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School of Commerce**

Department of Logistics and Supply Chain Management

**Assessment of factors affecting the performance of outsourced
logistics activities, in the case of Ethiopian airlines**

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GSE/3791/10

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A thesis submitted to the Addis Ababa University School of Commerce Graduates
Studies in partial fulfillment of the requirement for the degree of Master of Arts in
Logistics and Supply Chain Management

Addis Ababa

June, 2020

Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines

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DECLARATION

I, Binyam Tedla, declare that the thesis entitled “Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines” is my original work and has not been previously submitted for the award of degree in any university. And all the sources of materials used for the thesis have been duly acknowledged.

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CERTIFICATION

This is to certify that Binyam Tedla has carried out his research work entitled “Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines” as a partial fulfillment of the requirement of Master of Arts Degree in Logistics and Supply Chain Management at Addis Ababa University ,School of Commerce. Under my advisor ship this study fulfills requirements to obtain academic Degree from the university.

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Acknowledgments

First, I thank God who is the source of everything in my life. My next thanks go to my advisor, Teklegiorgis Assefa, (Asst. Prof), for his insightful comments over the course of working on the research. Following, my deepest thanks go to Ethiopian Airlines Logistics department staffs for their participation in the study. Especially I want to extend my gratitude to the logistics manager and team leader's for all their cooperation.

I am also very grateful to my friends, family members and colleagues for their encouragement, material and technical support and covering my work in my absence. I am particularly grateful for my brother Mehari Tedla for his constructive comments and help in proofreading.

Last, but not least, I thank my wife, Emebet Fiseha for her continuous support alongside with my paperwork in taking care of the family including our two children. I also would like to deeply thank my father Ato Tedla koricho & my mother w/ro Getenesh Kebede. Their life always gives me enormous courage, inspiration, and support from the time I have started to pursue my life dreams.

Table of contents

Acknowledgments	i
Table of contents.....	ii
Acronyms	vi
Abstract	vii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Background of the Ethiopian airlines.....	3
1.3. Statement of the problem	4
1.4. Research Questions	6
1.5. Objective of the study.....	6
1.5.1. General Objective	6
1.5.2. Specific Objective.....	6
1.6. Significance of the Study.....	6
1.7. The Scope of the Study	7
1.8. Limitation of the Study	7
1.9. Definition of Terms.....	7
1.10. Organization of the Paper	8
CHAPTER TWO	9
LITERATURE REVIEW.....	9
2.1. Introduction	9
2.2. Theoretical Review	9
2.2.1. The Resource-Based View (RBV).....	9
2.2.2 The Transaction Cost Theory (TCT)	11
2.2.3 The Contingency Theory (CT)	12

2.3. Empirical Review	13
2.3.1. What is Outsourcing?	13
2.3.2. Outsourcing in a Global Context	13
2.3.3. Forms/Types of Outsourcing	14
2.3.4. Why organizations outsource?	15
2.3.5. Benefits of Outsourcing.....	16
2.3.6. Logistics Outsourcing vs. Sub-Contracting	16
2.3.7. Advantages of logistics outsourcing.....	18
2.3.8. Disadvantages of logistics outsourcing	20
2.3.9. Logistics Performance	21
2.3.10. performance-based logistics (PBL) foundation.....	22
2.3.11. Outsourcing and operations performance	23
2.3.12. How outsourcing can fail to contribute to organizational performance?.....	24
2.4. Conceptual framework	25
Figure 2.1. Conceptual framework of the study	25
CHAPTER THREE	26
METHODOLOGY.....	26
3.1. Description of the Study	26
3.2. Research Approach	26
3.3. Research design.....	26
3.4. Population and Sample	27
3.5. Data Sources and Types	27
3.6. Data Collection Procedures.....	27
3.7. Reliability and Validity	28
Table3.1. Source: Survey Result, 2020	28
3.8. Ethical Consideration	29
3.9. Data Analysis	29

CHAPTER FOUR	30
DATA ANALYSIS AND INTERPRETATION.....	30
Introduction	30
4.1 Demographic Profile of the Respondent	31
4.1.1. Gender of respondents	31
Table4.1. Gender of respondents.....	31
4.1.2. Age of the respondents.....	31
Table 4.2.Age of respondents	31
4.1.3. Education level of Respondents	32
Table 4.3.Educational qualification	32
4.1.4. Experiences of Respondents.....	32
Table 4.4.Years of experience	32
4.2 Descriptive Analysis	33
4.2.1. Reasons for Outsourcing Logistics Activities	33
Table 4.5 Reasons for outsourcing logistics activities	33
4.2.2. Benefits of outsourcing logistics activities in your organization	34
Table .4.6.Benefits of outsourcing logistics activities in your organization	34
4.2.3. Criteria’s for selecting Logistics Service Providers.....	36
Table 4.7 Criteria’s for selecting Logistics Service Providers	36
4.2.4. The Challenges of outsourcing logistics Service	37
Table 4.8 the challenges of outsourcing logistics service	37
4.2.5. Metrics to measure factors that impact the performance of outsourced activities	39
Table 4.9 Metrics to measures factors impacting performance of outsourced activities.....	39
4.3. Inferential Statistics	40
4.3.1 Correlation Analysis	40
4.3.1.1. Correlation.....	41
Table 4.10 Correlations.....	41

CHAPTER FIVE.....	43
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	43
5.1. Summary of Findings	43
5.2. Conclusions	45
5.3. Recommendations.....	46
5.4. Suggestions for Future Research	47
Bibliography	I
Appendix.....	V

Acronyms

BPO: Business Process Outsourcing

CSCMP: Chamber of Supply Chain Management Professionals

CT: Contingency Theory

IBM: International Business Machine

ITO: Information Technology Outsourcing (Technology process outsourcing)

KPO: Knowledge Process Outsourcing.

LPI; Logistics Performance Index

SPSS: Statistical package for social science

PBL: Performance-based logistics

TCT: Transaction Cost Theory

3PL: Third Party logistics

Abstract

The general objective of this study is to assess factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines. The study employed explanatory type of research design. The target population for this study was all employees of Ethiopian Airlines who work in the logistics department. Both primary and secondary data is used for this study. Collected data is analyzed by using inferential and descriptive statistics technique with a computer program called the statistical package for social science (SPSS), version 23. Finding of this study indicates that Ethiopian airlines has outsource logistics service that is not maximized as desired due to factors such as loss of control over the logistics service providers, higher cost and longer time taken to select third party logistics provider, high level delay of customer order delivery, and ineffective relationship between management and third party logistics provider performance evaluation. The correlation result indicates that there are relationships between the measures of impact on the performance of outsourced activities and reasons for outsourcing logistics activities that have direct implication to all factors. The researcher acknowledges that the existing outsourcing of logistics services is benefiting the Ethiopian airlines. Recommendations of the researcher mainly focus on how the Ethiopian airlines could maximize its outsourcing activity for more effective profitability. Particularly, it is recommended that Ethiopian airlines should outsource only necessary aspects of business to avoid reduction in profitability. Also; the department of logistics should avoid adoption of inappropriate outsourcing strategies that negatively affects corporate profitability. These concerns indicate that there is need for future research study which may bridge the gap in these limitations.

Keywords: *outsourcing, logistics, performance, Core Competencies, Profitability, Flexibility*

CHAPTER ONE

INTRODUCTION

This chapter first offers background of the study. Then it discusses issues such as statement of the problem, research question, research objectives, significance of the study, and scope of the study, limitation of the study, definition of terms and organization of the study.

1.1 Background of the Study

Underneath this subject the examiner focuses on giving starting considerations on logistics and outsourcing.

Despite the fact that various authors characterize logistics in various manners, most researchers mirror the definition given by Chamber of Supply Chain Management Professionals (CSCMP). Meaning of logistics given by CSCMP mirrors that logistics can be described as part of supply chain which incorporates sorting out, executing, and controlling the capable and feasible forward and switch stream and limit of various product, organizations, and related information between the purpose of root to the point of usage for the sole explanation of get together and satisfying customer necessities (CSCMP, 2011).

Other works led on logistics show that it is a business to exchange associations that positively affect viability of logistics execution, and it overhauls company's budgetary execution. For example, Hong Kongseem called attention to that a productive use of a quality organization system is the way to survival and long-term accomplishment for logistics advantage providers (Liu and Yen, 2010; Luo, 2011; and Yeung & Tung, 2012).

When it comes to outsourcing, (Aran, and Patel, 2005) argued that it is driven by several factors such as costs, focusing on core areas, improve service level and process innovation. According to Aran and Patel, of all these factors, cost consideration and the need to focus on core activities seem to be the prominent drivers. (Gichuru, 2012) also find out that factors such as investment of international companies in the local economy, internet connectivity, top management support, creation/expansion of a potential niche and necessary expertise are critical factors in business

outsourcing process of logistics companies in Kenya. Strategic partnership is an important aspect of outsourcing. (Handfield, 2006) argued that the current stage in the evolution of outsourcing is the development of strategic partnerships.

In relation to this, (Bowersox, D.J., Closs, D.J., & Stank, T.P. 2010) the focus today is less on ownership and tends more on developing strategic partnerships to bring about enhanced result. However, it is important to note the core competencies in outsourcing partnership. Until recently, it had been axiomatic that no organization would outsource core competencies, those functions that give the company a strategic advantage or make it unique. In today's world, the drivers are often more strategic, and focus on carrying out core value-adding activities in-house where an organization can best utilize its own core competencies. When it comes to the objectives behind the outsourcing of logistics services, reducing operating costs, meeting demand fluctuations, and reducing capital investment are the main once. On the other hand, problems that arise in corporate logistics include delayed and inaccurate information, incomplete services, slow and inefficient operations, and a high product damage rate. (Bowersox, D.J., Closs, D.J., & Stank, T.P. 2010) Possible consequences as a result of these problems include an inability to provide inter-linked services, high operating costs, a rate of high inaccuracy, and a lack of flexibility in responding to changing demand requirements.

Even though outsourcing is one of the most prevalent trends in today's world business environment, it is a new practice in Ethiopia. Currently the practice of outsourcing is growing in the Ethiopian airlines with the expectation that it will benefit and enhance its performance. Ethiopian airline has several reasons for outsourcing different service areas in their operation. For instance, they outsource non-core activities in order to gain competitive advantages throughout the world and performance enhancement. As much as outsourcing could bring several benefits for a company, it is also important to note that it may involve problems or risks, if the process is not managed well. Accordingly, this paper was attempted to explore the assessment of factors affecting the outsourcing performance of logistics activities, in the case of Ethiopian airlines.

1.2 Background of the Ethiopian airlines

Ethiopian airline was established on December 21, 1945 with beginning venture of ETB 2.5 million. The Airlines' headquarter is located at Bole, Addis Ababa, Ethiopia. Ethiopian airlines was financed by the Ethiopian government at the beginning yet overseen by TWA which provided American pilots, professionals, chairmen, and bookkeepers until Fitawrari Tafasse Habtemikael became the first president and chairman of the Ethiopian airlines. The Ethiopian Airlines has been a part of the Universal Discuss Transport Affiliation since 1959 and of the African Carriers Affiliation (AFRAA) since 1968 as well as Star Alliance member in since December 2011.

