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TOPIC: THE USAGE OF THIRD PARTY LOGISTICS, CURRENT POSITION AND FUTURE PROSPECTS,

A CASE STUDY OF SOME SELECTED COMPANIES IN GHANA

BY

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DECLARATION

I hereby declare that the work which is being presented in this thesis entitled "Third Party Logistics in Ghana- Challenges and Future Prospects, A case study of three companies in Ghana" by Theophilus Kofi Anyanful in partial fulfillment of requirements for the award of Masters in Business Administration, is an authentic record of my own work except where otherwise stated under the supervision of Dr S. K. Amponsah.

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ABSTRACT

Logistics management is "part of the supply chain that plans, implements and controls the efficient and effective forward and reverse flow and storage of goods, services and related information between the points of origin and the points of consumption in order to meet customer requirement" (Vitasek, 2007). Therefore, supply chain management is much broader in conception than logistics management. The goal of logistics activities is to satisfy the needs of the ultimate consumer. Thus, logistics managers should ensure that the right quantity, in the right condition is delivered to the right customer at the right cost. Recently, it has been highlighted that successful logistics management depends more and more on the performance of Third party logistics providers. This study focuses on three constructs that we believe are the primary determinants of the future usage of third party logistics services. These constructs are: extent of use of the third party logistics services; decision making process for choosing contract logistics services provider; and impact of the usage of contract logistics services on the organizations. An empirical research was carried out in Ghana to study the impact of these three factors on the future usage of third party logistics services in Ghana. Results based on an analysis of data relating to three Ghana based firms indicate that most users of these services are satisfied with their providers and believe that this has led to positive developments within their organizations. With a high current level of satisfaction, a large number of these firms are likely to increase their usage of contract logistics services moderately or substantially.

DEDICATION

I dedicate this work to my dear Son, Theophilus Wesley Kweku Anyanful and Wife, Kate Fowa Anyanful for their patience, love, encouragement and support during the course of my study.

I also dedicate this research work to the memory of my dear Aunt, the late Mrs. Constance Arthur. I will always remember the one lesson she taught me, she always said that "It is possible if you believe that it is".

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Outsourcing is concerned with the transfer of production of goods and service that have been carried out internally to an external provider (Domberger, 1998). The term outsourcing can cover many areas, including the outsourcing of manufacturing as well as services. Outsourcing has grown rapidly to impact many activities of organizations. For example, one particular growth area has been the externalization of information technology with recent report showing companies outsourcing thirty eight (38) percent of their IT functions to external providers (Barthelemy, 2001).

Outsourcing is a fast-growing aspect of the world economy with a worldwide spending of about US$3.7 trillion in 2001 (Clott, 2004). According to the latest survey jointly conducted by Cap Gemini, Georgia Institute of Technology, SAP, and DHL, the use of third-party logistics (3PL) services continues to increase in Latin America, North America, South Africa, Western Europe, and Asia-Pacific. For the years 2002-2005, the average percentages of usage in the five regions studied range from 67 to 84 percent (Cap Gemini *et al.*, 2006). Another survey conducted by Lieb and Bentz (2004) reveals that 83 percent of the Fortune 500 manufacturers use 3PL services. Driven by globalization and rapid advance in information technology (IT), organizations strive to improve competitiveness and responsiveness to customer and market demands (Razzaque and Sheng, 1998). Outsourcing has increasingly become an important strategic decision that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness (Quinn and Hilmer, 1994; Welson, 1996).

With the trend towards focusing on core business activities, companies are attempting to obtain competitive advantage when external suppliers produce products or services more efficiently and effectively. Outsourcing allows an organization to take advantage of strengths within the supply market. For example, Quinn (1999) argues that specialists in the supply market can develop greater knowledge depth, invest more in software and training systems, be more efficient and therefore, offer higher salaries and attract more highly trained people than can thee individual staff of all but a few integrated service. These advantages can generate enough value to deliver a better service at a lower cost to the customer, while allowing the supplier to make profit.

Recently, the area that is being outsourced is the logistics function on business organizations.

In order to be internationally competitive, businesses are organizing strategic worldwide networks that can deliver an efficient and high-quality response to demand from any segment of the world market. The efficient and integrated organization of such activities is often referred to as global logistics or supply chain management (SCM), and it has become the core of global competitive power.

