

***ASSESSMENT ON THE LOGISTICS OUTSOURCING
PRACTICE OF COMMERCIAL BANK OF ETHIOPIA
(CBE)***

**By
Zeky Kedir Arab**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVESITY SCHOOL OF COMMERCE
IN PARTIAL FUFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF ARTS IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT.**

**Advisor
Matiwos Ensermu(PhD)**

**June, 2017
Addis Ababa, Ethiopia**

**Assessment on the Logistics Outsourcing Practice of Commercial
Bank of Ethiopia(CBE)**

Zeky Kedir Arab

Approved by Board of Examiners and Advisor

<u>Matiwos Ensermu(PhD)</u>	_____	_____
Advisor	Signature	Date
<u>Shiferaw Mitiku(PhD)</u>	_____	_____
Examiner (Internal)	Signature	Date
<u>Biruk Solomon(PhD)</u>	_____	_____
Examiner (External)	Signature	Date
_____	_____	_____
Chairperson of department	Signature	Date

DECLARATION

I, the undersigned, hereby declare that the work which is being presented in this thesis entitled Assessment on the Logistics Outsourcing Practice of Commercial Bank of Ethiopia (CBE) is original work of my own, has not been presented in any of other university and that all sources of material used for the thesis have been duly acknowledged.

Name: Zeky Kedir Arab Signature: _____ Date _____

This is to certify that the above declaration made by the candidate is correct to the best of my knowledge.

Confirmed by:

Matiwos Enseru (phD) Signature: _____ Date _____

Place and Date of Submission: Addis Ababa University School of Commerce, Department of Logistics and Supply Chain Management, June, 2017.

Acknowledgement

First and for most I am very grateful to almighty God (Allah) who helped me to begin and finish this study. Second, I would like to thank my dear wife Kenzy Zeynu and my baby Harun Zeky for their tolerance and patency. I also thanks to my friend Yared Haylemariam for his valuable and constructive advise and information. Next, my deepest thanks goes to CBE employees who helped me by filling the questionnaires and providing documents that used as an input for the study. Moreover, when I looked back on the past, from where I have started to follow my dreams there have always been people who gave me enormous courage, inspiration and support. In relation to this I would like to truly and deeply thank my elder brother Ato Shakir Kedir.

Table of Content	page
Acknowledgement.....	I
Table of contents	II
List of Tables and Figures	V
Acronyms	VI
Abstract	VII
CHAPTER ONE:INTRODUCTION.....	1
1.1 Background of Stud.....	1
1.2 Statement of the problem.....	2
1.3 Research Questions	3
1.4 Objective of the Study.....	3
1.4.1 General Objective	3
1.4.2 Specific Objective.....	3
1.5 Significance of the study.....	4
1.6 Limitations o the study.....	4
1.7 Scope of the study	5
1.8 Organization of the study	6
CHAPTER TWO: RELATED LITERATURE REVIEW.....	7
2.1 Introduction.....	7
2.2 Over view of outsourcing	7
2.3 Logistics outsourcing	7

4.1.2 Experience of Respondents.....	32
4.2. Extent of Logistic outsourcing by commercial bank of Ethiopia	33
4.2.1 Awareness level of employees of the bank on logistics outsourcing.....	33
4.2.2 Extent of Logistic outsourcing by the bank in general.....	34
4.2.3 Level of satisfaction regarding the outsourced services.....	25
4.3 Reasons for Outsourcing the Logistics Practice of the bank.....	39
4.4 Benefit Gained After outsourcing the services.....	43
4.5 Challenges of Outsourcing Logistics Services.....	44
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	51
5.1 Summary of Findings.....	51
5.2 Conclusions.....	53
5.3 Recommendation.....	54
5.4 Suggestions for further study.....	55
<i>Reference</i>.....	56
Annex.....	

LIST OF TABLES	PAGE
Table 3.1 Respondents Target Population and Sample Size.....	29
Table 4.1 Respondents Profile.....	32
Table 4.2.1 Awareness Level of Respondents about the Logistic Outsourcing.....	33
Table 4.2.2 The extent of Logistics Service Outsourced by CBE.....	34
Table 4.2.3 Level of satisfaction on the outsourced logistics services.....	35
Table 4.2.4: Agreements with Various Inventory Management Practices.....	36
Table 4.2.5: Agreements with Various Warehouse Management Practices.....	37
Table 4.2.6: Agreements with Various Material Management Practices by the Bank..	37
-Table 4.2.7: Agreements with Various Transport Management Practices.....	38
Table 4.2.8: Agreements with Procurement Logistics Management Practices.....	38
Table 4.3 Reasons of outsourcing the logistics activities.....	40
Table 4.4 Advantage/benefits of outsourcing the Logistics Service.....	44
Table 4.5 Challenges observed after outsourcing the logistics service.....	48

ACRONYMS

CBE- Commercial Bank of Ethiopia

CSCMP- Council of Supply Chain Management Professionals

LSP-Logistics Service Provider

PLC -Private limited company

SLA- Service Level Agreement

ABSTRACT

The purpose of this research is to assess the challenges and prospects of outsourcing the logistics services in commercial bank of Ethiopia and to come up with the possible solution to minimize the existing problems. The study covers Commercial Bank of Ethiopia districts under Addis Ababa and Facilities Manager at the head. In this study descriptive type of research is applied and to get relevant information about the study both primary and secondary data were used. The findings of the study show that the outsourced services enabled the bank to save managers time, give more attention for the core functions of the bank rather than non core areas and expand its branch aggressively. On the contrary defining Service Level Agreement, selecting the right vendor, loss of direct controlling and measuring service qualities were the challenges of the bank as the result of outsourced services. Thus, the performance of the service provider was not as per service level agreement. Finally, it is recommended that commercial bank of Ethiopia should deal with the service provider to revise the service level The bank also need to follow up the service quality as per Service Level Agreement. In conclusion, the bank has outsourced some of its activities expecting many benefits out of it. It has benefited in concentrating on core banking activities, but it has not been benefited as much as expected. It also faced different challenges but tries to mitigate those challenges by using different strategies or mechanisms. Based on the findings of the study, the research recommended that the bank has to concentrate on diversifying the type of services to be outsourced, the service providing company and strategies to mitigate challenges in order to gain the demanded benefits out of outsourcing.

Key words Logistics, Outsourcing, Service

CHAPTER ONE:

1. INTRODUCTION

1.1 Background of the Study

Outsourcing of logistics services is one of the strategies which are becoming very common with many organizations today. Outsourcing is a popular practice in business whereby organizations move some of a firm's internal activities and decision responsibilities to outside providers thus enhance their productivity in their operations and service delivery, Chase, (2004). Logistics outsourcing practices include information management, transportation management, warehouse management, material handling management and inventory management Forslund, (2012). The highly competitive environments along with customers' demands for tailored products and services has forced companies to continuously evaluate, improve and reengineer their operations. Today organizations most significant demands would be, maximize[ing logistics value by reducing business costs and lead time, improving service flexibility, responsiveness and reliability Lee & Song, (2015).

Operational performance improvement has been achieved by organizations which are using logistics service providers in their operations as it's become one of the major strategies that companies are adapting to remain competitive in the current dynamic environment. House & Stank, (2001), third-party logistics provider can help a firm achieve substantial results in its operational performance. As per Muller, (1991) an improvement in the delivery process, resulting from the outsourcing process, can also contribute towards competitive advantages, as contributed by the product. Logistics outsourcing resulted in operational performance improvement through; decreased operating costs, improved customer satisfaction, increased productivity, timely delivery of services to clients, reduced lead time and improved profits, faster

response to customer's demands and use of modern technology in offering services Mulama,(2012).

1.2 Statement of the Problem

Outsourcing is one of the most prevalent trends in today's world business environment even though it is a new practice in Ethiopia. Organizations have different reasons for outsourcing the parts of functions in their operation. In many cases, the aim is to outsource non-core activities in order to gain competitive advantages by transferring such functions to specialist companies with the required capabilities and the necessary experience there by allowing time and space for the company to plan in the long term.

CBE, Its vision is to become world class commercial bank by the year 2025, though improvements had been visible in the supply of office equipment, furniture and related items, there still exists a wide gap between requesting organs' need and the supply of same in terms of timing, adequacy and quality .The Bank's resource and capabilities relative strength against world class banks are inadequate.

Movement of resources for banks' various activities depend on the quality of supply chain system and interface between operational requirements and service delivery a time place and utility interactions.

The expansion and growth trend in the Ethiopian banking sector has resulted in the deployment of new technologies equipment and other facilities to enhance operational efficiency. Delay in procurement and lack of long term relationship with suppliers in purchase of critical operational items is stated as the weakness of CBE during the strategic period elapsed in 2016, and low supply and quality of office equipment and furniture remains the challenge in the current strategic period that starts from 2016/17 to 2019/20,CBE's corporate strategy implementation

document (2010/11).Based on the document of the bank, the needs for logistics outsourcing has not been given the kind of attention it deserves to overcome the logistics inefficiencies being existed in the bank.

The starting point of this study is to assess the logistics outsourcing practice being adopted by the bank, as stated by Srivastava,(2006), “analyzing and assessing logistics and supply chain practices will help discern important issues such as emerging trends and areas of concern which will help in taking remedial measures.

1.3 Research Questions

This study attempted to answer the following key research questions:

1. What is the extent of logistics outsourcing in CBE?
2. What are the reasons for outsourcing logistics activities in CBE?
3. What are the benefits gained after outsourcing logistics activities by the bank?
4. What are the challenges of logistics outsourcing by CBE?

1.4 Objectives of the study

1.4.1 General objectives

The general objective of this study is to assess the current logistics outsourcing practice of CBE in relation to the outsourced logistics service with the aim of identifying the logistical challenges that impede competitiveness of the bank.

1.4.2 Specific objectives

1. Identifying the extent of logistics outsourcing in commercial bank of Ethiopia.
2. Identify the reasons and benefits of outsourcing logistics activities (such as Inventory, Warehouse, Materials handling, Transportations and Procurement Logistics management).

3. Identifying the challenges in logistics outsourcing practice.

1.5 Significant of the Study

The concept of outsourcing was exercised for the last decades in different countries and companies but, it is a new concept and practice in Ethiopia. Due to the different reasons organizations decide which services should be outsourced or not outsourced. Based on their decisions, organizations may get benefits or face challenges. So study examines such problems in outsourcing, identify the benefits and challenges after outsourcing, and reasons for outsourcing. Based on these it is expected that the findings and recommendations are useful to commercial bank of Ethiopia and other similar business organizations, particularly for those considering outsourcing or broadening the range of their services. In addition, the study creates an opportunity for the researcher to gain more knowledge in the practices of outsourcing. Moreover the study will serve as a reference for other researchers who conduct further research in related issues.