For quite a while, Ethiopian airplanes has been one of the providers of most reliable transportation service in Africa. In its technological advancement, the airline has also been able to be one of Ethiopia's significant organizations. Ethiopian airlines has both domestic and international flights including with a line's share of the pan African network and East-West flight across the continent. In total Ethiopian airlines has about 120 global destinations.

Ethiopian airlines has a vision mainly focused on becoming the most competitive business in Africa and beyond by offering quality transportation service for customers both in the passengers and cargo aviation. Likewise, in addition to providing reliable service in the passenger and cargo air transportation, the missions of the Ethiopian Airplanes put emphasis on offering quality service in the areas including aviation training, flight catering, and ground services.

As an airline, safety is the priority to Ethiopian airlines. Other values include: recognizing and rewarding employees for their performance based on demonstrating integrity, respect to others, candor and teamwork, acting in an open fashion and be result-oriented, creative and innovative, adopt zero tolerance to indifference, inefficiency and bureaucracy and encouraging 360° free flow and sharing of information.

Internal documents of Ethiopian airlines show that logistics section has stand out by itself since December 2014. Prior to 2014, store and logistics section did the logistics and the warehousing works and logistics activities were not done in an organized way. As far as the current organizational structure is concerned, the logistics department is run by one logistics manager.

This includes all inbound and outbound logistics activities of the company are managed in the department. Under the logistics manager there are four team leaders who are responsible for inbound logistics, outbound logistic and customs and insurance. The inbound logistics team is responsible for goods imported to Ethiopia while the outbound logistics team deals with aircraft, non- aircraft, catering and stationary items to be sent out to 92 outside stations of Ethiopian airlines and other destinations. The customs and insurance team are responsible for documentation and claim issues for incoming and outgoing logistics activities.

It was Since December 2014 that the logistics department has been established as an independent department. Prior to that logistics was not managed well since it was under mixed with store management. The current department is organized in a way that it has one manager that has four team leaders who are responsible for inbound and outbound logistics. These leaders also work on customs and insurances to enhance the quality of inbound logistic services which has to deal with imported goods and outbound logistics which deals with exported goods.

1.3. Statement of the problem

Studies had been done in the area of outsourcing especially in the area of business process outsourcing. It is common to see companies outsourcing have different business functions such as cleaning, human resource, security, and the like. In the Airlines business, logistics activities such as freight forwarding, customs clearing, transportation and warehousing activities are not new to outsourcing either. For instance, Ethiopian airlines outsourced three logistics activities from third party logistics providers. The Airlines outsources warehousing and transportation partially, while freight forwarding or commonly called customs clearing (transit) service is outsourced fully.

International Business Machine (IBM) had conducted a study in 2010 on outsourcing and company performance. In the study, IBM argued that outsourcing is a strategic business decision that is likely to boost a company's performance. Particularly the study emphasizes on the potential that large-scale outsourcing strategies have on boosting business performance and bottom-line objectives of companies. The study also sheds new light to the value of well-structured and executed outsourcing agreement and its impact on an organization.

In another study, the logistics performance index (LPI), which has been published by the World Bank every two years since 2007, help countries to identify the opportunities and logistic obstacles they faced in the international trade. The World Bank LPI summarizes the performance of countries on six dimensions or indexes which are customs, infrastructure, international shipments, logistics quality and competence, tracking and tracing and timeliness (World Bank, 2007 & 2010)

From the above two studies, one can note that the link between outsourcing and logistics performance is not a guaranty for effectiveness of a certain company. In other words, organizations may claim that the basis for outsourcing is to increase business efficiency. However, a firm's effectiveness remains unclear unless other factors that affect the process of outsourcing and logistics performance are considered. For instance, factors indicated by the logistics performance index (LPI) of the World Bank have to be taken into considerations. These factors include customs, infrastructure, international shipments, logistics quality and competence, tracking and tracing and timeliness.

The aim of this research is to assess factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines. In this study, factors such as transportation management activities, warehousing management activities, customs clearance, material handling activities, inventory management, and packing/labeling activities are considered for examination. By doing so, this study identifies which factors affect the outsourcing and logistics performance the most and why. Finally, the study will put forth suggestions that may help Ethiopian airlines to increase its effectiveness and profitability.

Ethiopian airlines being a logistics service company it triggers my curiosity to study their practices on the subject and therefore primarily findings of this study will benefit the Ethiopian airlines. Appropriately, other organizations could also take their lessons from the study. Moreover, to the best knowledge of the researcher, there are only some prior research done on the subject throughout Ethiopia and therefore the significance of this study lies on its contribution to the research arena on the subject.

1.4. Research Questions

1. What are the factors affecting the outsourcing performance of logistics activities?
2. How does outsourcing contribute to the profitability of Ethiopian airlines?
3. What are factors contributing the obstacles of outsourcing flexibility of Ethiopian airlines?

1.5. Objective of the study

1.5.1. General Objective

The general objective of the study is to identify the Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines.

1.5.2. Specific Objective

The specific objectives of the Study are:

- To examine those factors affecting the outsourcing of logistics activities on its performance.
- To identify whether outsourcing contributes the profitability of Ethiopian airlines.
- To state the major factors that hinders the outsourcing flexibility of Ethiopian airlines.

1.6. Significance of the Study

This study has four significances. First, it helps companies to engage in the practice of assessing the effects of outsourcing on their logistics activities. Second, as unemployment rate rises in Ethiopia, this helps the government to provide more insight to reviewing policies of companies outsourcing and their operations. This in turn impacts job creation that enhances the development of Ethiopia. Third, it provides an understanding on how management could use appropriate ways of selecting vendors that are competent and qualified. Fourth and final significance of the study is that it provides the academic community and students with information that they can refer to and conduct further research in related field

1.7. The Scope of the Study

The scope of this study concentrates on Ethiopian airlines. It investigates assessment of factors affecting the outsourcing performance of logistics activities, in the case of Ethiopian airlines. Though, there are wide operations which are outsourced by the company the assessment area is delimited to some operations outsourced by the company. It also encompasses parameters such as cost, productivity, profitability, and flexibility of organizational performance measurement.

1.8. Limitation of the Study

This study has certain constraints. Obtaining required data that is accurate and consistent were a challenge as it is dependent on the subjective willingness of employees on the selected departments. The study is also limited to data obtained from two departments of the company only. Information and experiences of other departments is not included due to time and resource constraints. Furthermore, shortage of related literature and research works on the topic, particularly finding literatures that are done in the Ethiopian context is the limitation of the study.

1.9. Definition of Terms

Logistics

- The art of moving goods, information, and money from a place of its origin to its destination.

Outsourcing

- The transferring of operation to the external operators, which was done internally before.
- Third Party logistics providers
- The executors of the outsourced operation and are entered into the contract with the service receiving company for the execution of a certain job for reasonably longer period.

1.10. Organization of the Paper

The paper is organized in to five chapters. Chapter one deals with the background of the study, statement of the problem, research question, significance of the study, limitation and delimitation of the Study, research objectives, and organization of the Study. In the second chapter, the researcher offers literature reviews. This includes theoretical and empirical literatures intended to support the study. Chapter three focuses on research design and methodology. This involves describing the research type, population of the study, sampling method, sample size, data collection instrument and method of data analysis. In chapter four demographic profile of the respondent, descriptive analysis, inferential statistics are briefly analyzed. The fifth and final chapter delivers summary of findings, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter provides review of existing literatures by other researchers that are relevant to this study. It aims to identify some of existing information associated with the issue of outsourcing and companies' performance. More specifically, it explores dependent and independent variables being discussed in this research. First, it discusses the theoretical framework which includes a review of various theories related to this research. Second conceptual frameworks including definitions, concepts, and terminologies related to the study are discussed.

2.2. Theoretical Review

The concept of outsourcing is not a new concept in the academic arena. Because of its multi-disciplinary nature, literature presented outsourcing in several ways including from the perspective of economics, accounting, purchasing and management. Another perception by (Canez., 2000) Pointed out that there are two perceptions of outsourcing namely cost oriented and strategic oriented. When it comes to theorizing the concept of outsourcing(Barrar and Gervais, 2006). Noted that there has been no common or general theory that can describe outsourcing but it has been used different theoretical approaches include the resource-based view, the transaction cost theory, and the contingency theory These theories are discussed as follows.

2.2.1. The Resource-Based View (RBV)

This section gives emphasis to discuss three kinds of resources namely tangible, intangible, and human resources. When Grant explain the difference between these three resources, he pointed out that tangible resources include financial and physical resources while intangible resources include reputation and culture and human resources include skills and know-how, capacity for communication and collaboration and motivation (Grant, 2002). According to (Penrose, 1968) resources are treated in terms of what they will generate, benefits and competitive advantages, and consist of a sticky bundle of potential services.

When discussing resourcing-based view, (Barney, 1991). noted that resources controlled by a company allow the creation of strategies and support their efficient and effective implementation. In another study (Momme, 2000) suggested that an organization is defined as a unique bundle of resources and capabilities which mostly determine what activities should be outsourced and how this relationship should be established and managed. (Newbert, 2007) also stated that the RBV owes its widespread appreciation to the publication of two influential papers, the first by Prahalad and Hamel (1990), "The Core Competence of the Corporation", the second by Barney (1991), "Firm Resources and Sustained Competitive Advantage" .

According to heterogeneity (Barney, 1991) basic principles of RBV includes distribution of heterogeneous resources within a certain organization and the stability of the. This implies that heterogeneity. In line with this argument,(Lowson, 2002) indicated that it is important for organizations to consider restructuring resource capabilities based on market opportunities. Defining market opportunities in relation to internal resources like expertise and skilled personals lead organizations to consider the option of outsourcing. It is essential for organization to consider the need for non-core activities (Prahalad and Hamel, 1990). When reasoning out the importance of out sourcing in relation to RBV, (Gilley and Rasheed, 2000), stated the importance of using the market for outsourcing since investment on non-core activities do not have competitive advantage for the company.