Logistics has been called the last frontier that even at the present time, the improvement of logistics has been the primary source of companies to make new profits and maintain competitive advantage. There are also several instances where the logistics system has become the cause of bottlenecks in company's overall management. The potential for reducing total cost and for improving the quality of services provided to customers can be increased through the elimination of these bottlenecks. Also, from the social standpoint, an efficient logistics system could offer possibilities to reduce road congestion and environmental pollution, which could result in increased macroscopic economic productivity. Several innovations have been developed to advance the logistics system. These innovations can be classified broadly into innovations to improve individual processes of logistics,

and innovations to improve the logistics system totally. The former includes innovative hardware such as new intermodal terminals with efficient transhipment ability, and innovative software such as truck route planning with Intelligent Transport Systems (ITS) and Global Positioning System (GPS). These piecemeal innovations can be developed to their full abilities only when they are employed into improving bottlenecks.

However, it is unlikely that companies merely have one bottleneck in their business processes. Rather, they have many potential bottlenecks, such that eliminating one bottleneck would usually make another one to emerge. This is why it is necessary to control the business process as a system, and to develop system management innovations. Among the innovations that have effectively attracted the people's attention are Supply Chain Management (SCM) and Third Party Logistics (3PL).

Empirical research into 3PL contracts is emerging concurrently. (La londe and Cooper, 1988)

The concept of 3PL has been developed from the need to extend transportation services by transportation companies to its customers. Basically, 3PL might be defined as "outsourcing of transport and logistics activities to outside companies that are neither consignors nor consignees. Usually there is outsourced more than one activity, including storage, warehousing, and transportation" (Aidas Vasilis Vasiliauskas , Gražvydas Jakubauskas, 2007).

One of the advantages of using 3PL results from economies of scale (merits from large truck fleets, warehouses, etc.) and economies of scope, which encourage firms to increase net value by reducing costs. The effects of these economies depend on the type of 3PL provider (e.g. IT-equipped, marketing-based, non-asset-based, etc.) Competent 3PL providers possess high coordination ability, enabling them to find reliable partners or sub-contractors, and to efficiently manage the inter-firm flow of goods.

Such ability can be developed through experienced 3PLs. Likewise, by outsourcing logistics activities, firms can save on capital investments, and thus reduce financial risks. Investment on logistics assets, such as physical distribution centers or information networks, usually needs large and lump sum costs, which involves financial risks. Furthermore, the 3PL provider can spread these risks by outsourcing to sub-contractors.

In developed countries, transport carriers and logistics service providers are expanding their services into various areas that traditionally belonged to their customers upstream as well as downstream. This outsourcing trend is a huge challenge for operators but is also a great opportunity for enlarging their base for business activities. To be able to carry out these new services effectively, significant requirements are put on development for appropriate processes, capability of collaborating and use of advanced information technology. On the other hand, as the world becomes more globally integrated and the boundaries between countries and cultures disappear, many developing countries, including Ghana, are turning into attractive centers for international firms because of their geographical locations, low working fees and high potential for market extensions. However, a previous study shows that in Ghana, outsourcing is still solely based on transportation (Ulengin and Ulengin, 2003).

Many countries are expecting an expansion in the TPL industry. External trade growth has taken place in both directions (exports and imports) and is significantly higher for the newly industrializing countries like Singapore, Malaysia, Thailand, Indonesia etc., than for developed countries like Australia and New Zealand. With increase in external trade, there has also been an increase in demand for logistics services. For example, Singapore's Economic Development Board (EDB) has estimated that the logistics sector in Singapore committed a record S$1.1 billion in fixed assets in 1996, a hefty 70 per cent increase over 1995. Total business spending of the logistics sector in

Singapore rose 40 percent in 1996 to more than S$280 million. Another important development that is impacting the logistics industry is the increased emphasis on time based competition. Broadly, time based competition refers to the speed with which products can be manufactured, delivered to market, and serviced. The ability to compete on time has become

As can be seen from this research, many Ghanaian firms understand logistics services as taking the transportation order from the manufacturer and delivering the goods to destination points, without thinking about the warehouse design, the optimum location of the warehouse or of inventory management. Such ways of thinking are concerned only with one side of the subject and reduce logistics services to a narrow transportation perspective.