1.6 Limitations of the study

The findings of this study should be viewed in light of a few limitations. The use of questionnaire to gather relevant information on the perceived benefits and risks on outsourcing must be noted. The richness and depth of this research can be enhanced by use of interviews and observations. In addition, a pragmatic review and analysis could have benefited more by use of internal bank documents like board minutes, policies and procedures which could have provided more insight into the operations and strategic thinking of the management. The study is limited to the extent that its focus is on an individual industry and bank, Ethiopian banking sector and Commercial bank of Ethiopia respectively.

In additions, given the changes that are taking place globally and enactment of rules and laws, on corporate governance, it would be necessary to carry out research on the role of board members in outsourcing. As it has been the tradition, the board is the key internal governance mechanism, and it would of interest to understand the board-room dynamics in making decisions to outsource of certain banking services. Interviewing board members on this vital and emerging practice will provide a rich textual and thematic understanding of boards“ evaluation of risks and benefits as well as prioritization of services to be outsourced. The findings are useful to further refine the already existing Corporate Guidelines with respect to the role of the board in considering outsourcing of certain banking services from a third party.

1.7 Scope of the Study

As stated before, this research deals with the logistics outsourcing in Commercial Bank of Ethiopia. Logistics outsourcing is a very vast area that covers all the business functions; however, considering the available time and finance, it is not possible to include all business function in this study. Thus, considering available time and budget, and also to make the research more manageable and controllable only the following five business functions, which the researcher believes the most appropriate under Ethiopia case, are considered:

Inventory Management

Warehouse management

Material handling management

Transportation management

Procurement logistics management.

1.8 Organization of the Study

The study organized in five chapters as follows:

Chapter one: brought about the general introduction of the study. This includes background of the study, statement of the problem, , research questions, objectives of the study, significance of the study, limitations, delimitations of the study, and overview of the study.

Chapter two: focused on the literature review which is devoted to the review of related and existing literature and the related current study.

Chapter three: focused on the methodology used for the study. That is mode of data collection and analysis procedure. It comprises the population size, sample size, sampling techniques, research instruments, sources and types of data.

Chapter four: discussed the results of the study. It covers the findings and discussions of the findings from data analysis. It will also dealt with the interpretation of the findings by use of descriptive analysis.

Chapter five: contains summary of the study, conclusion and recommendations.

CHAPTER TWO

2.RELATED LITERATURE REVIEW

2.1 Introduction

This chapter will provide information from publications on the related topics as well as theories related to Logistics outsourcing. It will examine findings from various scholars and authors about logistics outsourcing. The chapter will cover the theories of logistics outsourcing, levels of logistics outsourcing, and the logistics outsourcing practices, benefit of logistics outsourcing to firm performance, performance measures and lastly the challenges of logistics outsourcing and conceptual framework.

2.2 Overview of Outsourcing

In modern times, most senior managers sometimes prefer to entrust outside firms or laborers with critical tasks. The fact is, senior management often finds outside firms to be more cost-effective. Managers often claim they can hire a guy cheaply but they also know the job will be done on time and in a predictable fashion. And if it isn't, they can get somebody else without going through the hassles of hiring and firing employees. It is vision, function, and economics that drive the need for outsourcing Harkins, (1996). A recent study indicates that outsourcing operations is the trend of the future and that organization already outsourcing activities are pleased with the results. A year-long international study by Arthur Andersen and The Economist Intelligence Unit finds that 93 13 percent of corporations interviewed plan to outsource in the next three years. Of those that already outsource, 91 percent are satisfied with the results, Struebing (1996).

2.3 Logistics Outsourcing

Logistics outsourcing involves a relationship between a company and LSP (logistics service provider). In 2005 the Council of Supply Chain Management Professionals (CSCMP 2005) defined logistics as ‘that 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.’”

On the other hand outsourcing is seen as a means through which a business condition or a problem can be alleviated in a manner that is more efficient or effective than in-house performance of logistics functions. Cognitive motivation involves careful analysis of alternatives or a well thought out corporate policy indicating that outsourcing is the best path for a company ,Gayfan, and Arroyo (2006)

It is defined as the operation of shifting previously internally guaranteed transactions to an external supplier through a long term contract frequently involving the transfer of staff to the vendor. Raiborn et al (2009) describe outsourcing as the act of turning to an external organization to perform a function previously performed in-house. The outsourcing process is a complex structure consisting of numerous activities and sub activities; it therefore does bring about some managerial dilemmas due to the additional costs.

2.4 Types of Logistics Functions Outsourced

The need for outsourcing has grown over the last two decades as there is an increase in global competition , downsizing , the move to flatter organizations, the need to reduce costs, improve quality ,service and delivery, organizational focus , increase flexibility , facilitate changes and the emphasis on core competencies (Fan 2000).

Outsourcing of logistics services is becoming more popular and relevant today especially in the wake of globalization. Third party service providers are highly specialized and can offer the same service at a significantly lower cost thus firms can better manage the forces in the macro environment, be competitive and help the firm improve its overall performance. This study will adapt some of the variables including the transportation management, warehouse management, material handling management, , inventory management and procurement logistics , as they are the aspects that comprise logistics outsourcing.

The organization of market places has shifted from pure hierarchy and market based modes to hybrid arrangements involving significant vendor participation (Fritsch and Wullenweber, (2007).Some of the Logistics outsourcing practice include Inventory management, Warehouse management, and Information management, Material handling management, Transport management and Logistics procurements practices.

2.4.1 Inventory management

Inventory management involves providing the required inventory levels that will sustain the organization's daily operations at minimum costs. This covers issues like determining the level of stock to order, when to order, establishing receipt and inspection procedures and providing proper storage facilities. Without proper stock control procedures in place, firms are likely to face two undesirable inventory levels. That is to say excessive/ high levels of inventory or inadequate/ low levels of inventory Dickerson (1995).

Inventory management practices lead to firms maintaining lean inventory that is inventory should not be too much or too little enabled by periodical reviews and revising stocking patterns and norms. Selection of the vendor must be properly done with subsequent checks and balance in the process. Inventory is dependent upon the demand as well as the supply chain delivery time.

Often companies follow one stocking policy for all items. Vaidyanathan, (1998) cycle counting practice is an inventory accuracy audit technique where inventory is counted on a cyclic schedule rather than once a year. A cycle inventory count is usually taken on a regular, defined basis often more frequently for high-value or fast moving items and less frequently for low-value or slow moving items. While some items may have a longer lead-time thus affecting the inventory holding, the demand pattern and the hit frequency in terms of past data may show up differently for each of the inventory items. Therefore one standard norm does not suit all and can lead to over stocking of inventory as well as inefficiencies in the system.

By outsourcing inventory management organization can improve on its operations performance. Mulinge, (2014) results depicted that there have been good inventory turns/proper space utilization, inventory accuracy in recording, good housekeeping practices and proper flow of inventory achieved to large extent. Key purpose in inventory handling management is Inventory categorization; understanding the inventory types and their specific characteristics then building inventory stocking parameters taking into account the unique characteristics of the particular inventory. Segregate inventory on basis of whether it's obsolete hazardous or expired Catalogue management; studying inventory demand patterns, movement patterns and cycles to build suitable inventory norms for different categories of inventory. Carry out quality checks before receiving commodities into inventory. Employing machinery and portable electronic reader devices, which can be carried by employees, will boost productivity while reducing data entry error Simchi & Kaminsky (2005).

2.4.2 Warehouse management

Warehouse management of a firm logistics system stores product (raw material parts, good in progress and finished goods) at end between the points of origin and point of consumption. It

plans a weekly activity forecast on such factors as statistics and trends. It is also defined as the systematic location, storage and recording of goods in such a way that desired degree of service can be made to the operating shops at a minimum ultimate cost” S.C Sharma (1999). When considering the level of effort involved in warehouse operations, the greatest expenditure of effort is in the picking process. To gain efficiencies in picking the labor time to pick orders needs to be reduced and this can be achieved in a number of 11 ways. Companies with the most efficient warehouses have the most frequently picked items closest to the shipping areas to minimize picking time. These companies achieve their competitive advantage by constantly reviewing their sales data to ensure that the items are stored close to the shipping area are still the most frequently picked, Simchi & Kaminsky, (2005).

Warehouse layout is also important in achieving greater efficiencies thus in an effort to minimizing travel time between picking locations can greatly improve productivity. However, to achieve this increase in efficiency, companies must develop processes through the use of new technology so as to regularly monitor picking travel times and storage locations. Warehouse operations that still use hard copy pick tickets find that it is not very efficient and it’s prone to human errors. To combat this and to maximize efficiency, world class warehouse operations have adopted hand-held electronic readers and printers. Companies are also introducing pick-to-light and voice recognition technology Petroni(2000).

2.4.3 Material Handling Management

Material handling is the science of movement, handling and storage of material during transportation. People can move material by lifting the items directly or with the use of Material Handling equipment such as handcarts, slings, and other handling accessories. Material can also be moved using machines such as cranes and forklifts. These are generally used when heavy

materials need to be moved Mulama(2012). Material handling requires systematic recording, critical review and overseeing of all related activities to eliminate as many unnecessary movements as possible. It is a primary activity in all industries and involves numerous people and specialized material handling equipment.

Facility location decisions are a critical element in strategic logistics planning meant to adapt to dynamic changes in business environments surrounding the firm's supply - chain operations. The ramifications of facilities site are broadly based and long - lasting, impacting numerous operational and logistical decisions Petroni(2000). High costs associated with property acquisition and facility construction make facility location or relocation projects long - term investments. But although important, cost optimization is progressively being sided by logistic service considerations in the site location decision - making process.

2.4.4 Transport management

It is a service rather than a combination of transport options, in that it attempts to internalize some aspects of both transport and logistics, and also to overcome the operational and organizational issues associated with using multiple modes and several links in the transport chain. From a study on logistics outsourcing and performance of commercial Banks in Kenya, Kimulu(2014) found that route optimization had been achieved and fleet tracking tools increased vehicle visibility to large extent while vehicle scheduling improved to a moderate extent.

