound Logistics					
17	Packing process and product delivery are convenient.					
18	Packing and product storage is well done.					
19	In my company there is on time delivery order for					

	customers.					
20	There's good relationship between my company and its business partners.					
21	In my company only little of mistakes (such as the number of products, product patterns) occur in delivery					
22	Through transportation management practice products are made available to the customers desired location					
23	My company's products are delivered using the right mode of transportation					
24	My company spends at a minimum cost to transport products to customers					

Section III: Organizational Performance (Non-Financial) Measure

Please tick (✓) or cross mark (x) the level of measurements related to **organizational performance of your company** for last five years. Use the following rating scale, and put “√” mark for each rating. 1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree and 5: Strongly Agree

NO	Statements	1	2	3	4	5
		(SD)	(D)	(N)	(A)	(SA)
	i. Customer Satisfaction					
1	The level of customer service provided by the organization is improving through time.					
2	Products are delivered to customers on time meeting the customers' requirements					
3	There is a decrease in customers complaints.					
4	The satisfaction of customers has improved over the years					

	ii) Quality:					
1	The products/services provided by the organization are of high quality.					
2	My company product and service quality has improved over the Years.					
3	The organization demonstrates a commitment to continuous improvement in product/service quality					
4	The organization consistently meets customer expectations in terms of product/service quality.					
	iii) Operational Efficiency:					
1.	The organization effectively utilizes resources to achieve its objectives.					
2.	Processes within the organization are streamlined and efficient.					
	iv) Market Share					
1.	The organization holds a significant share of the market compared to competitors.					
2.	The organization's market position is strong and competitive.					
	v) Employee Satisfaction and Engagement:					
1.	Employee morale is generally high within the organization.					
2.	The organization promotes a healthy work-life balance for employees.					
	vi) Brand Image					
1.	The organization has a positive reputation in the market.					
2.	The reputation and brand image of my company has improved.					