1.2. Statement of the Problem

With competitive pressures placing an increasing dependence on the ability of organizations to deliver customer-adapted products quickly and on time, logistics has been an area that has been subjected to investigation. The outsourcing of logistics services is expected to increase (Ohame, 1989; Coyle *et. al.,* 1992) it would evolve at least in Europe (Peters *et. al.,* 1998) and the United State of America. It is believed that companies in the advanced countries are benefiting from outsourcing but are their counterparts in Ghana experiencing such benefits? One of the problems faced by companies like Guiness Ghana Breweries Group, Newmont Ghana Gold and Sompa Kooko is how to undertake certain functions that are complimentary to their core functions. For example, the inability to provide good transportation services by themselves is also proving to hinder the service delivery of these companies. As goods are not delivered on time, issues of customer

satisfaction arise and this pose the question "is there a better way of going about their business?"Will outsourcing improve the delivery time of these companies? Finally, Martin Christopher (2005, p. 234) stated, "Logistics and supply chain management can provide a multitude of ways to increase efficiency and productivity and hence contribute significantly to reduced unit costs". As these firms seek new ways of doing business in a cost effective manner will third party logistics practices provide them with the solution. The cost of doing business in Ghana is high and 3PL is an option of making businesses operate in a cost effective manner.

1.3. Research Objectives

Third party logistics has some advantages. Some of them are:

- ✓ 3PL allows saving time mainly due to the outsourcing the logistics functions that can free up resources to focus on core competencies of the company instead of secondary ones.
- ✓ 3PL services providers are the experts of logistics business therefore even if the companies have resources available; a company within the supply chain may be able to do it better, simply because of its relative position in the supply chain, supply chain expertise and economies of scale.
- ✓ 3PL companies can share responsibility for managing global supply chains, keeping customers and stores properly stocked, and delivering the perfect order every time.
- ✓ 3PL is also advantageous when re-engineering distribution networks as the logistics outsourcing can be a quick way to re-engineer distribution networks to meet global market demands and gain a competitive advantage.

- ✓ 3PL performs duties such as quoting, booking, routing, and auditing, but doesn't need to own warehousing facilities, vehicles, or aircrafts. These are often leased on terms equaling those of the 3PL contract minimizing liability to capital expenditure.
- ✓ To be useful for the companies, 3PL providers must show their customers a benefit in financial and operational terms by leveraging exceptional expertise and ability in the areas of operations, negotiations, and customer service in a way that complements its customers' pre-existing physical assets. Sohail *et. al.*(2003)

In order to investigate the current position and the future of 3PL in Ghana the following research objectives have been established among others:

1. To assess the operational activities of third party logistics in the selected companies
2. To examine the reasons for selected parties entering into third party logistics relationships
3. To examine the benefits of third party logistics in the selected companies.
4. To examine the challenges of third party logistics users.
5. To recommend and suggest ways of improving the usage and enhancing the future prospects of third party logistics in Ghana.

1.4. Justification of the objective

In order to handle logistics effectively and efficiently, a company may consider the following options.

- ✓ It can provide the function in house by making the service;
- ✓ It can own logistics subsidiaries through setting up or buying a logistics firm; and
- ✓ It can outsource the function and buy the service

Currently, a growing interest in the third option, that is, outsourcing has been indicated by the volume of writings on the subject in scholarly journals, trade publications and popular magazines. Although its evolution is one of the most widely discussed contemporary topics in the field of business logistics, efforts to organize them in an integrated broad-based body of knowledge has so far been rather limited.

It is worth noting that effective and efficient management of logistics outsourcing will help Ghanaian companies to improve upon their service deliveries in terms of their logistics activities. A good future prospect for the 3PL industry will bring about an interest in this area by entrepreneurs who are seeking new and profitable areas for investment. The economy of the country will also experience some form of diversification. The academia can also use it as a reference material for subsequent research works.

1.5. Overview of Research Methodology

The study type employed in this research is a descriptive study. Data was collected by means of questionnaire which was administered by means of personal interview. The data was analyzed on a case by case basis and responses from each case were cross analyzed with each other.