Logistics platforms connect different modal segments of the transport system, freight markets, and freight forwarders. Considering this alternative and managing it adequately may create critical competitive advantages in the supply chain, from the suppliers of raw materials to the final consumer. Adequate structures are required for distribution activities where coordination between modes and transportation systems is essential. Integration and coordination also implies

new forms of relationships between suppliers, distributors, freight forwarder firms, and possibly even consumers that impudence the management of the supply chain, Fierro & Benitez(2009).

2.4.5 Procurement Logistics Management

It consists of activities such as market research, requirements planning, make-or-buy decisions, supplier management, ordering, and order controlling. The targets in procurement logistics might be contradictory: maximizing efficiency by concentrating on core competences, outsourcing while maintaining the autonomy of the company, or minimizing procurement costs while maximizing security within the supply process, Mulama (2012).

2.5 Reason for outsourcing logistics service.

Outsourcing is not an end by itself. Its successful adoption involves different concerned parties in making important decisions about the business they are in and the best mechanism for delivering their services to the customers. Whether organization outsource for the first time or as a renewal exercise, the initial step is to determine the primary reasons for the outsourcing Choi,(2008).A company hires the services of the external party due to several reasons such as reduction in cost, trained employees, shortage of staff or equipment, better technology, best service quality, able to learn new things, contractors have better repute, to develop better relationship with other organizations, provides flexibility as organizations focus on other important functions etc Ashrefa, et al,(2010).

As survey conducted by Miller cited in Sriwongwana, (2009), 86 percent of respondents, including top executives, said that introducing outsourcing into their organizations could increase their overall business outcomes in many areas. Moreover, this research identified that there are many reasons to outsource; including that 59 percent of respondents wanted to concentrate on their core business activities; 36 percent of respondents wanted to outsource to more quickly

attain business goals; 32 percent of respondents wanted to focus on product innovations; 28 percent of respondents want to focus on market changes; and, 22 percent of respondents go this route expecting to boost revenues and profits.

Even though each organization have their own specific reasons to outsource its function to suppliers, according to different scholars the following are the main reason for organizations to make a decision for the outsourcing.

A. *Focus on strategy:* accompany manager typically spent the bulk of each day handling the detailed operation their functional areas. By outsourcing this function accompany can give the tactical part of each manager's job to supplier which allows the management team to spent more time on strategic issues as market positioning and product development (Bragg ,1998)

B. *Focus on core functions:* A company has very small number of functions that are keys to survival. To give more attention to this core functions company distribute non core functions among a group of suppliers who are capable of performing them well enough that company management will not have bother any of the details associated running them (Bragg,1998). Successful outsourcing allows the organization to focus in-house resources on tackling priorities. When organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently. Outsourcing of some non-core functions provides organizations with the flexibility to redirect and focus their resources on activities critical to their mission (Choi, 2008).

On the other side Bragg (1998) notice that, sometimes the company may outsource those functions that are core function at the moment ,but which are expected to become less important in the near future due to change in the nature of the business. Brown and Wilson (2005) also support this point; the company would keep only those core functions in house when the staff

can do better than the supplier. In addition, a company could even outsource a function that is considered as a key to survival if it can find a supplier that can perform the function better. In sum a company need to keep its functions in house if the functions are core functions as well as there is no supplier that can do it better than the company itself.

C. *Avoid major investment:* Due to lack of investment some functions in a company are not as efficient as it could be. If the company keeps this function in-house, it is forced to make a large investment for the function in order to modernize it. By outsourcing the function, such function the company permanently avoid having to make this investment (Bragg, 1998). The value of using outside provider is clear: better service for less investment of the capital and management time (Wilson and Brown, 2005).

D. *Assist fast growth situation:* If the company is rapidly acquiring market share, the management team will be stretched to its limit building the company up and to handle the volume of the business. In such situation the management team will desperately need additional help in running the company by focusing on a small number of core activities (Bragg, 1998).

E. *Improve flexibility:* According to Domberger (1998) flexibility is the ability to adjust the scale and the scope of production upward or downwards at lowest cost and rapid rate when a function experiences extremely large swing in the volume of work it handles, it may easier to eliminate the fixed cost of an internal staff and move the function to suppliers who will only paid for the actual work done. This converts the fixed cost into a variable cost –the price of the supplier’s will fluctuate directly with in the transaction volume it handles (Bragg, 1998).

In addition to the above point Choi (2008) justify flexibility in another way; maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods. On the contrary, organizations may only be able to

maintain resources at a level just sufficient to meet normal demand, which is lead to poorer customer service at peak periods. In such situation outsourcing of functions that are subject to peaks and troughs in usage can provide organization with the flexibility to respond rapidly to changing demands.

F. *Reduce cost*: outsourcing is not all about reducing cost. However, a company may emphasize cost saving of a variety of reason, such as being a poor financial position, plan to increase profit. A supplier can lower costs by centralizing the work of several companies at one location, purchase its input in large volume. So, the company can reduce its cost indirectly by transferring its function to this type of suppliers (Brown and Wilson, 2005)

G. *Access to skills*: Organization may faced with a shortage of skilled and experienced staff brought about by the change in the business operation setting , retirements, resignations, or recruitment problems. Existing staff may not always have the necessary skills to keep pace with rapidly evolving change and technology. When an organization is contemplating providing new services, outsourcing can ease the process of building the skills and resources required to respond to these new initiatives. In some cases, outsourcing to an external service provider may be the only practical way to access the skills necessary to properly deliver services. On top of this organizations also benefit from having their staff work with the service provider's specialists (Choi, 2008).

H. *To acquire better management*: An in-house function which is no longer effective or efficient due to poor management can be outsourced to a supplier who will give access to the best and most experienced experts in the functional areas(Bragg, 1998).

I. *Improving service quality*: Functions noncore for the outsourcer is core for the vendors, and the vendor focus on reengineering and running the process efficiently. Since it is a core activity

for the vendor, it would strive to bring about improvements in the outsourced process and deliver superior quality standard than the company itself (Aran and Patel, 2005).

Bragg (1998) notice that before deciding outsource based on one or more of the above reason, the concerned body who is making the outsourcing decision should consider that it is not necessary outsource an entire area rather rick those tasks within the function that are clearly worthy of being outsourced and keep all other tasks in-house. As Domberger (1998) contracting the provision of key parts and components can loss an organization its core competences. Brown and Wilson (2005) thus, selective outsourcing reduces the risk of the company when the chosen suppliers do a bad job or not perform its task properly.

2.6 Benefits of outsourcing Logistics Service

Outsourcing strategies began as purely a cost saving exercise but has since evolved to an approach in which cost is often a secondary consideration. Hätönen, et al, (2009). Access to new labor markets provided firms with several benefits:

Cost advantages: Costs are usually the primary motivation behind outsourcing Narayanan, (2009). The direct savings in labor cost can alone justify outsourcing functions to a 3rd party.

Focus on core competencies: A "core" competency is one which offers the company competitive advantage over its competitors. Time spent on non-core functions only serve to decrease the company's competitive advantage, so companies often chose to outsource them Dad & Iqbal, (2013).

Quality and Capability: Companies can outsource functions in which they don't have expertise in. This saves the company needing to employ, train and maintain staff to perform these functions Amiti & Wei, (2005).

Access to Global talent: Outsourcing to companies in different geographical locations offers companies the capability to operate in different time zones and thus improve overall business performance levels Gupta, (2009).

2.7 Challenges of Outsourcing Logistics service

Rushton & Walker, (2007) classify the challenge of outsourcing logistics in to internal and external. They assessed the most likely factors that could cause an outsourcing strategy to fail. The results are inefficient management, dependence on the 3PL, loss of control over the 3PL, loss of logistics innovative capacity, performance monitoring and evaluation, latent information asymmetry, clashing company cultures and hidden costs. On the other hand the problem of the restricted availability of suitable management and labor, unpredictable and unexpected events such as natural disasters, terrorist attacks, corporate failures and industrial disputes that have resulted in, among other things, serious disruptions to supply-chain and logistics activities and added logistics problems with respect to the impact on stock levels and in particular the speed of delivery required are some of the external challenges.

Bendor-Samuel & Lynch, 2000 mentioned that outsourcing is fraught with potential problems such as: inadequately scoped work, inadequate control systems over how certain services are delivered, which in turn may raise the company's liability exposures; hidden costs and risks; inadequate high level management support or lack thereof; poor organizational communication; cross-functional political problems; unclear expectations; uncertainties associated with the stability of the service companies; and issues of confidentiality, security, timing, and lack of flexibility (as cited Waugh & Luke, (2011).

Forrest B. Green , (2008) also indicate the disadvantages of outsourcing such as: loss of control over the logistics function impact on in-house workforce, more distance from clients- loss of personal touch, discontinuity of services of a 3PL provider and differences of opinion or perception of the service level of the 3PL provider.

The failures of outsourcing are classified into three main types of risk factors: performance failure, organizational asset failure and market competition failure Grigorencu, (2013).

Performance problems are subcategorized into four sub-items which are: delay of time, hidden cost, potential quality inferiority and incapacity to help solve emergency problems in time Kersten & Blecker, (2006).

Organizational assets problems are subdivided also into four categories. In this area problems may appear in the area of switching costs from abrogation of contracts, loss of knowhow, loss of control and employees“ disturbance, also called staff degradation Kersten & Blecker,(2006).

Market competition represents a risk for outsourcing of logistics services. According to Kersten & Blecker (2006) these issues come from customer complaints and the diminishing of market reaction elasticity.

2.8 Intra-firm supply chain performance

Neely, Gregory and Platts (1995) compiled the earlier literature on performance measurement, concluding that performance could be divided into four dimensions of quality, time, cost and flexibility. From the supply chain perspective Beamon (1999) modified these dimensions, dividing supply chain performance into three categories: resource-related, output-related and flexibility- related. Gunasekaran, Patel and McGaughey (2004), on the other hand, classified the performance metrics as strategic, tactical and operational, or according to the supply chain activity (plan, source, make, deliver) they are mainly linked to.

Lorentz et al. (2012) measured performance as intra-firm supply chain performance and financial performance, including cost performance, service performance and asset utilization as dimensions of intra-firm supply chain performance. In the following paragraphs the intra firm performance dimensions will be presented in detail.

2.8.1 Logistics costs

Cost performance is considered a key part of firm performance, for example by Beamon (1999).. Depending on the source and measurement technique used, the share of logistics costs of the total costs may vary significantly, but is estimated to be around 10% of sales in industrialized countries , Laari & Töyli(2012).