(Besanko et al., 2003) also agree with Gilley and Rasheed that if a certain organization is investing on a non-core activity with the intention of obtaining competitive advantage, then that organization need to reconsider its approach to easily achieve that through the market. Now the question is "how can one differentiate between central and non-central activities"? (McIvor, 2008) pointed out that it is not easy to distinguish between the two. However, McIvor noted that when a company see its lack in internal resources and can obtain these resources from external organizations then this complimentary resource can be provided from external providers without requiring the organization to invest on it. This means that a certain company should consider an activity, then it can simply be obtained from external providers and does not have any competitive advantage when it is invested by the organization itself. The concept of RBV that it

is important for organizations, particularly, those that have less preparation in their internal resources, to use outsourcing as an option. (Kotabe and Mol, 2009, p. 206)

2.2.2 The Transaction Cost Theory (TCT)

Historically the transaction cost theory (TCT) began to use since 1937 in search for an answer for a question “why do firms exist”? The TCT is an alternative way to define markets and hierarchies. According to (Williamson, 1979) TCT deals with the decision of outsourcing based on transaction cost. This means that transaction cost is the determinant factor to answer the question why a certain organization choose to produce some products and services internally and outsources others to obtain from external providers. (Thouin et al., 2009) also noted that the comparison between the production cost and purchasing cost of a certain service is so important to make a right decision for outsourcing. According to (Barrar and Gervais, 2006) one of the main strengths of the TCT is that it considers both the production and transaction costs for the outsourcing decision. According to (Cheon et al. 1995) argued that due to the supply from outside providers, outsourcing generally leads to lower production costs. On the other hand, outsourcing generally leads to higher transaction costs. (Besanko et al., 2003) noted that transaction cost involves the time spent for that arise from negotiating, monitoring, and enforcing contract and expenses put into it. (Cheon et al., 1995) added that three factors that contributes to the increase in transaction costs namely, asset specificity, uncertainty, and infrequency Asset specificity refers to the skills required that can generate less value outside the contractual relationship. The second factor is uncertainty. According to (Cheon et al., 1995) uncertainty is the result of an unpredictable market, technological and economic trends, and quality of outputs. (Aubert et al., 1996) also stated that transactional difficulty mainly comes from uncertainty in the market. Frequency of the transaction is the third factor that contributes to the increase in transaction costs. This considers the frequencies that the two parties meet, and the time spent. (Aubert et al., 1996) pointed out that there may be some of benefits in frequently meeting together including having detailed contracts and allocation of cost, however, keeping the frequency of transaction low beneficial for the organization. In summary this theory highlights that outsourcing will be beneficial for a company when there is low asset specificity, low uncertainty, and low transactional frequency.

2.2.3 The Contingency Theory (CT)

The contingency theory (CT) recommends that distinctive techniques are suitable for diverse competitive commerce settings (Hambrick and Lei, 1985). A fitting organizational structure is subordinate upon a set of possibility variables (Tosi and Slocum, 1984). Possibility hypotheses contrast from the classical hypothesis 'one best way' of overseeing and organizing (Hambrick and Lei, 1985) by emphasizing 'it all depends' (Tosi and Slocum, 1984). Besides, Tosi and Slocum (1984) proposed that central to all possibility approaches are the presumption that execution is a consequence of the fit between a few organizational components. Consequently, viable techniques are those that accomplish a fit between organizational components and natural conditions (Cheon et al., 1995). The possibility approach has been utilized in much of the inquiry about outsourcing indeed when possibility names have not been formally utilized (Gilley and Rasheed, 2000). The fundamental rule of the possibility hypothesis is that outsourcing procedure is as it were one of a few sorts of financial rebuilding (Cheon et al., 1995). The possibility approach presents a critical potential to reach at prescriptive discoveries, because it is supportive in distinguishing the particular natural and organizational qualities that can lead to effective outsourcing (Barrar and Gervais, 2006). Indeed in spite of the fact that the RBV and the TCT center on two diverse issues - the hunt for competitive advantage and an effective administration structure - organizations need to bargain with both issues to set up an effective outsourcing technique (McIvor, 2008). Moreover, location-specific preferences and other organizational variables are portion of the choice on where to source or advertise as shown by the possibility hypothesis (Murray et al., 1995). Eventually, the execution of outsourcing and the impact of outsourcing on the execution of associations are not decided by a single calculate (Hatonen and Eriksson, 2009).

2.3. Empirical Review

2.3.1. What is Outsourcing?

According (Hambrick and Lei, 1985)., outsourcing is strategic decision of an organization to use outside resources to perform activities traditionally carry out by internal staff and resources. Base on this definition one can describe as a strategy that a certain organization gets into a contract to use outside resources in a more efficient way than using internal resources for higher business performance. In this case it is important to underline that reducing cost and increase effectiveness in business are the core of outsourcing.

These days, many businesses outsource what they need to serve their internal and external customers. An external customer is the entity that ultimately purchases a company's product or services, while an internal customer is the company's own employees or shareholders. According to (Nilakshi and Ghazali, 2011) outsourcing involves buyers and suppliers where suppliers refer to an external body that provides service to change the internal process of the buyer which is the organization that seeks outsourcing. The meaning of out sourcing differs in different literatures depending on terms of contract type holding by partners, the drives for outsourcing, the expected outcomes and the nature of businesses. However (Li and Choi, 2009) viewed services outsourcing as a 'choice of replacing internal service functions with the use of external agents to perform one or more services activities'.

2.3.2. Outsourcing in a Global Context

Even though outsourcing is mostly practiced in logistics and supply chain management studies that appeared lately indicate that outsourcing of human resources (HR) is becoming common. According to (Lindner, 2004) the overall scope of outsourcing is continuing to grow as companies focus on their core competencies and shed tasks perceived as noncore. (Gurchiek, 2005) also noted that outsourcing of human resources (HR) functions is pervasive with 94 percent with most firms planning for outsourcing expansion. Other studies by also indicate that outsourcing of other departments such as sales, marketing, and administrative functions is becoming common (The Outsourcing Institute, 2005; GMA, 2006). When explaining about the exponential growth of outsourcing in the U.S. (Langley, 2006) pointed out that the third and fourth-party logistics industries are booming, with between 65 percent and 80 noted that it is

challenging for managers because they had to percent of U.S. manufacturing firms. This (McGovern & Quelch, 2005) challenge to managers in the firms make the right decision as the business consequence could be significant. In other words managers should look in to cost and competitive advantage of their organization, According to (Cross, 1995) good outsourcing decisions can result in lowered costs and competitive advantage, whereas poorly made outsourcing decisions can lead to a variety of problems, such as increased costs, disrupted service and even business failure. Lindner takes the case of Toyota Company as an example of loss as a result of poor outsourcing practices. The Japan-based Toyota Motor Corporation has lost its control over its own product due to our sourcing the design and manufacture of electrical systems, which now the company is no longer able to leverage its own technological advantage with respect to these systems during product development (Lindner, 2004). In another example the growth in outsourcing has benefited Nike that outsources almost all its manufacturing activities and grows in the 1990s at an annual rate of approximately 20 percent (Kalinzi, 2016). In another example (Kalinzi, 2016) addressed the case of Apple Computers. Apple focused on the main disk operation internally and outsources 70 percent of its activities and as a result the company was able to maximize its profit. In summary, all the above cases show that decision making in outsourcing requires weighing risks and benefits that is in evolved in the process outsourcing.

2.3.3. Forms/Types of Outsourcing

According to (Kalinzi, 2016) there are five types of outsourcing. Service outsourcing is one of them. It refers to a process by which a company is in contract with outside businesses to provide specialized skills and expertise. Procurement is another type of outsourcing which refers to making sure that the company has a purchasing staff that ensures that the company is benefiting from every supplier. Offshore outsourcing is another one that refers to those outside organizations that would perform business activities outside of the country where the hiring firm is established. BPO is considered the most popular, especially when considering that most companies outsource business processes to offshore locations such as India. It is important that organizations figure out what type of outsourcing works best and what a firm requires from the

process. Legal process outsourcing (LPO) is also another kind of outsourcing. LPO is a law firm that would provide a legal support services to the company.

2.3.4. Why organizations outsource?

In this area, outline of past scholarly works on outsourcing is given to distinguish reasons for outsourcing. Be that as it may, concurring to Wilding (2004) customer products companies select to outsource basically in arranging to advantage from the competencies of 3PLs. Adaptability and taken a toll destinations are too exceptionally vital, but taken a toll decrease is unquestionably not an uncontested pioneer.

Concurring to (Wilding 2004) study, a few study respondents outsourced for elective reasons that had not been included within the list. Two firms outsourced to fathom capacity issues. One company was spurred by a major organizational alter (de-merger) and another one was looking to discover cooperative energy with the 3PL. Bendor and Samuel (1998) declare that outsourcing gives a certain control not accessible inside an organization's inner divisions. This control can have numerous measurements: economies of scale, handle skill, get to capital, get to costly innovation, etc. Another conceivable advantage is that outsourcing gives companies with more noteworthy capacity for adaptability, particularly within the buy of quickly creating unused advances, mold products, or the bunch components of complex frameworks (Harrison, 1994; Carlson, 1989).

As the world gets to be more all-inclusive coordinates and the boundaries between nations and societies vanish, numerous creating nations such as Turkey are getting to be alluring centers for worldwide firms since of their geological areas, moo compensation, and tall potential for showcase expansions. In any case, the think about appears that in Turkey, outsourcing is still exclusively based on transportation (Uluengin & Uluengin, 2003). Concurring to Aktas and Uluengin (2005, p. 317), numerous Turkish firms get it logistics administrations as taking the transportation arrange from the producer and conveying the merchandise to goal focuses without considering the distribution center plan, the ideal area of the stockroom, or stock administration. Such ways of considering are concerned as it were with one side of the subject and diminish logistics management to a contract transportation point of view.

2.3.5. Benefits of Outsourcing

Rich (2014) notes that to stay competitive and pertinent, numerous organizations will have to react indeed more rapidly, precisely, and altogether to future showcase changes, supply channel issues, client necessities, competitive challenges, worldwide alternatives, modern openings, mechanical progresses, and asset requests. With all this movement happening inside numerous companies at the same time, it is basic that corporate administration precisely decide their obtainment staff's aptitude sets, viability, genius, workload capacity and accessible ability pool. In other words, it may be vital for a few organizations to "think out of the box" with respect to accessible assets and consider the potential benefits recorded underneath for acquirement outsourcing.

Outsourcing offers numerous points of interest. For occasion, outsourcing permits companies to discover and enlist the finest specialists for specialized work. Utilizing outsourcing moreover makes a difference companies keep more cash on hand, liberating assets for other purposes, such as capital changes. It is additionally frequently cheaper in terms of compensations and benefits and diminishes dangers and costs. Outsourcing can moreover offer assistance a trade center on its center components without diversions from ancillary and back capacities. Another advantage – such as that within the invented Smith & Company – includes speed and agility. It is in some cases faster and more productive to contract a pro to do something than it is to bring a company up to speed. Numerous expansive companies use outsourcing to fill parts in their organization that would be as well costly or wasteful to make themselves. Littler companies too turn to outsourcing, in spite of the fact that the taken a toll investment funds is some of the time reduced. Rich (2014) outlines a number of benefits associated to outsourcing which include time, expertise of resources, speed and financial benefits.

2.3.6. Logistics Outsourcing vs. Sub-Contracting

The expanding number of inquire about works on outsourcing has driven to a few kind of stabilization of the concept nowadays. Barthélemy (2001, p. 7-8), in his investigate work on outsourcing procedures, clearly recognizes outsourcing from subcontracting, cutting back and reengineering by characterizing it as "the truth to endow a provider or an outside supplier with an action and its administration or maybe to carry it out in-house". Concurring to the creator, three significant components characterize outsourcing: 1) the activity used to be carried out by the

outsourcer, 2) the outsourced activity usually goes together with an assets transfer, 3) the relationship between the outsourcer and the provider usually runs on the middle or long term.

As for logistics outsourcing a few equivalent words are frequently utilized: “outsourcing”, “third party logistics” or “contract logistics” (Larson & Kulchitsky, 1999). Checking on the definitions indicating at this concept (e.g., Langlely, Dobrey, & Newton, 1997; Lieb, 1992) variables influencing the outsourcing execution of logistics exercises, within the case of Ethiopian carriers permitted to characterize logistics outsourcing as the reality of entrusting all or portion of the calculated chain, whose exercises were already performed in-house, to an outside provider on the long run, with a potential exchange of assets and with an objective of execution.