To make the analysis clear, there was the need to use Microsoft Excel in the drawing of tables and graphs.The study is not intended to discuss all the aspects of third party logistics in the country.

This research shall examine the operations of three (3) third party logistics user firms, the benefits that they enjoy challenges and projections for the future.

The study shall use three third party logistics users as a benchmark for the entire logistics industry in Ghana. These are Guiness Ghana Breweries Group, Newmont Ghana Gold and Sompa Kokoo Limited in Ghana.

1.6. Limitation to the Study

Certain limitations were encountered in the course of the research, which in a way created some problems for the smooth conduct of the study. Notable among them were difficulties in assessing information. Also, apathy on the part of some respondents was also not encouraging. Some of the respondents felt reluctant to respond to questions, which were prepared for the survey. But notwithstanding all these restrictions, the research was conducted taking advantage of the limited resources available. The limitations were not setbacks to the overall success of the study.

1.8 ORGANIZATION OF THE STUDY

This study is organized into five main chapters, which are summarized below:

The first chapter focuses on the introduction of the study and gives a background of the study, Problem statement, objectives, justification, scope, organization and limitations of the study.

The second chapter deals with the review of literature on third party logistics and the organizational profiles of Guiness Ghana Breweries Group, Newmont Ghana Gold and Sompa Kokoo Limited in Ghana. Chapter three covers the methodology of the study and theoretical framework of the study. Chapter four will analyse 3PL activities in the three companies and will include data analysis of findings and discussions. Chapter five is the conclusion of the summary of the major findings, recommendation and suggestions and other implications of the findings.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The chapter gives an overview of literature on resources that specifically outlines the type of resources necessary for the achievement of the objectives of the study.

Corporate and business unit strategies determine the lines of business and markets in which a firm competes. The approach each business employs to implement strategies however, is predicted on conditions in the firm's external environment. The trend of the last thirty years towards a heightened global competitive pressure and the availability of substitute products and services in such varied industries as automotive, electronics, agriculture, mining, manufacturing, consumer durables and packaged goods has increased customer bargaining power and created a downward movement in pricing, forcing firms and companies to focus on cost and risk reduction. (Lynch, 2004)

In such circumstances, firms often seek to leverage the resources of other supply chain members to survive, saving scarce resources that are acquired to develop non-core in –house functions by contracting the function to Third – Party Logistics (TPL) Company. With such thought, it has become possible and important to research into these outgoing contracts and the management of the logistics outsourcing activities at Guiness Ghana Breweries Group, Newmont Ghana Gold and Sompa Kooko Company limited.

2.2 CONCEPTS OF LOGISTICS

2.2.1. Definition of Logistics

As defined by the major professional association in logistics, the Council of Logistics Management (CLM (2005), "logistics is the process of planning, implementing, and controlling the efficient,

effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, out-bound, internal and external movements, and return of materials for environmental purposes."

Logistics management is "part of the supply chain that plans, implements and controls the efficient and effective forward and reverse flow and storage of goods, services and related information between the points of origin and the points of consumption in order to meet customer requirement" (Vitasek, 2007). Therefore, supply chain management is much broader in conception that logistics management. The goal of logistics activities is to satisfy the needs of the ultimate consumer. Thus, logistics managers should ensure that the right quantity, in the right condition is delivered to the right customer at the right cost. Recently, it has been highlighted that successful logistics management depends more and more on the performance of TPL's.

2. 2. 2 The Logistics Revolution and Transportation

"The mission of logistics is to get the right goods or services to the right place at the right time, and in the desired (right) condition, while making the greatest contribution to the firm. (Ballou, 1990)

Obviously, firms always had to deal with logistics, whether they called it logistics or not. Raw materials had to be assembled so that the production activities could combine them to make the firm's product. The marketing and sales function of the firm would sell this product to consumers. Then, in turn, the firm's product had to be distributed down the channels of distribution, ultimately into a buyer's hands. In this process, materials and goods had to be stored and transported. The field of transportation and logistics was once described, as it couldn't get any respect. It took engineering genius to produce the product, marketing skill to sell the product, but anyone could get it from point