Even though logistics costs are widely discussed, no unified definition on what is included and what is excluded exists. One of the earliest definitions of logistics costs is from Glaskowsky and Ivie (1973), who divide logistics costs into four categories: transportation costs, warehousing costs, inventory carrying costs and logistics administration costs. A similar classification has since been used for example by ELA and AT Kearney (2009). Zeng and Rossetti (2003) include customs risk and damage and handling and packaging as elements of logistics costs. Klaus and Kille (2007) and Klaus et al. (2010) separate order entry costs from administration. Gunasekaran, Patel and Tirtiroglu (2001) define logistics costs to include opportunity cost of capital and costs associated with risk, such as cost of lost sales.

2.8.2 Service performance

In addition to the frequently discussed cost performance, different measures of service performance are also considered to be a crucial part of firm performance. Beamon (1999) lists fill rate, on-time deliveries, stock out, customer response time, manufacturing lead time, shipping errors and customer complaints as measures of output performance. Fawcett and Cooper (1998)

consider perfect order fulfillment, order fulfillment cycle time and supply chain response time as measures of supply chain performance.

2.8.3 Asset utilization

In addition to service performance, asset utilization in some form or another is often mentioned among the important performance metrics to the firm Templar(2011). Some authors consider asset utilization to be a part of financial performance Capon et al.(1990; Brewer & Speh (2000). Lambert and Pohlen (2001) depict them as being “key numbers expressing operational performance in financial terms

2.9 Organizational Structure of Commercial Bank of Ethiopia:

The Ethiopian commercial banking system is structured on a system whereby a set of individual banks operate through a network of branches controlled largely by policies, standards and directives from the head office . A branch banking organization according to Yom (2005) and Peter and Sylvia (2008) offers a full range of banking services from several locations including a head office and one or more full-service branch office(s).

Commercial bank of Ethiopia (CBE) was established in 1942 and it is pioneer to introduce modern banking to the country. As CBE is the largest bank and development partner of the Ethiopian Government, it is expected to mobilize much amount of deposit. Currently, Commercial Bank of Ethiopia has 15 district offices and more than 1150 branches(As at May,2017) throughout the country which are serving as market outlets (www.combanketh.et).

Since 2010 commercial bank of Ethiopia have exhibited universal outlook combining core banking with complimentary financial services characterized by increased application of computer for customer services such as account opening, self-service tellers/outline ATMs for cash, electronic banking, account mandate and other real-time capabilities. Within a few years

Commercial bank of Ethiopia expanded its branch in an alarming rate in the four corners of the country. Parallel to this, its activities which are the core and non core functions are also increased, and the burden of management become very high from time to time. As the need to emphasize on the value-added functions such as internet banking, mobile banking, card banking and interest free banking were increased.

According to CBE's strategic document , the bank has already envisaged the banking industry is becoming very competitive, especially with the establishment of an increasing number of new private banks. Beyond the local competition the vision of CBE is "to be a world class commercial bank by 2025" .To be a world class bank CBE to prepare itself for the forthcoming challenges in order to safeguard and improve its position.

A typical branch has a manager at the helm of its affairs assisted by a management team having limited authority to make decisions on customer loan application, asset acquisition, recruitment and other facets of bank operations. Usually, operations especially granting of loan request of specific magnitude are referred to the head offices for final decisions. The arrangement creates a system of referral and facilities requisitions between the remotest branches say in a rural area to head office. While such system is designed to afford efficient remittances of facilities and prevents duplication of efforts; the operational cost involved is likely to be sub-optimal without a carefully designed supply-chain system workable logistics management.

It is crucial for CBE to be able to meet the needs and increasing demand of customers for better and improved products or services in terms of banker-customer relationship. In relation to this the efficiency and effectiveness of the CBE have to be supported with the participation of outside specialist service providers that leads to outsourcing. The Bank found it significantly very important to consider outsourcing as a management option. Thus, CBE board initiated a set of

studies to identify the possible areas of outsourcing for core processes and support processes .Based on this in 2009 consultants with team members of the CBE conduct a study and attempted to provide a more detailed analysis about which activity to or not to outsourced, what tasks are to be outsourced. In this study an attempt has been made to assess the logistics outsourcing practice of the bank.

2.10 Conceptual Framework

The Council for logistic Management (CLM) cited in Obiora (2008) defines logistics as that part of the supply chain process that plans, implements and control the efficient, effective flow and storage of goods and services as well as related information from the point of origin to the point of consumption to meet customer requirements. The imperatives of logistic management, according to Rafele (2004) are that it makes available the right product, in the right quantity to the right customers at the right place and at the right time and cost. Resource acquisition and channeling are integral aspects in bank operational planning as it influences the quality of service (output) and branch efficiency. Movement of resources for banks' various activities depend on the quality of supply-chain system and interface between operational requirement and service delivery; a time, place and utility interaction. Reporting relationship within an organization will determine the quality of communication flow as well as resources deployment.

Organizational performance can be seen as a multi-dimensional construct consisting of more than simply financial performance. According to Swanson (2000) organizational performance is the valued productive output of a system in the form of goods and services. Organizational performance can be subdivided into three categories; financial performance (profit), internal non-financial performance (production) and external non-financial performance (customer satisfaction). Private sector organizations strive for good financial results whereas public

organizations are aimed at non-financial like delivering good public services to citizens. Gottfredson et al, (2005) many organizations have been pursuing similar arrangement with their suppliers whereby the companies outsource much of the products design to specialist design companies.

Miles and Huberman (1994) defined a conceptual framework as visual or written product, one that 'explains, either graphically or in narrative form, the main things to be studied the key factors, concepts, or variables- and the presumed relationships among them. Mulama (2012) found out that logistics of services has become a common practice among organization worldwide and this is due to the various benefits that accrue to a firm as a result of logistics outsourcing.

With the rapidly completion in the financial market in Ethiopia, banks are extraneously using growth performance indicators, that provide them with a platform of competing well in the markets. Different banks are therefore creating products services with the central aim of emerging as key players in the industry.

According to CBE's document, (2009) , the bank has already envisaged the banking industry is becoming very competitive, especially with the establishment of an increasing number of new private banks. The Bank found it significantly very important to consider outsourcing as a management option. Thus, CBE board initiated a set of studies to identify the possible areas of outsourcing for core processes and support processes. This study is therefore, tried to assess which logistics activities are outsourced in the bank and the reason for the decision for outsourcing those logistics activities as well as the challenges of outsourcing logistics activities.

CHAPTER THREE

3.RESEARCH METHODOLOGY

3.1 Introduction

This chapter will present the research methodology that will be applied in conducting the study. It will discuss the research design, target population, sampling design, data collection and techniques for data analysis.

3.2 Research Design

According to Singh (2006), the purpose of descriptive research is to examine the relationships of traits and characteristics (trends and patterns), facts findings and also oriented towards the descriptive of the present status of a given phenomenon. Hence, the objective of the research is to describe and interpret the current practice of logistics outsourcing which are in the commercial bank of Ethiopia with the aim of identifying the problems on being competitive in the industry. Thus, in this study descriptive type of research is applied.

3.3 Research Population and Sample

3.3.1 Population of the study

The population of the study includes employees of CBE working at the 15 district office in the country and facilities management support process headed by a vice president. The bank recently has 15 districts supervised by 15 process owners at the center. Employees who are working under the office of operation managers in the 15 districts in the entire nation and Facilities Manager support process(Head Office organ) are the population of this study. The sampling method applied in selecting the target population is purposive sampling technique. Purposive selection is the techniques of carefully selecting the sample to reflect the purpose of

investigation. There are 121 employees currently working under the processes that are taken as a target population in this study.

3.3.2 Sampling Techniques

Sampling techniques are the approaches that researchers use to select respondents or organization of interest from a population for a study ,Fink(1995)

The objective of the investigation decides the sample members and the stratification of the sample is arbitrary as it selects only those variables that relates to the objective of the study, Creswell(2005).

The sample estimate was calculated using the formula below recommended by Mugenda and Mugenda (2003).The formula yielded a sample of 51 respondents. This represents 41% of the population. According to Mugenda & Mugenda (2003) a sample size of 10% or more of a population is adequate for a survey.

$$n = p(1-p) (z/e)^2 \quad \text{where}$$

n = the desired sample size

z = the required normal deviate at the required confidence level.

p = the proportion in the target population estimated to have characteristics being measured.

$$q = 1-p$$

e = margin of error

The sample design is a definite plan for obtaining a sample from a given population, Kothari,(2004).

The reason or sampling in this study was to lower cost, accessibility o study population and the greater speed of data collection.

The study restricted the sample size to the employees who are working under the supervision of operations managers at the four districts in Addis Ababa (North Addis District, South Addis District, East Addis District and West Addis District) and Facilities Support process at Head Office.

Table 3.1 Respondents Target Population and Sample Size

No	Respondents	Target population	Sample Size
1	Facilities Vice President	1	
2	Procurement Director	1	1
3	Procurement manager	1	1
4	Procurement officers	18	8
5	Warehouse &Store manager	1	1
6	Store Keeper at head office	15	8
7	Outsourcing Manage	1	1
8	Outsourcing Officers	7	7
9	Transport manager	1	1
10	Transport officers	7	4
11	Drivers at transport section	15	3
12	District operations Managers	15	4
13	District Store keeper	38	12
	Total	121	51

CBE,HR(2017)

3.4 Data Collection techniques

In conducting the research both primary and secondary data sources are used. The primary data is collected through questionnaires that have four sections. The first section contains measurement questions that assess the current practice of logistics outsourcing in Commercial

Bank of Ethiopia. The second section is designed to collect information regarding the reasons of logistics outsourcing. The third and fourth section contains a rating scale measurement questions designed to collect the benefits of outsourcing and the challenges of outsourcing the logistics functions, respectively. The close-ended items to be used to collect the required data. In this technique the respondents have been only to tick the correct option to the question according to their opinions using a likert scale of 1-5 for the samples.

3.5 Data Analysis

In this section, data preparation and description of the data has been done respectively. The data preparation involved editing, coding and entry the data in computer and the data analysis has been done by using both qualitative and quantitative analysis. Descriptive statistics was used to analyze the basic features of the data in the study for the quantitative analysis. In this study, SPSS software was applied to analyze and interpret the data. The data is tabulated and summarized using percentages , frequency distribution tables, mean and standard deviations has been used for presentation of findings.

CHAPTER FOUR

4.RESULTS DISCUSSION AND INTERPRETATIONS

This chapter deals with data presentation, interpretation and analysis of data obtained from the primary source. The primary data was obtained from the questionnaire which is designed to collect the necessary data to answer the research questions.