This definition, counting a vital measurement hence makes outsourcing distinctive from the concepts of subcontracting, contracting out and so on which are regularly considered near or proportionate to it. Agreeing to Tage (2000: 113), it “presupposes that a few characteristics are satisfied some time recently the relationship between buyer and seller” such as “a certain term, joint endeavors to create assist participation, a customization of the arrangement, besides a reasonable sharing of benefits and risks”.

The excitement of administration for the wonder of calculated outsourcing has influenced logical writing (Razzaque& Sheng, 1998). Articles and books for the layman pointed at directors frequently portraying ready-made strategies (best hones) to realize outsourcing operations. However this writing isn't related to any thorough hypothetical system (Lynch, 2001) and it remains for the most part expressive (Knemeyer, Corsi, & Murphy, 2003). Existing inquire about works are regularly inadequate and as it were bargain with a specific portion of the calculated chain, such as physical dispersion (Aertsen, 1993; Ballou, 1999), merchandise warehousing (Maltz, 1994), transport or custom fitted logistics (Guérin& Lambert, 2000), transport for trades (Bigras&Désaulniers, 1998; Stank &Maltz, 1996), coordinates logistics (Rabinovitch, Windle, Dresner&Corsi, 1999) or supply chain (Amami, 2001). In these investigate works what is focused is the consideration of the different setups and relations coming about from a choice of calculated outsourcing rather than the factors of decision (Amami, 2001; Kannan & Tan, 2002; Menon, Macginnis, & Ackermann, 1998; Tage, 2000)

Within the field of logistics, various works have been distributed (Sohail & Sohal, 2003) coming about in a wave of definitions for the concept of logistics (Masson-Franzil, 2003) and the outsourcing wonder (Tage, 2000) but these are largely on exercises within the created world. It's on this preface that the concept would be explored advance in creating nations to compare notes with those of the created nations in arrange to set up any point of meeting or something else.

After having presented logistics and outsourcing, the address emerges how to organize logistics forms on the level of the person firm. The choices for the firms are to either work them by themselves or to somewhat or totally outsource them to a third party within the frame of a logistics benefit supplier (LSP).

2.3.7. Advantages of logistics outsourcing

The foremost frequently said good thing about outsourcing is the diminishment of the firm's logistics costs (Browne & Allen 2001, p. 259; Bardi & Tracey 1991, pp. 15-21). This will ended up by showing in a few distinctive ways: Bradley (1994) focuses out those logistics benefit suppliers can be more proficient than a producer, since logistics is their center of commerce. Consequently, specialization impacts on the right utilization of center competencies lead to lower generation costs. Besides, wasteful aspects which have not gotten to be clear as long as the benefit was delivered in-house and thus was not subject to competition are disposed of (Wallenburg 2004, p. 47).

Lower generation costs can too be accomplished through economies of scale and scope coming about from the bigger volumes of comparative or rise to logistics administrations a LSP produces and through the higher utilization proportion of the resources utilized. Moreover, logistics benefit suppliers can adjust shifting request designs way better than a single fabricating firm by expanding their client portfolios and decrease labor costs by profiting from lower wage levels compared to those in fabricating businesses.

Logistics outsourcing too straight forwardly influences the taken costly of a firm due to a diminished require for capital ventures. Richardson (1990) focuses out that ventures in offices can be decreased whereas Sheffi (1990, pp. 27-39) states that expensive data innovation uses can

be spared when outsourced to a logistics benefit supplier. Past that, logistics outsourcing moreover permits for a managing of the workforce and the related speculations.

The impacts specified over stemming from the diminishment of capital ventures in a perfect world permit a firm to source as it were the specified logistics administrations and to hence change over the once settled costs of the logistics capacities into variable costs. Other than all these diverse possibilities of fetched decrease, be that as it may, logistics outsourcing has a few assist benefits for the firm. Particularly in later a long time the realization has spread among firms that outsourcing logistics can moreover lead to enhancements in logistics execution that in-house might not be accomplished.

As a result of outsourcing, the mastery, innovation, and framework of the LSP can be utilized (Browne & Allen 2001, pp. 259-260). This will lead to the next logistics execution in different measurements. Lalonde and Maltz (1992, p. 3) distinguish higher quality, superior benefit, optimized resource utilize, and expanded adaptability. Numerous creators go into encourage detail, such as Richardson (1990) who notices quicker transit times, less harm, and made strides on-time conveyance. The expanded adaptability may be a major advantage for firms. It permits firms to gotten to be more responsive as wants of the advertise or clients alter, as the LSP contributes by providing its know-how and existing assets (Browne & Allen 2001, pp. 259-260).

At the same time, the firm is empowered to concentrate on claim center commerce and its center competencies. This can be especially critical with regard to the center competence wrangle about proposing that due to constrained inside assets and a developing complexity of the advertise competitive advantage cannot be accomplished in all ranges at the same time and centering is vital. Outsourcing logistics to a benefit supplier permits for this concentration on center competencies, diminishes the complexity of the firms' commerce forms and thus encourages feasible competitive advantage

Besides, outsourcing decreases both the vital and the agent chance of the firm. The key chance within the frame of speculation choices in resources is outsourced, as well as agent dangers, e.g. missed due dates, suddenly surging costs or quality issues within the logistics forms, which all presently got to be borne by the LSP.

Another calculate whose significance shifts concurring to the corporate setting and the commerce environment is specified by Lynch (2000, pp. 9-11), who focuses out that labor contemplations must not be ignored when making the outsourcing choice. Issues with the workforce, starting e.g. from a tall rate of unionization (USA) or specific labor understandings concerning compensation can be passed on to the LSP.

According to Andrew Mawson some of the hypothetical points of interest and impediments of outsourcing include focus upon core business, cost and efficiency savings, staffing flexibility, reduced overheads, continuity and risk management and developing internal staff:

2.3.8. Disadvantages of logistics outsourcing

After the introductory outsourcing talk about had or maybe euphoric idea, realization came over the long time that outsourcing is attended by a few impediments and dangers (Wentworth 2003, pp. 57-58; McIvor 2000, pp. 22-23).

One of the foremost commonly cited dangers is the misfortune of control (Wentworth 2003, pp. 57-58; Bardi& Tracey 1991), matched with the reliance on an LSP of ten going with the relationship. The firm must depend on the LSP to fulfill the service as concurred upon within the contract, but at that point depends on the LSP as the exceptionally source for the information it needs for judging whether the levels of quality and benefit have been accomplished or not (Wentworth 2003, p. 57). The same holds genuine for the LSP's honest announcement of the costs caused when rendering the logistics benefit, which habitually is the base for the cost charged to the firm. This impact is aggravated within the case that a firm outsources the complete logistics work, in this manner losing its inner logistics aptitudes and thus its capabilities to judge the outsourcing execution. That can be the beginning for artful behavior on the side of the LSP. In case the firm needs to restrain the potential for artful behavior, it must introduce control component

It has been pointed out within the past chapter that outsourcing can diminish the complexity of commerce forms, empowering the firm to concentrate on its center trade. It must be noted, in any case, that within the relationship with the LSP coordination endeavors between the parties are essential, including a few other frame of complexity (Wallenburg 2004, p. 48), which, depending

on the setting of the relationship, might turn into a genuine impediment en course to fruitful outsourcing.

Other creators point to the complexity of outsourcing ventures as one intrinsic and noteworthy drawback. Concurring to McIvor (2000, pp. 24-26), the key measurement of outsourcing ventures is frequently dismissed, driving to sub-optimal comes about based on the brief term reasons of taken a toll diminishment and capacity issues. He concludes that issues as often as possible happen since complex issues, such as a formal outsourcing handle, UN satisfactory taken a toll examination and a careful definition of the possess center trade have not been paid adequate consideration. According to progressed workplaces, Andrew Mawson, the theoretical impediments of outsourcing include loss of management control, hidden costs, threat to security and confidentiality, being tied to financial strength of another company, bad publicity, and different cultural approaches.

2.3.9. Logistics Performance

Logistics models have overwhelmingly utilized two distinctive execution measures: fetched and client responsiveness (Beamon, 1999; Morgan, 2004). Costs may incorporate stock costs and working costs. Client responsiveness measures incorporate lead time, speed and quality of transported, and fill rate. In expansion, the connected in a supply chain that specifically impacts clients is conveyance (Gunasekaran, 2004). It may be essential determinant of client fulfillment; subsequently, measuring and progressing conveyance is continuously alluring to extend competitiveness. Concurring to Stewart (1997), an increment in conveyance execution is conceivable through a decrease in lead-time qualities.

Another vital viewpoint of conveyance execution is on-time conveyance. On-time conveyance reflects whether culminate conveyance has taken put or something else and is additionally a degree of client benefit level. A comparable concept, on time arrange fill, was utilized by Christopher (1998), portraying it as a combination of conveyance unwavering quality and arrange completeness. Another perspective of conveyance is the rate of wrapped up products in travel, which on the off chance that tall implies moo stock turns, driving to pointless increments in tied up capital. Different variables that can impact conveyance speed incorporate vehicle

speed, driver unwavering quality, recurrence of conveyance, and area of warehouses. An increment in productivity in these zones can lead to diminish within the stock levels.

2.3.10. performance-based logistics (PBL) foundation

Customarily postproduction bolsters for long life cycle frameworks included value-based connections, where the objective is to return the framework to generation specifications (Carter 2009). In this system venture is focused on to security flaws, significant unwavering quality issues, or execution advancements (Maclean et al. 2005). There are rarely significant speculation reserves accessible to create reasonableness advancements. In brief, frameworks are conveyed, bugs are worked out, and over time, weakness and wear drive costs up (Geary et al. 2010).

PBL, on the other hand, includes contracting for execution (or results), not saves and repairs. The center on execution leverages employees' information, aptitudes, and capacities in ways that make strides framework reasonableness (Randall et al. 2014b). PBL builds a motivating force structure in which the provider can increment profitability by leveraging speculation and advancement in ways that diminish generally costs (Hypko et al. 2010).

What is really novel around PBL is that it includes a one of a kind request administration methodology. Logistics investigate and hone, especially in retail, has seen a colossal sum of exertion centered on assembly request whereas lessening costs of the classic logistics capacities such as stock, warehousing, and transportation (Faber et al. 2002; Williams and Tokar 2008; Randall et al. 2010a). So also, beneath PBL, providers work to progress the efficiency of the classic logistics capacities. However, PBL goes encourage by empowering development that makes strides unwavering quality in ways that drives out request for saves, repairs, and upgrade (Randall et al. 2011). This extra approach to request administration is something not seen in classic retail and fabricating operations.