X to point Y. When transport was heavily regulated and rates were basically fixed, many managers viewed the transport and logistics function as a necessary evil and an area in which they did not want to be involved. (Dangerfield, 1994) Since all of one's competitors had to play by the same set of rules and faced the same structure of rates, management was not overly concerned with transportation one could predict one's competitors' rates with great accuracy. Needless to say, being in transportation or logistics was not being on the fast track for a top management position. The green-eye-shaded worker mulling over a tariff book became the stereotype of the transport manager. (Williamson, 1995)

In the 1950s, those with foresight planted a seed that the field of transport and logistics was important. (Barthelamy, 2000)

The weeks report for President Truman and the Doyle report for President Eisenhower advised that transport regulation was holding back the economy. President Kennedy's trans-port message in 1962 said the same. The Johnson administration made similar statements. The advocacy of transport deregulation was bipartisan in nature. The seed was planted-the rules did not have to be the rules. Firms might compete on the basis of transportation. At the same time, the lessons of military logistics from World War II and the Korean conflict were not lost. You had to support the troops (the product) or the war effort would not be successful. Additional events put pressure on the previous simple model of making something and then selling it. Consumers continued the tremendous migration from rural areas to urban areas-and subsequently to the sub-urban and exurban areas outside the central cities. No longer would they shop in the central business district; now they wanted to be served near their homes (where "near" was defined as automobile accessible).

(Dyer, 1996) Consumers (and/or marketers) also discovered product differentiation (real or perceived) in a whole new way. For example, white goods (refrigerators, stoves, washing machines)

did not have to be white any more. Colors and model types proliferated-to serve the designer tastes governing the type of kitchen one wanted to create. The impacts on inventory were staggering. Demand growth can hide a multitude of sins. If the demand curve is rapidly shifting rightward, hosts of operational inefficiencies are hidden or ignored. Transportation and other logistics concerns were neglected for many years because of the rapid economic growth sustained in the United States after World War II. Recessions in the 1950s and 1970s started the thought processes toward cost control. The impact of the first and second oil embargoes on the U.S. economy led to great cost inflation, transport rate increases, and interest rates over twenty percent (20%). Suddenly, inventory carrying charges, which were ignored when the interest rate was four percent(4%), became substantial-especially since demand was no longer growing rapidly and the concept of the opportunity cost of money tied up in inventory had finally sunk in. Following the lead of the Nixon and Ford administrations, the Carter administration heartily advocated transportation deregulation. In fact, Carter's 1980 reelection strategy was to fight for deregulation as a way to control inflation. The combination of high carrying costs and the promise of lower transportation costs gave logistics a major push in recognition as we entered the 1980s. Finally, the computer replaced the green-eye-shade mentality, along with the individual. To the extent that institutional knowledge is valuable, it can be heavily captured by artificial intelligence. (Farmer, 1974) Routine, repetitive calculations can be handled rapidly. Deregulation's multitude of new rates can be analyzed easily. Models-routing, location, allocation-that had been developed by academics and that could be run only by a computer specialist on a mainframe could now be run by a relative novice at a desktop computer.

Top management had read about all these events (deregulation, sophisticated modeling advances) and wanted to see results, as they were under pressure to cut costs. In addition, since their competitors were now operating under a new set of regulatory rules (that is, no rules), they needed to

worry that they couldn't handle transportation and other logistics concerns in the old way because their opponents could be gaining on or outdistancing them. Thus, the 1990s are a good time for logistics. It does not have all the respect that people would like to have but, in the words of a once popular cigarette commercial, it has "come a long way, baby." ((Dangerfield, 1994)

2.2.3. RECENT CHANGES AND CURRENT STATUS

The field of logistics is evolving rapidly. Forty-seven years ago, a management guru stated, "Logistics was like Africa-the last great-unexplored continent of business" (Drucker, 1962). Since that statement was made, logistics has become a recognized field in many academic institutions. Many firms now have a vice president of logistics. This is likely a position that would have been called vice president of transportation or manager of transportation in the past.