The chapter is organized in the same way the measurement questions in the questionnaire are organized. Accordingly, the chapter will have five sections. The first part is the back ground information of the respondents. The second section deals with the extent of outsourcing practice in Commercial bank of Ethiopia. The third section identifies those reasons for outsourcing logistics functions by commercial bank of Ethiopian. The benefits for outsourcing logistics function is presented in the fourth section and the last section deals with the challenges for outsourcing logistics function by commercial bank of Ethiopia(CBE).

4.1 Respondents Profile

The demographic information considered in this study included educational background and experience of respondents working in the position and within the organization.

4.1.1 Educational background

As it is shown in Table 4.1 below 6% of the respondents have complete grade 10 or 12, 6% Certificate, 10%Diploma,70% Bachelor Degree and the rest 8% are post graduates. The result indicates that most of the respondents are Bachelor Degree graduate and it is believed that they can easily identify the benefits and challenges of logistics outsourcing practices.

4.1.2 Experience of Respondents

As shown in Table 4.1 below 31% of the respondents worked in their current position below five years and no respondent have work experience in the current position less than a year. In

addition,, 43% of the respondents indicated that they had worked in their current position for 6 to 10 years and 26% of responded that they have been working on the current position for more than 10 years. The result indicates that majority of the respondents had worked in the current position in the bank 6 to 10 years. Since, the respondents have the experience it is believed that they understand the practice of outsourcing logistics activities on in the bank.

Table 4.1 Respondents Profile

No	Variables	Categories	Frequency	%
1	Sex	Male	30	59
		Female	21	41
		Total	51	100
2	Work Experience In the current Position	Less than 1 years	0	0
		1-5 years	16	31
		6-10 years	22	43
		Greater than 10 years	13	26
		Total	51	100
3	Education	Grade 10/12	3	6
		Certificate	3	6
		Diploma	5	10
		Firs degree	36	70
		Above first degree	4	8
		Total	51	100

Source: Research Data (2017)

4.2. Extent of Logistic outsourcing by commercial bank of Ethiopia.

The first objective of the study was to determine the extent of logistics outsourcing by commercial bank of Ethiopia. As such the respondents were required to indicate their level of agreement with various statements on the extent to which their organizations had been practicing the various logistics practices.

This section is divided in to two sub sections: the first sub section assess the general information about outsourcing logistics services by the bank(awareness of employees of commercial bank of Ethiopia about the concept of logistics outsourcing, their satisfaction level on the status of the outsourced services and the extent of outsourced logistics services in general.

4.2.1 Awareness level of employees of the bank on logistics outsourcing.

To assess the awareness level of employees about the concept of logistics outsourcing respondents are asked to show their level ranging from very high to never heard of it.

Table 4.2.1 Awareness Level of Respondents about the Logistics Outsourcing

No	Level of Awareness	Frequency	%
1	Very High	19	37
2	High	28	55
3	Medium	4	8
4	Low	0	0
5	Very low	0	0
6	Never heard of it	0	0
	Total	51	100

Source: Research Data (2017)

According to Table 4.2.1, none of the respondents have lower than medium level of awareness and 63% of the respondents have more than medium level of awareness about the concept of outsourcing. Thus, the result shows that respondents have reasonable level of awareness about the concept of logistics outsourcing.

4.2.2 Extent of Logistic outsourcing by the bank in general.

The first objective of the study was to determine the extent of logistics outsourcing

By commercial bank of Ethiopia. Table 4.2.2 shows that, respondents are asked to select extent of the business functions that their organization has been practicing the outsource. To assists their effort the measurement question is presented in the form of checklist with five business

functions and additional space is provided to let them reveal those business functions that they have outsourced but not included in the checklist.

The scores of strongly disagree have been taken to represent a variable which had a mean score of 0 to 1.5, the scores of disagree have been taken to represent a variable with a mean score of 1.5 to 2.5, the score of neutral have been taken to represent a variable which had a mean score of 2.5 to 3.5, the score of agree have been taken to represent a variable which had a mean score of 3.5 to 4.5 and the score of strongly agree have been taken to represent a variable which had a mean score of above 4.5. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

Table 4.2.2 The extent of Logistics Service Outsourced by CBE.

NO	Outsourced logistics activities.	No	Mean	Sd. devn
1	Inventory Management	51	3.6	.77608
2	Warehousing Management Activities	51	3.8	.88668
3	Material handling Activities	51	3.2	.74278
4	Transportation Management Activities	51	3.2	.81931
5	Procurement Logistics Management	51	3.4	.77608
	Please list other activities if any not mentioned.			

Source: Research Data (2017)

The results show that the respondents rated as highest the adoption of Warehouse Management (3.8) as a logistic operation practice practiced most by Commercial Bank of Ethiopia . This was followed by Inventory management (3.6), Procurement logistics management(3.4) and the list outsourced logistics activities by CBE, are Transport management and Material handling management equally (3.2).

4.2.3 Level of satisfaction regarding the outsourced services

To evaluate the satisfaction level of employees of the bank regarding the outsourced service, respondents are asked to select their level of satisfaction from an option box that contains satisfaction levels ranging from very satisfied to very unsatisfied.

Table 4.2.3 Level of satisfaction on the outsourced logistics services

No	Level of satisfaction	Frequency	%
1	Very Satisfied	9	18
2	Satisfied	28	54
3	Indifferent	8	16
4	Unsatisfied	6	12
5	Very Unsatisfied	0	
	<i>Total</i>	<i>51</i>	<i>100</i>

Source: Research Data (2017)

The table above presents the results on Extent respondent is satisfied on the performance of outsourced logistics activity .There is a high variation in the satisfaction level of employees of the bank regarding the outsourced services. This might be due to the variation in the quality of service provided by different outsourcing service providers.

According to the results, majority of the respondents shown by 54% were satisfied to a large extent on the performance of CBE, 18% to a very large extent, 16% to a moderate extent and 12% are unsatisfied by the performance of their bank.

4.2.3 Extent of Logistic outsourcing by the bank

The first objective of the study was to determine the extent of logistics outsourcing among commercial banks in Kenya. As such the respondents were required to indicate their level of agreement with various statements on the extent to which their organizations had been practicing the various logistics practices.

The scores of strongly disagree have been taken to represent a variable which had a mean score of 0 to 1.5, the scores of disagree have been taken to represent a variable with a mean score of 1.5 to 2.5, the score of neutral have been taken to represent a variable which had a mean score of 2.5 to 3.5, the score of agree have been taken to represent a variable which had a mean score of 3.5 to 4.5 and the score of strongly agree have been taken to represent a variable which had a mean score of above 4.5. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

Table 4.2.4: Agreements with Various Inventory Management Practices .

No	Inventory Management	No	Mean	St.dev
1	Proper flow of inventory	51	3.7000	.79438
2	Inventory accuracy has been achieved	51	3.8333	.83391
3	Good inventory turns/ proper space utilization	51	3.8667	.81931
4	Good housekeeping practices have been achieved by	51	3.8333	.83391

Source: Research Data (2017)

According to the results depicted in Table 4.2.4, majority of the respondents agreed that there have been good inventory turns/ proper space utilization to large extent as shown by 51 a mean score of 3.8667, inventory accuracy has been achieved to large extent as shown by a mean score of 3.8333, good housekeeping practices have been achieved by the organizations to large extent as shown by a mean score of 3.8333 and there is proper flow of inventory to large extent as shown by a mean score of 3.7000.

Table 4.2.5: Agreements with Various Warehouse Management Practices

No	Warehouse Management	No	Mean	St.dev
1	Proper receipt procedures have been undertaken by staff	51	3.8000	.96132
2	Less damages to commodities due to proper storage	51	3.8333	.83391
3	Staff welfare has been achieved due to implementation of health and safety standards	51	3.9000	.84486

Source: Research Data (2017)

From the results shown in Table 4.2.5 above, there was agreement from most of the respondents that there has been staff welfare has been achieved due to implementation of health and safety standards to large extent as shown by a mean score of 3.9000, there are less damages to commodities due to proper storage to large extent as shown by a mean score of 3.8333 and proper receipt procedures have been undertaken by staff to large extent as shown by a mean score of 3.8000.

Table 4.2.6: Agreements with Various Material Management Practices by the Bank

No	Material Management	No	Mean	St.deviation
1	Quality check on the materials	51	3.8000	.84690
2	Adoption of modern storage infrastructure.	51	3.8000	.80516
3	Efficiency due to use of modern material handling Equipment	51	3.7333	.86834
4	The supplier to the organization show compliance with material labeling, product specification and having environment related documentation.	51	3.7333	.82768

Source: Research Data (2017)

As shown in Table 4.2.6, majority of the respondents recalled that due to outsourcing there has been quality check on the materials, adoption of modern storage infrastructure, efficiency due to use of modern material handling equipment and the supplier to the organization show compliance with particular regulations such as emissions caps, hazardous material labeling, product specification and having environment related documentation, this has enhanced quality of the product delivered as shown by mean scores of 3.8000, 3.8000, 3.7333 and 3.7333 respectively.

Table 4.2.7: Agreements with Various Transport Management Practices

No	Transport Management	No	Mean	St.deviation
1	Vehicle scheduling has improved	51	3.4333	.85836
2	Route optimization has been achieved	51	3.5667	.89763
3	Fleet tracking tools have increased vehicle visibility	51	3.5000	.90019

Source: Research Data (2017)

As shown by Table 4.2.7 above, respondents were asked to choose their level of agreement on the extent of transport management outsourcing by using three questions as listed on the table above. In this regard, the respondents opined that route optimization has been achieved to a large extent as shown by a mean score of 3.5667 and fleet tracking tools have increased vehicle visibility to large extent as shown by a mean score of 3.5000 while they indicated that vehicle scheduling has improved to a moderate extent as shown by a mean score of 3.4333.

Table 4.2.8: Agreements with Procurement Logistics Management Practices

N0	Procurement Logistics Management	No	Mean	St.deviation
1	My organization practices transparent sourcing of suppliers	51	3.9333	.78492
2	Good supplier relations is maintained by the organization	51	3.9333	.90719
3	In the assessing the potential outsourcing services, the organization's benchmarks to determine whether the company meets your targets	51	4.0333	.76489
4	Effective information delivery is maintained with the supplier of services.	51	4.0000	.78784

Source: Research Data (2017)

According to the results shown in table 4.2.8, through outsourcing, effective information delivery is maintained with the supplier of services and provider to a large extent as shown by a mean score of 4.0333, in the assessing the potential outsourcing services, the organizations' benchmarks to determine whether the company meets the targets to a large extent as shown by a

mean score of 4.0000, the organizations practice transparent sourcing of suppliers to a large extent as shown by a mean score of 3.9333 and good supplier relations is maintained by the organization to a large extent as shown by a mean score of 3.9333. In general, a large number of respondents said that there's a large extent of material management, transport management and procurement logistic management in commercial banks of Ethiopia.