PBL is alluring to the buyers who work the framework for three key reasons. To begin with, the administrators of long life cycle frameworks are regularly confronted with year-after-year increments in costs and diminishes in performance—commonly alluded to as the bath bend in designing writing (Maclean et al, 2005). PBL gives the buyers a steady level of execution at a reliable cost. Moment, the same component that gives profits for speculations by lessening costs

too closes up lessening the cost that buyers pay amid the life cycle of the framework. Ordinarily, a PBL procedure is operationalized through a three-to-five-year contract (Geary and Vitasek 2008). That multiyear skyline gives the provider the opportunity to contribute, enhance, overhaul, and recover ventures and profits. The advancements decrease the costs that would have happened whereas the buyer cost remains consistent. The contrast between the diminishment in costs and the cost reimburses speculations and profits. After a few period of time, the contract is reset and the buyer's cost is decreased in this manner sharing investment funds with the buyer. From the buyer's viewpoint, the provider ventures result in a decrease within the baseline taken a toll for the complete framework. This implies that, holding utilization consistent, the buyers go into the multiyear PBL contract with a lower taken a toll (Randall et al. 2011). Third, PBL comes about in fewer disturbances for the buyer.

The unessential effect of the suppliers making more profit when the system breaks less frequently is clear the buyers have a system that breaks less frequently, performs at higher levels and demands less resources. For case, the PBL contract for the F404 engine on the F/A-18 flying machine brought approximately in a 46% increase in system openness (Fowler 2009). That deciphers into a more diminutive combat impression, less spares, and less on-equipment support hours for the buyer. Consequently, PBL benefits the buyer since taken a toll venture reserves in the long run flow through the supply chain and result in a lower future taken a toll for that buyer (Kratz and Diaz, 2012).

2.3.11. Outsourcing and operations performance

The relationship between operations technique and organizational execution has long been guaranteed (Ward et 01, 1995; Skinner, 1969). Outsourcing is one of the major procedures embraced by organizations to progress their execution (Mpoyi, 2003). A few creators have recommended that organizational execution can be improved through outsourcing (Elmuti, 2003; Quelin and Duhamel, 2003; Bettis et 01., 1992). Administration analysts relate such execution advancements to the preferences accomplished through outsourcing such as center on center competences, taken a toll lessening, and moved forward quality (Espino-Rodriguez and Padron-Robaina, 2004).

It has been expressed that concentrating assets on chosen exercises that have the potential to supply competitive advantage could be a key guideline of technique (Gilley et al., 2004). Hence, in arrange to accomplish competitive advantage; organizations ought to recognize exercises in which they will concentrate their assets (Hamel and Prahalad, 1994). By applying the same standards to outsourcing, it can be contended that the center on exercises giving a source of competitive advantage will progress the execution of the organization (Gilley et al., 2004). Hayes et al. (2005) distinguished a few measurements on which organizations can select to center. Such dimensions include item lines, handle advances, client bunches, or geographies. Skinner (1974, p. 116) expressed that "the centered production line does distant better;a much better; ahiger; astronger; an improved">a stronger work since redundancy and concentration in one range permit its work drive and supervisors to ended up compelling and experienced within the errand required for victory. The centered production line is reasonable and controllable". A few considers have affirmed the positive affect of being centered on working execution enhancements at a divisional and organizational level (Huckman and Zinner, 2008).

Flexibility, client administrations and the center competences of the organization vital outsourcing can give an organization with more prominent adaptability, higher quality, lower capital speculation and way better center (Quinn and Hilmer, 1994). Agreeing to Espino-Rodriguez and Padron-Robaina(2006), outsourcing would as it were 'make sense' when it emphatically impacts organizational execution targets and the organization's execution. In any case, Kotabe, (2008, p. 39) expressed that "clashing expectations have emerged over outsourcing execution suggestions with changing considerations for its benefits and downsides". In addition, the investigation of the relationship between outsourcing and the operational execution of organizations constitutes a ignored inquire about range (Bustizaetai, 2010).

2.3.12. How outsourcing can fail to contribute to organizational performance?

A number of researchers like Dignitary (2012); Kathawala, Zhang, Shao (2005) among others have talked about a number of issues relating to the how outsourcing can be abused and come up short to accomplish the specified execution. The issues laid out by different researchers may incorporate but not constrained to lack of clear goal, lack of clear definitions, focus on cost reduction, inability to adopt cultural changes and lack of details.

2.4. Conceptual framework

The preceding discussion identifies an independent variable including lack of clear goals, lack of clear definitions, focus on cost reduction, and inability to adopt cultural changes. And also dependent variables including cost efficiency, profitability, productivity, flexibility and focus on Core Competencies of organizational performance indicators. The casual linkages among these variables are assumed to influence organizational performance. The research model views these variables as important elements of effective outsourcing strategy and linked to organizational performance as shown in Figure 2.1.

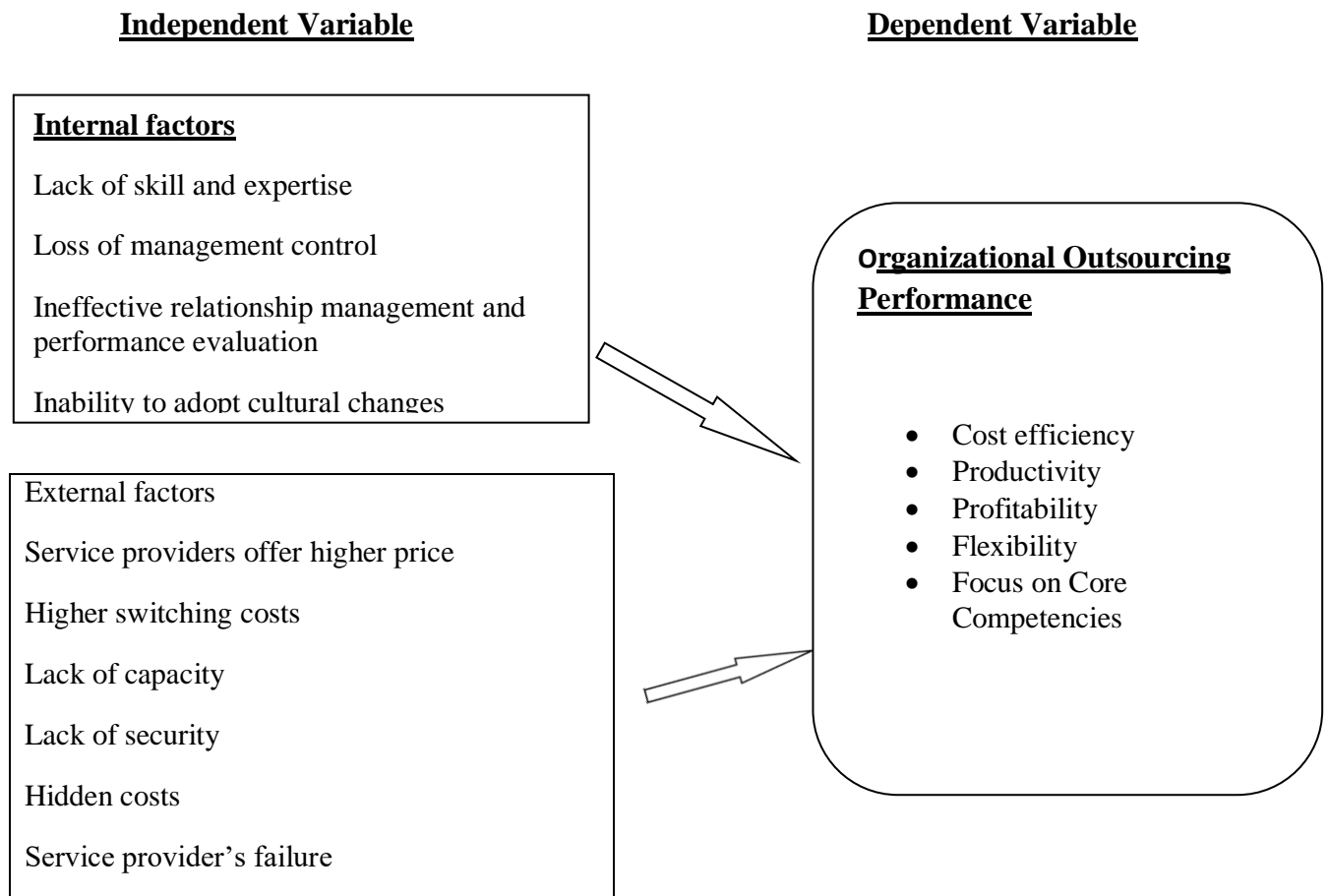


Figure 2.1. Conceptual framework of the study

Source: Modified from, Narasimhan & Jayaram, 1998; Kennedy, 2002; Judge & Dooley, 2005; Geyskens, 2006; Kumar & Eickhoff, 2006.

CHAPTER THREE

METHODOLOGY

3.1. Description of the Study

This research employs a quantitative study approach. Particularly, a quantitative case study design is used to have an in-depth examination of how logistic activities outsourcing was practiced in Ethiopian Airlines. It also analyzes how the Ethiopian Airlines outsources its logistics functions to third party logistics service providers in the industry and how it managed various challenges.

3.2. Research Approach

Based on the nature of the purpose and in order to achieve it, a quantitative approach was applied for this study. Because it facilitates gathering of reliable and accurate data that clearly describe assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines. Quantitative approach used for analysis of questionnaire. (Mugenda, 2003) noted that quantitative approach is used to obtain information concerning the status of the current phenomena to describe "what exists" with respect to variables or conditions in a situation.

3.3. Research design

Research design is an arrangement of conditions for collecting and analyzing relevant data in the most economical manner. It is the blueprint for fulfilling research objectives and answering research questions. It is the program that guides the researcher in the process of collecting, analyzing, and interpreting an observation. It also defines the domain of generalization; that is, it indicates whether the obtained interpretation can be generalized to different situation or not (Amoani, 2005). (Avoke, 2005) pointed out that descriptive surveys are designed to accurately portray the characteristics of particular individuals, situations, or groups.

The researcher also utilizes explanatory research method design, to identify the relationship between factors affecting the performance of outsourced logistics activities and Organizational Outsourcing Performance. Explanatory research emphasizes detailed contextual analysis of a

limited number of events or conditions and their relationships. Yin (1993) has also defined explanatory research method as “an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”

3.4. Population and Sample

The population for this study consist all employees of Ethiopian airlines who work in the logistics department. Under the logistics department of Ethiopian airlines there are 82 employees of which one is logistics manager, four team leaders and seventy-seven logistics officers, assistant, and associate logistics officers. Census technique was used so as to consider all employ for this study.

3.5. Data Sources and Types

Primary data is used for this study. The primary data is collected from logistics department of employees of Ethiopian Airlines.

3.6. Data Collection Procedures

The primary data for this study is collected through questionnaire. The researcher consulted with related literatures to develop the questionnaire. The questioner comprises four parts. The first portion incorporates basic personal information of the respondents. The second part includes questions about rationale for outsourcing logistics activities. The third part incorporates questions about the benefits and challenges of outsourcing logistics activities. The fourth and last part is about the metrics on effects on outsourced freight forwarding activities on logistics performance of Ethiopian airlines. An item of the questionnaire was set up in type attitude scale, which signifies the level of agreement and disagreement.

3.7. Reliability and Validity

According to (Bryman & Bell, 2007) reliability analysis was concerned with the internal consistency of the research instrument. The internal consistency or reliabilities of supply chain management practices and customer satisfaction is assessed with Cronbach's Alpha. Alpha values over 0.7 indicate that all scales can be considered as reliable (Nunally, 1978). (Sekaran, 2003) pointed out that values between 0.50 and 0.80 will be acceptable while a value below 0.50 are considered as less reliable and is going to be unacceptable.

Table3.1. Source: Survey Result, 2020

No	Variable	No. of item	Cronbach's alpha
1	Reasons for outsourcing	7	0.786
2	Benefits of outsourcing	9	0.812
3	Criteria's for selecting Logistics Service Providers	6	0.852
4	The Challenges of outsourcing	12	0.883
5	Measures of impact on the performance of outsourced	8	0.886

(Marczyk et al., 2005) also noted that validity refers to what the test or measurement strategy measures and how well it does so. Conceptually, validity seeks to answer the following questions: "Does the instrument or measurement approach measure? What it is supposed to measure?" To guarantee its validity, the questionnaire should be developed from relevant literature to confirm if it is going to be capable of measuring what it will be intended to measure.

3.8. Ethical Consideration

Leedy & Ormrod noted that there are four main ethical issues that need to be addressed in the process of research writing. These include protection from harm, informed consent, right to privacy, and honesty with professional colleagues (Leedy & Ormrod, 2010). By taking these ethical issues in to consideration, the researcher pays attention to protecting the right of participants and refrain from exposing them to any physical or psychological harm. That is, the researcher is strict on the privacies and confidentiality of the participants' right for their honest, unreserved, and complete reports for the findings of this paper. Furthermore, the researcher requests the consent of the participants to get valuable information on their good will. This helps to the researcher to get reliable, accurate and strong information for the betterment of the final findings of this research.

3.9. Data Analysis

After successful data gathering, data analysis was conducted by the researcher using both descriptive statistics (tables, mean and standard deviation) and inferential statistics. For the data analysis process the researcher employs a computer program called the statistical package for social science (SPSS) version 23. Descriptive analyses were applied through mean, frequency, tables and percent. Inferential statistics were applied through correlation analysis. The correlation analysis was used to establish with statistical significance and identify the nature of the existing relationship between the dependent variable and the independent variables.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

Introduction

The main objective of this study is to examine the Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines. This chapter presents the results and findings of the study based on the data collected from the sample population. Response of participants is coded and entered to Statistical Package for the Social Sciences (SPSS) version 23, for data analysis. Responses of participants is interpreted and presented by tabulation. It covers respondent's general information or demographic information and findings based on how the research questions/objectives affecting the outsourcing performance of logistics activities. Due to the current corona virus (COVID 19) pandemic, among the 82 employees 70 questionnaires distributed to respondents, 64 were filled and returned. That is, based on (Welman, 2007) response rate formula, out of the 100% questionnaires distributed, 78.04% were filled and returned.

$$ResponseRate = \frac{Number\ of\ Complete\ Surveys}{Number\ of\ Participants\ Contacted} = 64/82=0.7804$$

Result of the study is divided into the following three categories. 1) Profiles/characteristics of the respondents. 2) Descriptive analysis of variables. 3) Inferential statistics of variables. After the completed questionnaires are coded and captured in excel, they are exported into SPSS 23 version (a statistical software program) by the researcher.

4.1 Demographic Profile of the Respondent

The researcher obtains results pertaining to the general information of respondents using section one of the questionnaire.

4.1.1. Gender of respondents

Table 4.1. Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	43	67.2	67.2	67.2
female	21	32.8	32.8	100.0
Total	64	100.0	100.0	

Table 4.1 shows that 43(67.2%) participants are male and the remaining 21(32.4%) are female. This implies that majority of the respondents are male. This indicates the attempt of the researcher to incorporate views of both genders.

4.1.2. Age of the respondents

Table 4.2. Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-25	19	29.7	29.7	29.7
26-35	24	37.5	37.5	67.2
36-45	17	26.6	26.6	93.8
more than 46	4	6.3	6.3	100.0
Total	64	100.0	100.0	

Table 4.2 shows that 19(29.7%) respondents are between 18 -25 years, 24(37.5%) are between 26 -35 years, 17(26.6%) of them 36 to 45 years old and 4(6.3%). The result shows that most participants are young adults between the ages of 26-35.

4.1.3. Education level of Respondents

Table 4.3. Educational qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Diploma	4	6.3	6.3	6.3
BA/BSC	60	93.8	93.8	100.0
Total	64	100.0	100.0	

Regarding education, table 4.3 shows that 4 (6.3%) participants are diploma and 60 (93.8%) were BA/BSC. From this result one can understand that employees of the logistics section of Ethiopian Airlines are diploma and BA/BSC holders. More than 93 percent of them are BA/BSc holders.

4.1.4. Experiences of Respondents

Table 4.4. Years of experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 Year	14	21.9	21.9	21.9
1-5 years	28	43.8	43.8	65.6
6-10years	18	28.1	28.1	93.8
More than 10years	4	6.3	6.3	100.0
Total	64	100.0	100.0	

From the table 4.4 one can see that employees who have work experience between 1-5 years are by far exceeding all others, it accounts for 43.8%. Employees who have experience of more than 10 years account only for 6.3%.

4.2 Descriptive Analysis

4.2.1. Reasons for Outsourcing Logistics Activities

Table 4.5 Reasons for outsourcing logistics activities

Items	f	%	f	%	F	%	F	%	f	%	Mean Value
Q.1 Reasons for outsourcing Logistics activities	strongly disagree		Disagree		Neutral		Agree		Strongly Agree		
Business focus(focus on core activities)	1	1.6	3	4.7	4	6.3	13	20.3	43	67.2	4.47
Cost and revenue(cost reduction)	1	1.6	2	3.1	8	12.5	18	28.1	35	54.7	4.31
Operational flexibility	-	-	1	1.6	14	21.9	26	40.6	23	35.9	4.11
Service quality	-	-	4	6.3	15	23.4	22	34.4	23	35.9	4.00
Efficient utilization of company's asset	-	-	5	7.8	9	14.1	34	53.1	16	25	3.97
Saving in capital investment	1	1.6	5	7.8	7	10.9	38	59.4	13	20.3	3.89
The need to access outside expertise(no inside expertise)	-	-	7	10.9	10	15.6	30	46.9	17	26.6	3.89
Average mean											4.09

Table 4.5 summarizes responses of participants on reasons for outsourcing logistic activity. The first row reflects that most of the respondents (67.2%) strongly agree that business is the main reason for outsourcing logistics activities. This implies that the business motive is helpful for Ethiopian airlines since business at the core of the company. In the second row, participants give their responses on cost a reduction for outsourcing logistic activity. Most respondents about 82% agree that cost reduction is the reason for outsourcing activity. This means that Ethiopian airlines can benefit from outsourcing logistics activities since it contributes to the organization cost reduction. The third row reflects that 40.6 % have agreed that another reason for outsourcing activity is improve in operational flexibility. This implies that most of the respondents believe that outsourcing logistics activities have helped Ethiopian Airlines to improve operational flexibility. The fourth row reflects that meaningful number of people (23.4 %) has a neutral position on the benefit of outsourcing logistics activity for improving service quality of the Ethiopian Airlines. This means that they are not sure if outsourcing helps the organization to

improve service quality. In the fifth row most participants (53.1%) agreed that effective utilization of asset is one of the reasons for outsourcing activity. This implies that most respondents perceive outsourcing logistics activities as helpful activity for Ethiopian Airlines, particularly in the area of utilizing the company’s asset more efficiently. The sixth row shows that most respondents (59.4%) agreed that outsourcing logistics activities allow the organization to save in capital investment. This is a positive indication that outsourcing has helped Ethiopian airlines to saving in capital investment. In the seventh and last row, most participants (46.9%) agreed that access to outside expertise is one of the reasoning for outsourcing logistics activities in the Ethiopian Airlines. This implies that the organization has the benefit of accessing outside expertise due to outsourcing logistics activities.

Analysis in concurring to Wilding (2004) customer products companies select to outsource basically in arranging to advantage from the competencies of 3PLs. Adaptability and taken a toll destinations are too exceptionally vital, but taken a toll decrease is unquestionably not an uncontested pioneer

In summary most respondents show their agreement on all the reasons for outsourcing logistics activity are beneficial for Ethiopian Airlines except few take a neutral position on the benefit of outsourcing logistics activity for improving service quality.

4.2.2. Benefits of outsourcing logistics activities in your organization

Table .4.6.Benefits of outsourcing logistics activities in your organization

Items	f	%	f	%	f	%	f	%	f	%	Mean Value
	strongly disagree		Disagree		Neutral		Agree		Strongly Agree		
Q.3 Benefits of outsourcing logistics activities in Your organization	-	-	1	1.6	7	10.9	34	53.1	22	34.4	4.2
Enables to focus on core activities or competencies	-	-	1	1.6	7	10.9	34	53.1	22	34.4	4.2
Help to free up investment on labor and capital resource	1	1.61	3	4.7	7	10.9	37	57.8	16	25	4.0
Help to increase in operational flexibility	-	-	1	1.6	7	10.9	36	56.3	20	31.3	4.02
Help to get better access of resources and markets	-	-	6	9.4	9	14.1	38	59.4	11	17.2	3.84
Help to obtain a number of value-	-	-	2	3.1	8	12.5	37	57.8	17	26.6	4.08

added services from logistics service providers												
Help to get quick response customers to give quality service to its end customers	1	1.6	2	3.1	13	20.3	29	45.3	19	29.7	3.98	
Helps to improve the profit of the organization.	1	1.6	4	6.3	11	17.2	24	37.5	24	37.5	4.03	
enables reduce companies risk (risk sharing)	1	1.6	4	6.3	9	14.1	30	46.9	20	31.3	4.00	
To improve access and application of technology /use of modern technology in offering of services/	1	1.6	5	7.8	10	15.6	32	50	16	25	3.89	
Average mean											4.0	

Table 4.6 shows responses of participants on the general benefits of outsourcing activity in Ethiopian airlines. The first row reveals that most respondents (53.1%) agree with the benefit of outsourcing for increasing competency. The second row suggested that outsourcing frees up investment on labor and capital resource, those who agreed on this accounts for 57.8%. In the third row most respondents (31.3%) strongly agree that outsourcing helps the increase in operational flexibility. The fourth row reflects outsourcing helped the organization to get better access of resources and markets expand. Those who agreed in this accounts for 46.9%, in row five, when asked whether outsourcing has helped the organization to obtain a number of value-added services from logistics service providers become more competitive in the market, 57.8% of respondents agreed. This implies that outsourcing helps Ethiopian Airlines to become more competitive in the market through obtaining a number of value-added services from logistics service providers. The sixth row shows that most respondents 45.3% agreed that outsourcing help Ethiopian Airlines to get quick response customers to give quality Service to its end customers. The seventh row shows that most of them (37.5%) strongly agree on the importance of outsourcing logistics for increase in productivity which in turn help to increase profitability. In the eighth row one can see that most respondents (46.9%) agreed that outsourcing logistics activities help the organization to reduce companies' risk. The ninth and last row shows that outsourcing logistics activities helped Ethiopian airlines to improve access and application of technology. Respondents agreed on this accounts for 50%.

Analysis in contrary, studies which mentioned cost reduction and focus on core activities as the main reasons for outsourcing of logistics activities (Denisa et al 2015, Kersten et al. n.d. & Kwateng & Manso 2014) the major reason that Ethiopian airlines outsource its logistics activities is the need to access outside expertise due to lack of the absence in house capability

In summary, the above data clearly reflects that almost all respondent have agreed on the benefits of outsourcing considering the factors listed in the table. This implies that outsourcing has a direct relationship with all the factors. The more the organization managed the outsourcing process the more the organization can benefit from all the factors in the table.