4.3 Reasons for Outsourcing the Logistics Practice of the bank

According to Maynard there are a number of reasons that drive companies to outsource some or many of the work activities. The list of reasons include: Lower costs (or lower total costs). Sometimes achieved through lower wages costs, but also through economies of scale by providing the same service to multiple companies.

Improve service, often, better educated or skilled people perform the task, and thus perform it better, obtain expert skills. An outsource firm is allegedly an expert in that particular activity, and thus should be able to do it better than the customer, improve processes that outsourcers are very experienced at a particular set of processes, they can help the customer to improve their processes, improve focus on core activities. Outsourcing frees management from having to worry about the inner-workings of a non-core activity.

Thus, in this section those respondents that are asked to rate the importance of 7 reasons for outsourcing (they could also nominate and rate other reasons). Respondents are instructed to indicate how important each reason is in making outsourcing decision using the rating scale where the scores of strongly disagree have been taken to represent a variable which had a mean score of 0 to 1.5, the scores of disagree have been taken to represent a variable with a mean score of 1.5 to 2.5, the score of neutral have been taken to represent a variable which had a mean score of 2.5 to 3.5, the score of agree have been taken to represent a variable which had a mean score

of 3.5 to 4.5 and the score of strongly agree have been taken to represent a variable which had a mean score of above 4.5. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

Table 4.3 Reasons of outsourcing the logistics activities.

No	Q 3.Reasons for outsourcing	No	Mean	St.dev
1	To reduce cost.	51	3.4	1.05
2	To improve service quality.	51	3.0	0.72
3	To give more focus to core functions of the bank.	51	3.6	0.76
4	To improve flexibility of the service by the service provider.	51	1.4	1.28
5	To save manager's time and lead them to focus on strategies of the bank.	51	3.6	1.23
6	To assist the current fast growth situation of CBE.	51	3.2	0.76
7	To access skills not available in CBE.	51	2	0.45

Source: Research Data (2017)

As table 4.3 shows the majority of respondents replied that both focus to core functions of the bank and save manager's time and lead them to focus on strategies of the bank are the most reasons (3.6).

The cost reduction is the second reason for commercial bank of Ethiopia to make a decision on outsourcing logistics services to be delivered by the service providers by a mean of 3.4% whereas to assist the current fast growth situation of CBE(3.2) is the other reason for outsourcing logistics activity by the bank.

However, according to Table 4.3, to access skills not available in CBE(2) and to improve flexibility of the service by the service provider(1.4) are less important reasons for the outsourcing decision of logistics service. In some responses the standard deviation is high (more

than 1.5) indicating variation among respondents in evaluating the importance the reasons for the outsourcing decision.

As Brown and Wilson (2005) outsourcing is not all about reducing cost. However, a company may emphasize cost saving of a variety of reason, such as being a poor financial position, plan to increase profit. The response of the mass was parallel with Aran and Patel (2005) suggestion, functions noncore for the outsourcer is core for the vendors. Since it is a core activity for the vendor, it would strive to bring about improvements in the outsourced process and deliver superior quality standard than the company itself.

To give more focus for core functions of the bank was alternative presented for respondents. Similar to the above two alternatives as table 4.3 illustrates most of the respondents suggest that it was the first reason(3.6) for outsourced services in CBE. In connection with improving service flexibility, (1.4) said CBE consider this as reason for outsourced logistics services as the least reason, and to the respondents conclude that flexibility was not desired as a reason to decide the current outsourced services to be delivered by third party.

According to Bragg (1998) a company manager typically spent the bulk of each day handling the detailed operation their functional areas. By outsourcing this function a company can give the tactical part of each manager's job to supplier which allows the management team to spend more time on strategic issues as market positioning and product development. Similarly majority of respondents(3.6) agreed with what Bragg said, as to focus on strategic issues of the bank is reported the main reason. In addition to this, as per the majority (3.2) of the informants of the questionnaire, supporting the current fast growth situation of the bank was the reason for outsourcing in CBE. This also align with Bragg (1998) comment, if the company is rapidly acquiring market share, the management team will be stretched to its limit building the company

up and to handle the volume of the business. In such situation the management team will desperately need additional help in running the company by focusing on a small number of core activities.

Another writer Choi (2008), notify that organization may face with a shortage of skilled and experienced staff brought about by the change in the business operation setting , retirements, resignations, or recruitment problems. As the result outsourcing to an external service provider may be the only practical way to access the skills necessary to properly deliver services. To the contrary only a mean of(2) of the sample respondents agreed that accessing new skill was the rationale for outsourcing the logistics service of CBE even though 42% of the respondents were support what choi thought and the least (14%) were not taking any side.

To conclude the result of the above data to focus on the core function and strategies of the bank , to save managers time and cost reduction as well as supporting the current branch expansion of the bank were the rationale of CBE making decision on outsourcing the logistics service to be delivered by the service provider. However accessing new skill and service flexibility were not considers as reason for outsourced services. More over the data shown in table 4.3 also supported by different theoretical and empirical evidences. As Diskstein and Flast (2009), in earlier periods cost or headcount reduction was the most common reasons to outsource. Over a time the reason for outsourcing is shifting to improve the services quality. Aran and Patel (2005) also suggested that outsourcing is driven by a number of factors such as cost, focusing on core areas, improves service level and process innovation, of all these cost consideration and the need to focus on core activities seems to be the prominent drivers. Through a time reducing the cost has become a trivial factor rather value addition to the business is the main focus.

4.4 Benefits of outsourcing logistics activities

The most frequently observed benefits of logistics outsourcing reported from respondents are presented below in table 4.4.4. The scores of strongly disagree have been taken to represent a variable which had a mean score of 0 to 1.5, the scores of disagree have been taken to represent a variable with a mean score of 1.5 to 2.5, the score of neutral have been taken to represent a variable which had a mean score of 2.5 to 3.5, the score of agree have been taken to represent a variable which had a mean score of 3.5 to 4.5 and the score of strongly agree have been taken to represent a variable which had a mean score of above 4.5. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

Table 4.4 Advantage/benefits of outsourcing the Logistics Service.

No	Benefits of outsourcing logistics activities in your organization?	No	Mean	St.dev
1	After outsourcing the logistics services quality of supplied goods has been improved.	51	1.8	.798
2	Outsourcing helps the bank to give more focus to its core functions/activities.	51	3.6	.718
3	After outsourcing flexibility of the service is improved.	51	1.8	.688
4	Outsourcing helped the bank to focus on more strategic areas rather than none core activities	51	1.8	1.216
5	Outsourcing of the inventory, warehouse, material handling transportation and procurement services assisted the current fast growth situation of bank.	51	3.8	.527
6	Outsourcing helps for CBE to access new skills not available internally.	51	3.6	.797
7	Outsourcing saves management time and money through reduced the need to control day to day operations of the noncore function or activities.	51	1.8	.845
8	Outsourcing saves management time and money through reduced the need to control day to day operations of the noncore function or activities(logistics service) of the bank.	51	4.2	.786

Source: Research Data (2017)

From table 4.4, Mitra (2008) a review of the literature reveals diversified benefits on the outsourcing of logistics services to 3PL service providers (as cited Dhayanidhi *et.al*, 2005). The results of the mean shown in the above table indicate that outsourcing logistics enables the bank

to saves management time and money through reduced the need to control day to day operations of the noncore function or activities(logistics service) of the bank with a high mean score of 4.2, , assisted the current fast growth situation of bank with a mean score of 3.8, helps the bank to give more focus to its core functions/activities with a mean score of 3.6

On the other hand, benefits of outsourcing logistics with a high variation of the standard deviation are shown on outsourcing logistics for getting better access of resources and markets, quickly response customers" demands or timely delivery of services to clients or reduced lead time and improved access and application of technology which is > 0.9 implies a significant difference on the above mentioned benefits among respondents.

The majority respondent said the first benefit by the bank was Outsourcing saves management time and money through reduced the need to control day to day operations of the noncore function or activities(logistics service) of the bank(4.2). On the contrary most of the respondent 68% said the service provider did not improve the service quality it delivered to CBE .It is due to faller to the bank to make a continuous follow up on the quality of service delivered by the service provider.

Referring to the benefit of outsourcing helps to focused on core functions, in sum 68% of the respondent revealed that CBE gained more time and focused on its core functions as the result of outsourced the non core functions, another 18% of the respondent confirm that the bank did not get such benefit from the outsourced services. Whereas 7% of them had no information whether the bank benefited or not.

According to Choi (2008), flexibility maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods. On the contrary, organizations may only be able to maintain resources at a level just sufficient to

meet normal demand, which is lead to poorer customer service at peak periods. In such situation outsourcing of functions that are subject to peaks and troughs in usage can provide organization with the flexibility to respond rapidly to changing demands.

With regarding to this 66% of the respondents confirm that the flexibility of outsourced service was not improved, on the opposite side 27% of the respondents respond as the service provider improved the flexibility of the service and the few (7%) of them were neutral on this issue. Which means the majority conclude that, the service provider did not realize the benefit of outsourcing supposed by the above author.

As observed in the above table 4.4, although 14% of the respondents disagreed, 67% of them assert that outsourcing helped the bank to focus on more strategic areas rather than none core activities, and last 19% of the respondent had no idea about such benefits in the bank. This point is strengthen by Choic(2008), outsourcing of some non-core functions provides organizations to focus their resources on activities critical to their mission and leads the organization concentrates on carrying out its priorities by using financial, human and management resources more effectively and efficiently. In addition to this 68% of the respondents agreed with the service provider support the current fast growth of situation of CBE by providing the out sourced services, while 10 % of the respondents did not accept it, the reaming 22% had no suggestion on one of the two extreme propositions.

With respect to whether or not outsourcing helps for CBE to access new skills not available internally, only 21% of the respondents said it enabled the bank to access new skills,11% were neutral but the majority 68% of them approved that the current outsourced services in CBE did not have any connection with accessing new skill.

As it is displayed in the table , greater number (73%) of the respondents disclosed that outsourcing helped CBE to saves management time and money through reduced the need to control day to day operations of those outsourced logistics services, on the other side 14% of them disagreed with such benefits of the bank supported by the majority, and the remaining 13% had no any ideas like others.

Bragg (1998) mentioned that one of the benefit of outsourcing is a company has no longer to deal with the hiring, firing, personnel related paper work because of the supplier take care of all these administration details which need more time. The other issue raised with related to the benefit of CBE after outsourced the logistics services was about the performance of service provider managing the outsourced services as compared the bank managed by itself. Among the respondents 46% replied that the service provider managed it better than CBE, 21% of them said the service provider did not managed it better than the bank and the last 33% but not least were neutral.

To sum up the above data, majority of the respondent confirms that after the bank outsourced the logistics services it enjoyed two basic benefits. The first one was outsourcing helped the bank to focus on more strategic areas and core functions to realize the current fast expansion of banking service throughout the country. Secondly, outsourcing allowed for the bank management to save their time and money by reducing the need to control the day to day operations of the outsourced logistics services after the responsibility for managing the operations and administrative activities were transferred to the service provider. However, the service provider can't able to excel outsourced services quality due to its poor management and lack of continuous follow up in commercial bank of Ethiopia.

4.5 Challenges of Outsourcing Logistics Services

The study also sought to establish the challenges faced in outsourcing logistics in Commercial Bank of Ethiopia. The respondents were requested to indicate the extent of to which the various challenges were being experienced within their bank as a results of logistics outsourcing.

Table 4.5 Challenges observed after outsourcing the logistics service

No	Challenges of outsourcing Logistics Services	1	2	3	4	5	Mean
1	CBE losses direct controlling of the day to day activities and performance of the outsourced services.	13 (27%)	19 (37%)	7 (14%)	3 (5%)	9 (17%)	3.8
2	Difficult to measure the service quality.	12 (23%)	25 (49%)	3 (6%)	10 (20%)	1 (2%)	5
3	Inconsistent service quality	19	16	9	2	5	3.8
4	Ineffective relationship management and performance evaluation	5 (10%)	3 (6%)	8 (16%)	19 (37%)	16 (31%)	1
5	The cost of the outsourced service increased through a time more than expected.	6 (13%)	12 (23%)	15 (29%)	10 (20%)	8 (16%)	2.4
6	A high level of dalliance of customer order delivery	6 (13%)	12 (22%)	15 (29%)	10 (20%)	8 (16%)	2.4
7	Lack of security and flexibility of service providers	12 (24%)	11 (21%)	18 (35%)	9 (18%)	1 (2%)	2.4

Source: Research Data (2017)

From the above table 4.5 the majority (64%) claim that CBE losses direct controlling the day to day activities and performance of the outsourced services, others 22% of them against with the majority and the remaining 14% did not state their stand. This is in line with what Domberger (1998) said, outsourcing involves the perceived loss of control. Many managers adhere to the view that ownership means control. In outsourcing if complementary assets are independently owned, cost will higher and efficiency lower than if they are held under single ownership. Thus,

this indicates loss of control through fragmented ownership implies higher cost or inefficiency. In addition Alex Bank (2010) also stated that, due to lack of direct control on the human resource the vendor might hire under qualified or unqualified employees, depending on his discretion, which would successively, hampers the quality of service further.

Similarly, 72%, 68.67% of the respondents replied as difficulty of measuring service quality and inconsistency of the service quality also problems faced in their organizations respectively. This response assert by most of the informants also agreed with Dickstein and Flast (2009), the first problem related to outsourcing is the supplier ability to supply the service may change through a time and unable to provide a quality service expected by the client due to financial difficulties, knowledge and skill gap, and technological backwardness. and the second one is outsourcing intangible products like security service, courier service and janitorial service are not as such transparent, and it difficult to measure the service like that of tangible products.

Table 4.5 depicts, small number (14%) of the sample said Ineffective relationship management and performance evaluation were the problem in CBE, most of them (68%) rejected the statement related to Ineffective relationship management and performance evaluation and the rest were neutral.

As Dickstein and Flast (2009) in outsourcing the service provider or outsourcer may have a lack of management experience, due to this start-up, transition and management cost will increase. Domberger,(1998)also notify implicit costs are exist because of not possible to foresee all future contingencies. But in relation to this even though there was no a significance difference between the two extreme ideas, majority (36%) of the respondents said cost escalation was not the problem of their organization, other 29% argued as due to outsourcing the cost was increased through a time and the rest (36%) did not perceive the effect of cost in CBE.

In addition to the above problems, according to the respondents (35%) dalliance of order of outsourced service and Lack of security and flexibility of service providers(45%) , are another challenge they faced in relation to outsourcing.

Therefore the above data implied that at the beginning of outsourcing process commercial bank of Ethiopia encounter a difficulty of getting the right vendor in connection with lack of competent service provider in the market. In addition to this even after the services transferred to third party the bank also faced with loss of control, difficulty of measuring the service quality and inconsistency of service quality delivered by the service provider.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5. Introduction

The primary purpose of this study is to assess the practice and challenges of logistics outsourcing of Commercial Bank of Ethiopia. The study tried to examine CBE, that employ third party logistics service providers to execute and manage logistical activities(such as, inventory management, warehouse management, material handling management, transport management and procurement logistics management) on behalf of the bank. Conclusions and recommendation have been provided on the outsourcing logistics practice and challenges of commercial bank of Ethiopia.

5.1 Summary of Findings

The findings on logistics services outsourced indicate that none of the employees of the bank has lower than medium level of awareness about outsourcing. Majority of sample respondents at CBE agreed that the bank has been outsourcing inventory management a mean score of (3.8), warehouse management (3.6), materials handling management (3.2),transport management (3.2) and procurement logistics management(3.4).

Regarding applicability of each logistics activity practices by the bank, a mean score of (4.2)the respondents agreed that Proper flow of inventory achieved, inventory accuracy has been practiced 3.2 ,but and 3.2 believes that, good inventory turns/ proper space utilization is realized by the bank.

Again when they asked to know about their agreement on the applicability of warehouse management by the bank, majority of the respondents agreed on the achievement of good housekeeping practices (63%), Proper receipt procedures (50%) and less damages to commodities due to proper storage (54%).

Regarding materials management practice of the bank (61%) of the respondents agreed on quality check on the materials,(56%)on adoption of modern storage infrastructure, but (61%) of the respondents agreed on efficiency due to use of modern material handling equipment only in a small extent.

The respondents also agreed on the applicability of different transport management and procurement logistics management, except for that, assessing the potential outsourcing services, the bank's benchmarks to determine whether the company meets their targets, on which majority of the respondents disagreed by(56%).

The study shows that Commercial bank of Ethiopia has its own reasons to make outsourcing decisions. In this regard supporting the current banking service expansion, cost reduction , improve service quality, focusing on core function and strategies of the bank, and saving managers time that allotted for controlling the day to day activities of none core functions were the reason for outsourcing logistics activities, such as, inventory management, warehouse Management, Materials Management, Transport Management and Procurement Management service in CBE. Among these according to majority respondents, focusing on the core functions and strategies of the bank, and saving manager's time were the primary drivers to decide outsourcing these services to be delivered by an external service provider in a high extent than supplied by in house..

Majority of the respondents confirm that after the bank outsourced the logistics services it enjoyed some basic benefits. These are, Outsourcing helps the bank to give more focus to its core functions/activities, outsourcing helped the bank to focus on more strategic areas rather than none core activities, outsourcing of the inventory, warehouse, material handling transportation and procurement services assisted the current fast growth situation of bank.

However, majority of respondents reported that the bank do not benefited by the logistics outsourcing service on the quality service, flexibility, and knowledge and skill gain that is not existed in the bank. It is because lack of continuous follow up by the bank to gain benefit from these.

5.2 Conclusions

The aim of this research is to assess logistics outsourcing practices in commercial bank of Ethiopia. In this regard the researcher tried to address the research theme by identifying the extent of outsourcing in the bank, reasons for outsourcing the logistics services, benefits gained after outsourcing, and problems faced due to outsourced the services. Finally based on the findings the researcher offered the possible solutions that help to overcome the existing problems and maximize the prospects of logistics outsourcing.

Outsourcing has emerged as the most powerful tool for companies seeking to stay in today's competitive business environment. Its successful adoption involves different concerned parties in making important decisions about the business they are in and the best mechanism for delivering their services to the customers. Over a time the reason for outsourcing shifted to improve the services delivered by the company, focus on core function, to create business strategy with other company etc. Similarly, focusing on the core functions and strategies of the bank, and saving manager's time were the main reasons for commercial bank of Ethiopia to decide the outsource those logistics service to be delivered by another party.

As the findings indicates in connection with the outsourced services commercial bank of Ethiopia able to save management time that they allocate to manage non core functions before the services were outsourced. As the result CBE management get more time to focus on core activities and able to increase the accessibility of banking service by opening new branches in

different part of the country. However the bank also faced with different problems or challenges such as, loss of direct controlling the outsourced services, difficult to measure the eservice quality and difficulty to measure the service quality and difficulty of defining the service level agreement.

In order to keep the prospects of out sourcing and to solve the existing problems a great effort expected from CBE out sourced service administrative office by taking corrective actions such as, preparing a binding service level agreement(SLA) and need to properly define who is responsible for supplying input materials like furniture and office equipment. Nutshell, although the outsourcing practice in commercial bank of Ethiopia has some positive achievements the overall result is below the service level agreement (SLA) made between the two parties.

5.3 Recommendation

According to discussion and conclusion of this study, to overcome the challenges faced by Commercial Bank of Ethiopia of outsourcing logistics activities, the following recommendations have been made.

- ❖ The top management of the bank should be in the forefront in support of business by increasing the extent of logistics outsourcing, since this would improve the performance of the bank by enabling to concentrate on core activities and outsourcing those functions that other companies can do better.
- ❖ The banks need to revise the service level agreement and properly define who is responsible for supplying the services
- ❖ It is difficult to control and improve the service quality by reviewing reports coming from the immediate supervisor. So, CBE outsourced service administrative office should

regularly monitor the quality of outsourced services by visiting and asking the service receiver in the particular area.

- ❖ Management of the bank should carry out a benchmarking activity against the best players in the market as a way of improving its logistics outsourcing practice.

5.4 Suggestions for Future Researches

Despite its popularity in most parts of the world, the experience of outsourcing in Ethiopia is minimal. Furthermore formal research has been minimum in this area to assess the challenges and opportunities of outsourcing in any organization in the country. To this end, this preliminary research provides findings, which can also serve as a stepping stone for other related research, regarding challenges and opportunities of outsourcing for an Ethiopian organization. However, this research has narrow scope which requires further investigations both in breadth and depth. Thus, future researches should consider an in-depth study on the benefits and challenges of outsourcing of different industries in addition to the banking industry.