4.2.3. Criteria’s for selecting Logistics Service Providers

Table 4.7 Criteria’s for selecting Logistics Service Providers

Items	f	%	f	%	f	%	f	%	f	%	Mean Value
	strongly disagree		Disagree		Neutral		Agree		Strongly Agree		
Q.4 Criteria for selecting logistics service providers	1	1.6	4	6.3	5	7.8	39	60.9	15	23.4	3.98
Quality service	1	1.6	5	7.8	5	7.8	26	40.6	27	42.2	4.14
Financial status/Stability	1	1.6	3	4.7	8	12.5	31	48.4	21	32.8	4.06
Past experiences	-	-	5	7.8	9	14.1	32	50	18	28.1	3.98
Based on Price	1	1.6	2	3.1	4	6.3	43	67.2	14	21.9	4.05
Expertise in technology and IT capability	-	-	5	7.8	3	4.7	36	56.3	20	31.3	4.11
Range of services provided											4.05
Average mean											4.05

This table 4.7 presents some of the criteria that Ethiopian Airlines, department of logistics used to select logistic service providers. This research has taken about six criteria into consideration to select service providers. As can be seen from the table 4.7 majority respondents have agreed on the importance of all criterions for service provider’s selection. In the first row, quality service accounts for 60.9%. In the second row, financial status, or stability accounts for 40.6%. In the third row, provider’s past experience accounts for 48.4%. In the fourth row, price accounts for 50%. In the fifth row, expertise in technology and IT capability accounts for 67.2%, in the sixth and final row, range of service provided accounts for 56%. In summary, all respondents clearly show that they highly recommend all criterions for selection of service provider. Particularly, the highest figure (67.2%) in the criteria of expertise in technology and IT capability indicate that the Ethiopian Airlines is looking more for high-tech providers.

4.2.4. The Challenges of outsourcing logistics Service

Table 4.8 the challenges of outsourcing logistics service

Items	f	%	f	%	f	%	f	%	f	%	Mean Value
Q.5 The Challenges of outsourcing logistics Service	strongly disagree		Disagree		Neutral		Agree		Strongly Agree		
Internal challenges											
Lack of skill and expertise of personnel in the outsourcing team	-	-	2	3.1	10	15.6	37	57.8	15	23.4	4.02
Inadequately scoped work and control systems over how certain services are delivered	-	-	5	7.8	4	6.3	36	56.3	19	29.7	4.08
Loss of control over the Logistics Service Providers	1	1.6	4	6.3	7	10.9	37	57.8	15	23.4	3.95
Ineffective relationship between management and performance evaluation	-	-	6	9.4	6	9.4	36	56.3	16	25	3.97
Higher cost and longer time taken to select third party logistics provider	-	-	3	4.7	8	12.5	38	59.4	15	23.4	4.02
A high level of delay of customer order delivery	1	1.6	2	3.1	7	10.9	32	50	22	34.4	4.13
External challenges											
Lack of security and flexibility of service providers	1	1.6	7	10.9	7	10.9	32	50	17	26.6	3.89
Service provider's failure to deliver on time.	1	1.6	2	3.1	12	18.8	31	48.4	18	28.1	3.98
Various hidden costs and high risks occurred as a result of using logistics service providers	1	1.6	5	7.8	4	6.3	32	50	22	34.4	4.08
Higher switching costs as a result of cancellation of contracts	-	-	3	4.7	6	9.4	29	45.3	26	40.6	4.22
Lack of capacity of service providers to deliver the required service	1	1.6	4	6.3	6	9.4	35	54.7	18	28.1	4.02
Service providers offer higher price	-	-	5	7.8	5	7.8	41	64.1	13	20.3	3.97
Average mean											4.03

Table 4.8 shows responses of participants on challenges of outsourcing logistics service. The questions are divided into two sections, internal and external challenges. In the first section, almost all respondents equally agree that the Ethiopian Airline is facing internal challenges such as: lack of expertise and skill personnel in the outsourcing team accounts for 57.8%, challenges

of inadequately scoped work and control systems over how certain services are delivered accounts for 56.3%, loss of control over the logistics service providers accounts for 57.8%, ineffective relationship between management and performance evaluation accounts for 56.3%, higher cost and longer time taken to select third party logistics provider accounts for 59.4, and high level of delay of customer order delivery accounts for 50%. By looking on the responses one can say that higher cost and longer time taken to select third party logistics provider which accounts for 59.4 is the most challenging area in the logistic department of Ethiopian Airlines. This implies that there is a challenge in the logistics department in the area of creating more simple procedure and setting ideal pricing for the third party to engage in the outsourcing process.

The second section deals with external challenges of outsourcing in Ethiopian Airlines. Almost all respondents agreed that all external challenging factors presented by the researcher are real concerns for Ethiopian Airlines outsourcing logistics activity. These factors include: lack of security and flexibility of service providers accounts for 50%, service providers failure to deliver orders on time accounts for 48%, various hidden costs and high risks occurred as a result of using logistics service providers accounts for 50%, higher switching costs as a result of cancellation of contracts accounts for 45.3%, lack of capacity of service providers to deliver the required service accounts for 54.7%, and service providers offer higher price accounts for 64.1%. Here one can notice that service providers offer higher price is the most challenging factor that Ethiopian Airlines logistic department face. This again shows that pricing is the main challenge in the outsourcing process.

Analysis in support of this Wang and Regan (2002) mentioned possibility of inefficient management of outsourcing activities as challenges faced by many organization which leads to increased operational cost

In summary, the major challenge faced by Ethiopian airlines due to outsourcing its logistics activities is inefficient management of outsourced freight forwarding activity. Loss of control over logistics service providers and Loss of control over the supply chain are also the highest ranking reasons.

4.2.5. Metrics to measure factors that impact the performance of outsourced activities

Table 4.9 Metrics to measures factors impacting performance of outsourced activities

Items	f	%	f	%	f	%	F	%	f	%	Mean Value
Q.6 Metrics to measures factors impacting performance of outsourced activities	strongly disagree		disagree		neutral		agree		strongly agree		
Financial Metrics											
Cost saving	1	1.6	4	6.3	6	9.4	38	59.4	15	23.4	3.97
Non-Financial Metrics											
Picking and delivery accuracy	1	1.6	3	4.7	4	6.3	36	56.3	20	31.3	4.11
On time delivery	-	-	4	6.3	7	10.9	32	50	21	32	4.09
Responsiveness and flexibility	-	-	3	4.7	6	9.4	35	54.7	20	31.3	4.13
Overall quality	1	1.6	5	7.8	4	6.3	31	48.4	23	35.9	4.09
On time receiving (unloading and dispatch) loading	-	-	8	12.5	2	3.1	35	54.7	19	29.7	4.02
Mistakes and damages in delivery	-	-	5	7.8	1	1.6	38	59.4	20	31.3	4.14
Loss in delivery	1	1.6	3	4.7	4	6.3	37	57.8	19	29.7	4.09
Average mean											4.08

The researcher uses two metrics, non-financial and financial, to examine the impact of factors of outsourcing activity in the Ethiopian Airlines. From the table 4.9, one can see that most of the respondents agree on the fact that both metrics presented by the researcher can be important in measuring factors impacting outsourcing activity in the Ethiopian Airlines. Cost saving is the only financial metrics the researcher used. Respondents who agree on the impact of this metrics accounts for 59.4%, this implies that cost saving financial metrics initiate Ethiopian airlines outsource logistics activities.

When it comes to the non-financial metrics logistics activities, the table shows that, almost all respondents agree on the impact of all listed non-financial metrics on outsourcing activities. For instance, picking and delivery accuracy accounts for 56.3%; on time delivery accounts for 50%; responsiveness and flexibility accounts for 54.7%; overall quality accounts for 48.4%; on time

receiving accounts for 54.7%; mistakes and damages in delivery accounts for 59.4% and loss in delivery accounts for 57.8%. From these figures one can observe that “overall quality” is the list agreed metrics. This implies that overall non-financial metrics initiate Ethiopian airlines outsource logistics activities.

Analysis in line support of this, the most frequently mentioned performance metrics for outsourced logistics activities is time lines, on time delivery or reduced delivery time (Dzogbewu 2010, Pedregosa et al 2011 and Zwolinska 2010).

In summary, the major performance metrics that made Ethiopian airlines value the logistics service providers is based on time delivery of their shipments, responsiveness and flexibility to the needs of Ethiopian by the service providers and overall quality respectively.

4.3. Inferential Statistics

4.3.1 Correlation Analysis

Correlations are the measure of the linear relationship between two or more variables. Kothari noted that a coefficient of correlation has the value of “r” lies between “ ± 1 ” (Kothari, 2004). While positive values of r indicate positive correlation between the two or more variables, negative values of “r” indicates negative correlation. When the value of “r” is zero it indicates that there is no association between the two variables. When strength of the correlation is -1 it shows that it is perfectly negatively correlated. On the other hand, when the relationship between the variables was inversely related it becomes +1 which indicate that it is perfectly positively correlated. That means that the relationships between the two variables were directly related. Therefore, [1,0.3] is positively correlated while [-1, -0.3] is negatively correlated, and [-0.3, 0.3] shows that there is no correlation. Karl Pearson’s coefficient of correlation or simple correlation analysis is used for this research because it is the most widely used method of measuring the degree of relationship between two or more variables.

4.3.1.1. Correlation

In this part the researched aims to analyze correlations among reasons for outsourcing, benefits of outsourcing, criteria's for selecting logistics service providers, the challenges of outsourcing, and measures of impact on the performance of outsourced activities.

Table 4.10 Correlations

		Correlations
		Metrics to measures factors impacting performance of outsourced activities
Metrics to measures factors impacting performance of outsourced activities	Pearson Correlation Sig. (2-tailed) N	1 64
Lack of skill and expertise of personnel in the outsourcing team	Pearson Correlation Sig. (2-tailed) N	.556** .000 64
Ineffective relationship between management and performance evaluation	Pearson Correlation Sig. (2-tailed) N	.543** .000 64
Higher switching costs as a result of cancellation of contracts	Pearson Correlation Sig. (2-tailed) N	.463** .000 64
Lack of capacity of service providers to deliver the required service	Pearson Correlation Sig. (2-tailed) N	.589** .000 64

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

Table 4.10 demonstrates that there is positive relationship between Lack of skill and expertise of personnel in the outsourcing team and metrics to measures factors impacting performance of outsourced activities, with a correlation coefficient value of 0.556 ($r=0.556$) and the significance value of less than 0.01. This tells us that there is a genuine relationship between Lack of skill and expertise of personnel in the outsourcing team and metrics to measures factors impacting performance of outsourced activities. The above table 4.10 also indicates us there is positive

relationship between ineffective relationship between management and performance evaluation and metrics to measures factors impacting performance of outsourced activities with correlation coefficient of 0.543 ($r=0.543$) and significance less than 0.01. From the above table 4.10 one can also notice that there is moderate positive relationship between higher switching costs as a result of cancellation of contracts and metrics to measures factors impacting performance of outsourced activities with a correlation coefficient of 0.463 ($r=0.463$) and significance less than 0.01. The table 4.10 also shows that there is a strong positive relationship between lack of capacity of service providers to deliver the required service and metrics to measures factors impacting performance of outsourced activities with correlation coefficient of 0.589 ($r=0.589$) and significance less than 0.01. Therefore, metrics to measures factors impacting performance of outsourced activities and the challenges of outsourcing logistics service were genuinely correlated. In summary, the above table 4.10 reveals that all factors positively correlate to one another which implies that an increase in one of the factors have a tendency of affecting the other positively.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter discusses major findings of the study and provides conclusion remarks and recommendations. It is the researcher's hope that findings of the study and recommendations will benefit Ethiopian Airlines and other organizations that are practicing outsourcing activity to make sound outsourcing decisions to maximize quality service and profitably.

5.1. Summary of Findings

In general majority of the respondents agreed that outsourcing logistics activities helps Ethiopian Airlines to have better performance, particularly on factors such as cost efficiency, productivity, profitability, flexibility and focus on core competencies. Data analysis and findings of the study can be summarized as follows.

First, demography and profile of the logistic department of the Ethiopian Airlines reflects that it is dominated by young adult workers with highly educated less years of work experience.

Second, responses on the reasons for outsourcing logistics activities at Ethiopian airlines reflects that all respondents agreed on the importance of factors including improve operational flexibility, improve quality of its services and improve efficient utilization of company's asset. However, the fact that most respondents strongly agreed on the company outsources logistics service activities due to the reason for cost reduction and saving in capital investment shows that the company is more on profitability than quality. This is also shown when most respondents show less interest on access outside expertise performance as a reason for outsourcing logistics activates.

Third, when it comes to benefits associated to outsourcing, almost all participants agreed that outsourcing would benefit the Ethiopian Airlines in the areas including time management, obtaining expertise, freeing up investment on labor, operational flexibility, reducing company's risk and increasing competitively. To put it in another words, almost all respondents have agreed that the added services in the outsourcing activities help the Ethiopian Airlines to increase operational flexibility, reduce company's risk, expand market, and become more competitive.

Fourth, almost all respondents clearly show that they highly recommend all criterion including quality service accounts, financial status, or stability, provider's past experience, price expertise in technology and IT capability and range of service provided should be considered for service providers selection. Particularly, the highest figure (67.2%) in the criteria of expertise in technology and IT capability indicate that the Ethiopian Airlines is looking more for high-tech providers.

Fifth, finding of the study shows that almost all respondents agreed that all listed challenges are highly affecting outsourcing activities. Challenges include: lack of expertise and skilled personnel in the outsourcing team, inadequately scoped work, control systems over how certain services are delivered, loss of control over the logistics service providers, higher cost and longer time taken to select third party logistics provider, high level of dalliance of customer order delivery, ineffective relationship management and performance evaluation. Particularly a challenge on higher cost and longer time taken to select third party logistics provider which accounts for 59.4 is the most challenging area in the logistic department of Ethiopian Airlines. This implies that there is a challenge in the logistics department in the area of creating more simple procedure and setting ideal pricing for the third party to engage in the outsourcing process.

Sixth, the researcher analyzes financial and non-financial metrics of logistics activities. Most respondents agree on the fact that both metrics presented can be important in measuring factors impacting outsourcing activity in the Ethiopian Airlines. Even though most respondents agree in almost equal level on the impact of all the listed metrics, there is one particular metrics that they agreed on but not as much as others. This implies that overall non-financial metrics initiate Ethiopian airlines to outsource logistics activities.

Seventh, Pearson's correlation coefficient shows that, there is positive relationship among all elements that contribute to the outsourcing of the Ethiopian Airlines. The fact that all factors are positively correlate to one another implies that an increase in one of the factors have a tendency of affecting the other positively.

5.2. Conclusions

Based on the analysis and summary of findings the following conclusions are drawn on assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines.

The quantitative analysis question of benefits of outsourcing logistics activities, reasons for outsourcing logistics activities, and criteria's for selecting logistics service help to identify whether outsourcing contributes Ethiopian Airline profitability or not. On the other hand, challenges of outsourcing logistics service and measures of effect on the performance of outsourced activities help to understand some of the major factors that hinder the outsourcing flexibility of Ethiopian airlines. In general, the main objective of this study was to assess and analyze factors affecting the outsourcing of logistics activities and performance.

Based on both the literature review and finding of the study it can be stated that lack of skill and expertise, loss of management control, ineffective relationship management and performance evaluation, inability to adopt cultural changes, service providers offer higher price, higher switching costs, lack of capacity, lack of security, and hidden costs were taken as the factors that negatively affecting an organization performance. Whereas factors such as cost efficiency, productivity, profitability, flexibility, and focus on core competencies are factors that positively impact the performance a certain organization.

Based on the analyses the researcher concludes that, outsourcing logistics activities enables the company to benefit through improving its quality services, increase profit, and improve access and application of technology. On the top of acknowledging the existing outsourcing activity in the Ethiopian Airlines, the researcher wants to bring to attention some of value-added services from logistics service providers that can be gained by expanding the existing outsourcing. Ethiopian Airlines can improve organizational performance through outsourcing for increased operational flexibility, reduce company's risk, expanded market and to become more competitive in the market.

Data analyses show that even though there is a possibility for Ethiopian Airlines to improve overall performance due to outsource logistics service, the company should also be aware of the

some of the challenges that hinders its performance. These challenges include loss of control over the logistics service providers, higher cost and longer time taken to select third party logistics provider, high level of dalliance of customer order delivery, ineffective relationship management and performance evaluation. Specifically, the researcher concludes that, lack of security and flexibility of service providers, lack of capacity of service providers to deliver the required service, Service providers offer higher price are some of the challenges that Ethiopian Airlines need to combat with in the process outsourcing logistics service.

Finally, the researcher concludes that there is a direct relationship between the measures of impact on the performance of outsourced activities and reasons for outsourcing logistics activities and that they are genuinely correlated with all factors of outsourcing activities.

5.3. Recommendations

Based on the conclusions drawn above, the researcher wishes to extend the following suggestions for Ethiopian Airlines to help further improvement in the outsourcing activities of the company.

First, based on the first objective, assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines to implement outsourcing strategy in order to address the problem of service volume fluctuation and technology changes since it can utilize the expertise of world class operators.

Second, based on the second objective, outsourcing contributes the profitability of Ethiopian airlines; the company outsources only necessary aspects of business to avoid reduction in profit levels. Finding of the study has shown that the adoption of appropriate outsourcing strategies affects corporate profitability negatively.

Third, based on the third objective, major factors that hinder the outsourcing flexibility of Ethiopian airlines, the company should employ expertise and skilled personnel at low rates of outsourcing which ultimately leads to increased productivity.

5.4. Suggestions for Future Research

The study provided a detailed Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines. This study is only focused on the logistics department. In future research effect of outsourcing on the other department needs to be explored. Also, a longitudinal study needs to be conducted.

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Appendix Questioner

Addis Ababa University School of Commerce

Department of Logistics and Supply Chain Management

Dear respondent,

First, I want to extend my gratitude for your time in responding to the research questions provided below. I am a graduate student at Addis Ababa University School of Commerce in Department of Logistics and Supply Chain Management. In partial fulfillment of my study, I am now conducting a research on the topic: “Assessment of factors affecting the performance of outsourced logistics activities, in the case of Ethiopian airlines”. I have developed this questionnaire so as to gather data that will enable me to have a thorough understanding of the practices of your company on the issue I am studying. Findings of the study hopes to benefit your company by giving relevant feedbacks for improvement and it also hopes to contribute to the academia for reference and further study.

The information you provide here will be treated as strictly confidential. I thank you in advance for your time and cooperation in completing this questionnaire.

SECTION ONE: Demographic and respondents profile (Please put (√) mark)

1. What is your gender? Male Female

2. What is your age? 18-25 26-35 36-45 above 45 years

3. What is your educational background?

- High School
- Technical school
- College Diploma
- Bachelor Degree
- Postgraduate

4. How long have you been working in the company?

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

5. How long have been working in your current position?

Less than 1 Year 1-5 years 6-107 years More than 10years

SECTION TWO: The following questions are designed to collect information on the overall factors affecting and challenging outsourcing of logistics activities in Ethiopian Airlines.

In the following questions, please indicate your level of agreement using the scales 1-5, to indicate 1= strongly disagree 2=Disagree3=Neutral 4=Agree 5=Strongly Agree. Please put (√) mark in the appropriate column:

1. What is the reason for outsourcing logistics activities in the Ethiopian Airlines?

No.	Reasons for outsourcing logistics activities	1	2	3	4	5
1	Business focus(focus on core activities)					
2	Cost and revenue(cost reduction)					
3	Operational flexibility					
4	Service quality					
5	Efficient utilization of company's asset					
6	Saving in capital investment					
7	The need to access outside expertise(no inside expertise)					

Other reasons _____

2. What are the benefits of outsourcing logistics activities in the Ethiopian Airlines?

No.	Benefits of outsourcing logistics activities in Ethiopian Airlines.	1	2	3	4	5
1	Enables to focus on competencies					
2	Help to free up investment on labor and capital resource					
3	Help to increase in operational flexibility					
4	Help to get better access of resources and markets					
5	Help to obtain several value-added services from logistics service providers					
6	Help to give quality service to customers					
7	Helps to improve the profit of the organization.					
8	Enables to reduce companies' risk (risk sharing)					
9	To improve access and application of technology or use of modern way offering of services.					

Other benefits _____

3. What is the criterion that your organization needs to consider for selecting logistics service providers?

No.	Criteria's for selecting logistics service providers	1	2	3	4	5
1	Quality of service					
2	Financial status/Stability					
3	Past experiences					

4	Based on price					
5	Expertise in technology and IT capability					
6	Range of services provided					

Other criterias _____

4. What are internal and external challenges of outsourcing logistics service in your organization?

No.	Challenges of outsourcing logistics service	1	2	3	4	5
Internal challenges						
1	Lack of expertise and skilled personnel in the outsourcing team					
2	Inadequately scoped work and control systems over how certain services are delivered					
3	Loss of control over the logistics service providers					
4	Ineffective relationship between management and performance evaluation					
5	Higher cost and longer time taken to select third party logistics provider					
6	Dalliance of customer order delivery					
External challenges						
7	Lack of security and flexibility of service providers					
8	Failure of service providers to deliver on time					
9	Various hidden costs and high risks with logistics service providers					

10	Higher switching of costs because of cancellation of contracts					
11	Lack of capacity of service providers to deliver the required service					
12	Service providers offer higher price					

Other challenges _____

5. What are the metrics to measures factors that affect the performance of outsourced activities?

No	Metrics to measures factors affecting the performance of outsourced activities	1	2	3	4	5
Financial Measures						
1	Cost saving					
Non-financial Measures						
2	Picking and delivery accuracy					
3	On time delivery					
4	Responsiveness and flexibility					
5	Overall quality					
6	On time receiving (unloading and dispatch) loading					
7	Mistakes and damages in delivery					
8	Loss in delivery					

Other measures _____

Thank You!!!