REFERENCES

- Ahuja, G., (2000). The duality of collaboration: inducements and opportunities in the formation of inter-firm linkages. *Strategic Management Journal*. 21 (3), 317–343. Aquilano, N. J., Chase, R. B., & Davis, M. M. (1995). *Fundamentals of operations management*, Chicago, IL: Irwin.
- Aseka, J.T, (2010). Supplier Selection Criteria And Performance Of Manufacturing Firms Listed In The Nairobi Stock Exchange. (*Unpublished Thesis*). University Of Nairobi Baiman, S., Rajan, M.V. (2002). Incentive issues in inter-firm relationships", *Accounting, Organizations and Society*, Vol. 27 pp.213-38
- Barclays Bank Annual Report, (2013); Discovering customer needs through Market Research
- Bell, J. (1993). *Doing your Research Project*. Maidenhead, Philadelphia: Open University Press.
- Bowersox, D. J., Closs, D. J., & Stank, T. P. (1999). 21st Century logistics: Making supply chain integration a reality, *The Council of Logistics Management, Oak Brook, IL*. Carr, A.S., & Pearson, J.N., (2002). The impact of purchasing and supplier involvement on strategic purchasing and its impact on firm's performance. *International Journal of Operations and Production Management*. 22 (9), 1032–1053.
- Commercial Bank of Ethiopia (2014/15).*Service out sourcing Management option study*, Addis Ababa
- Choi k. (2008). *A General Guide to Outsourcing* [http://www.eu.gov.hk/sc_chi/publication/pub_bp/files/guide to outsourcing_200803.pdf](http://www.eu.gov.hk/sc_chi/publication/pub_bp/files/guide%20to%20outsourcing_200803.pdf) (accessed date 01/06/14)
- Dickstein D.and Flast R. (2009). *No Excuses: A business Process Approach to Managing Risk*, John Wiley and sons Inc.Hoboken, New Jersey
- Domberger S. (1998). *The contracting organization: A Strategic guide to outsourcing* Oxford University press Inc, Nework

Duening T. and Click R.(2005). *Essentials of Business Process outsourcing*, John Wiley & Sons, Inc., Hoboken, New Jersey

Embleton, P.R., and Wright, C.P. (1998) A practical guide to successful outsourcing", *Empowerment in Organizations*, Vol. 6 Iss: 3, pp.94 – 106,

Fan, Y. (2000), Strategic outsourcing: evidence from British companies", *Marketing Intelligence & Planning*, Vol. 18 No. 4, pp. 213-9.

Handfield R. (2006). *A Brief History of Outsourcing* <http://scm.ncsu.edu/scm-articles/article/a-brief-history-of-outsourcing>(accessed date 18/04/14)

Hatonen J. (2008). Managing the process of out sourcing: *Examining the process of Product development activities in software development firm* http://info.tse.fi/julkaisut/vk/Ae8_2008.pdf (accessed date 31/05/14)

Kothari C. (1990). *Research Methodology: Methods and Techniques*, New Age International (P) Ltd Publisher, New Delhi

Kremoc T, Rom W.and Tukul O. (2006). *Outsourcing decision support: a survey of benefits, risks, and decision factors*, Ohio USA, Vol. 11 (6) p 268 <http://ankara.lti.cs.cmu.edu/11780/sites/default/files/Outsourcing-Survey.pdf> (accessed date 31/08/14)

McCray S. (2008). The top ten problems with outsourcing implementation: *Using Industry Learning Change to Achieve outsourcing success.* www.tpi.net/pdf/papers/Top_10_Problems-with_Outsourcing.pdf (accessed date 10/06/14)

Meresea M. (2007). *Outsourcing in Ethiopia*, MA Thesis, Addis Ababa

Narasimhan, R., Kim, S.W., Tan, K.C. (2008), An empirical investigation of supply chain strategy typologies and relationships to performance", *International Journal of Production Research*, Vol. 46 No.18,

Narayanan, V.G., Raman, A. (2004). Aligning incentives in supply chains. *Harvard Business Review*. Vol. 82 No.11,

Porter, M.E., (1985). Technology and competitive advantage. *Journal of Business Strategy* ,

Prahalad, C. K. & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*,

Prater, E., Biehl, M., & Smith, M. A. (2001). International supply chain agility. *International Journal of Operations & Production Management*,

Price Waterhouse Coopers. (2010). Retrieved August 11, 2014, from <http://www.pwc.com/ke/en/industries/banking.jhtml>.

Rajendra, K. S., Dixit, G. & Ashish, A. (2011). Understanding of supply chain: A literature Review. *International Journal of Engineering Science and Technology (IJEST)*

Simatupang, T. M., & Sridharan, R. (2005). An integrative framework for supply chain Collaboration. *International Journal of Logistics Management*, 16(2),

Somuyiwa, A. O., Adebayo, I. T., & Akanbi, T. A. (2011). Supply chain performance:

3. Age : 18-25 26-35 36-45

Above 45 years

4. Educational Background: 10/12 grade Certificate

Diploma First degree Above Firs Degree

5. How long have you been working in CBE?

Less than 1 Year 1-5 years

6-10 years More than 10 years

6. Years of experience in the current position? Less than 1 Year

1-5 years 6-10 years More than 10 years

SECTION TWO: The following questions are designed to collect information on the overall practice of outsourcing logistics activities in your Bank.

4.2.1 . What is your level of awareness about the concept of outsourcing? (Put \surd Mark)

Very high High Medium

Low Very low Never heard of it

4.2,2 Logistics Management Outsourcing Practices by CBE.

. Please indicate the extent to which you agree with the following statements on the extent to which your organization has been practicing the following logistics outsourcing practice. Use the scale of 5- Not at all 4- Small Extent 3- Moderate extent 2 Large extent 1 Very large extent

NO	Outsourced logistics activities.	1	2	3	4	5	Total
1	Inventory Management						
2	Warehousing Management Activities						
3	Material handling Activities						
4	Transportation Management Activities						
5	Procurement Logistics Management						
	Please list other activities if any not mentioned.						

4.2.3 What is your level of satisfaction on the service given by your outsourced logistics? (Put ✓ Mark)

Very satisfied Satisfied Indifferent

Unsatisfied Very unsatisfied

4.2.3. Extent of Logistic outsourcing by commercial bank of Ethiopia.

6. Please indicate the extent to which you agree with the following statements on the extent to which your organization has been practicing the following logistics outsourcing practice. Use the scale of 5- Not at all 4- Small Extent 3- Moderate extent 2- Large extent 1- Very large extent

No	Inventory Management	1	2	3	4	5
1	Proper flow of inventory					
2	Inventory accuracy has been achieved					
3	Good inventory turns/ proper space utilization					
	Warehousing Management Activities					
1	Good housekeeping practices have been achieved by the org					
2	Proper receipt procedures have been undertaken by staff					
3	Less damages to commodities due to proper storage					
4	Staff welfare has been achieved due to implementation of health and					
	Material handling Activities					

1	Quality check on the materials					
2	Adoption of modern storage infrastructure					
3	Efficiency due to use of modern material handling equipment					
4	The supplier to the organization show compliance with particular regulations such as emissions caps , hazardous material labeling , product specification . this has enhanced quality of the product delivered					
Transport Management						
1	Vehicle scheduling has improved					
2	Route optimization has been achieved					
3	Fleet tracking tools have increased vehicle visibility					
Procurement Logistics Management						
1	My organization practices transparent sourcing of suppliers					
2	2 Good supplier relations is maintained by the organization					
3	Effective information delivery is maintained with the supplier of services and provider					
4	In the assessing the potential outsourcing services, the organization's benchmarks to determine whether the company meets your targets					

4.2.4 Questions related to the reasons of outsourcing the logistics services.

Please indicate your level of agreement for **the reasons your bank practiced outsourcing logistics Service** by using the following rating scales; **5=Strongly disagree 4=Disagree 3=Neutral 2=Agree 1=Strongly Agree**

Please put (√) Mark in the appropriate column

Q.3 REASONS FOR OUTSOURCING LOGISTICS ACTIVITIES IN YOUR ORGANIZATION?	1	2	3	4	5
To get Cost Savings					
To improve service quality.					
To give more focus to core functions of the bank.					
To improve flexibility of the service by the service provider.					
To save manager's time and lead them to focus on strategies of the bank.					
To assist the current fast growth situation of CBE.					
To access skills not available in CBE.					
Other justification: (Please list and rate them):					

4.2.5. Please indicate your level of agreement on **benefits of outsourcing logistics activities in your organization** by using the following rating scales; **5= Strongly disagree 4=Disagree 3=Neutral 2=Agree 1=Strongly Agree**, Please put (√) Mark in the appropriate column:

No	Q.4 BENEFITS OF OUTSOURCING LOGISTICS ACTIVITIES IN YOUR ORGANIZATION?	1	2	3	4	5
1	After outsourcing the logistics services quality of supplied goods has been improved.					
2	Outsourcing helps the bank to give more focus to its core functions/activities.					
3	After outsourcing flexibility of the service is improved.					
4	Outsourcing helped the bank to focus on more strategic areas rather than none core activities					
5	Outsourcing of the inventory, warehouse, material handling transportation and procurement services assisted the current fast growth situation of bank.					
6	Outsourcing helps for CBE to access new skills not					
7	Outsourcing saves management time and money through reduced the need to control day to day operations of the noncore function or activities(logistics service) of the bank.					
8	The service provider manages the service better than CBE manage it before outsourcing.					
	Other justification: (Please list and rate them):					

4.4.6 Challenges of Outsourcing Logistics Service in CBE

4.2.6. Please indicate your level of agreement on **Challenges your company facing as a result of outsourcing logistics Service** by using the following rating scales; **5=Strongly disagree**
4=Disagree 3=Neutral 2=Agree 1=Strongly Agree

Please put (√) Mark in the appropriate column

No	Q .5 The Challenges of outsourcing logistics Service	1	2	3	4	5
1	CBE losses direct controlling of the day to day activities and performance of the outsourced services.					
2	Difficult to measure the service quality.					
3	Inconsistent service quality					
4	Ineffective relationship management and performance evaluation					
5	The cost of the outsourced service increased through a time more than expected.					
6	A high level of dalliance of customer order delivery					
7	Lack of security and flexibility of service providers					

Thank You