However, not all firms have developed to the level of recognizing logistics, and, as in the academic field not every firm is sure where logistics belongs in the company (Drucker, 1962). The change in the name of the major professional logistics association demonstrates the evolution of the field. CLM was founded in 1962 as the National Council of Physical Distribution Management (NCPDM). CLM has over 11,500 members, an increase of 248 percent since 1985. Indicative of the size and diversity of logistics, CLM lists 179 "Logistics Publications and Organizations" (many of which recently changed their names to reflect a broadening of their base from transportation to logistics) that frequently publish material of interest to logistics managers. The association changed its name from NCPDM to CLM in 1985 as recognition that "logistics" was the most encompassing term that described the management of firms' acquiring and distributing activities over space. "Physical distribution management" implied merely the managing of the production output of the firm through

the channels of distribution (production to warehouse to distribution center to wholesaler to retailer to customer-not all steps relevant to all firms). Others worried about materials management (the purchasing, transporting, and storing of the raw materials necessary for the production of the product) and the management of work in process. Materials management activities are now described by many as "inbound logistics"-a further recognition of the unifying trend around the word "logistics." Logistics, thus, is like a cradle-to-grave analysis of the ordering, transport, and storage of the product or service being produced and of the inputs required to produce it. Transportation is just one-albeit quantitatively the largest-of many functions that make up logistics. In addition, there are interfaces with other activities of the firm, such as marketing, finance, production, management information systems, and so on. Its practitioners see logistics as the common link that weaves all the traditional functions of the firm together to meet customer requirements. (Tracey *et al.* 2005)

2.3. OUTSOURCING

Grover *et al.*, (1994) defines outsourcing "as acquiring services from external service providers". Arlbjørn *et al.*, (2004) point out that outsourcing implies going through a process which includes determining what should be outsourced, selecting a supplier, project completion and supplier management.

Outsourcing is a fast-growing aspect of the world economy with a worldwide spending of about US$3.7 trillion in 2001 (Clott, 2004). According to the latest survey jointly conducted by Cap Gemini, Georgia Institute of Technology, SAP, and DHL, the use of third-party logistics (3PL) services continues to increase in Latin America, North America, South Africa, Western Europe, and Asia-Pacific. For the years 2002-2005, the average percentages of usage in the five regions studied range from 67 to 84 percent (Cap Gemini *et al.*, 2006). Another survey conducted by Lieb and Bentz

(2004) reveals that 83 percent of the Fortune 500 manufacturers use 3PL services. Driven by globalization and rapid advance in information technology (IT), organizations strive to improve competitiveness and responsiveness to customer and market demands (Razzaque and Sheng, 1998). Outsourcing has increasingly become an important strategic decision that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness (Quinn and Hilmer, 1994; Welson, 1996).

As a fast-developing country, China has long been recognized as a popular place to outsource (Matteo, 2003). Low-cost labor and high-technology manufacturing have made China the leading destination for outsourcing (Brown, 2005). With its accession to the World Trade Organization (WTO), China is in more favourable conditions to implement its economic reform and industrial restructuring. This has stimulated the development of logistics industry and fostered a growing demand for outsourcing (Agarwal and Wu, 2004). Nevertheless, the 3PL industry in China is still regarded to be in its infancy (Trunick, 2003). Although much has been written about outsourcing to China (Matteo, 2003; Brown, 2005; Forrest, 2005; Hannon, 2005), limited studies have been conducted to thoroughly investigate the key outsourcing drivers and problems that organizations in China have considered and encountered.

2.4. THIRD PARTY LOGISTICS (TPL)

Van Laarhoven *et al,*. (2000) define the outsourcing of logistics activities – called third party logistics – as "activities carried out by a logistics service provider on behalf of a shipper and consisting of at least management and execution of transportation and warehousing. In addition, other activities can be included, for example inventory management, information related services or even supply chain management. As stated earlier, prescriptive models are relatively scarce in the

area of outsourcing". As Probert (1996,) states: "There are few practical accounts of a methodical approach to make or buy strategy to be found in the literature, although discussion of the factors involved has a long history". McIvor (2000) takes a similar stance in a more recent contribution. He reviews the literature and based on additional empirical research he concludes: "The review of the literature and interviews with senior managers have revealed the lack of a practical framework which attempts to integrate the key strands of the outsourcing decision-making process and the impact of the company's supply base on the decision". Contributions not covered by McIvor are Sink and Langley (1997), Bagchi and Virum (1998), Vining and Globerman (1999), Fill and Visser (2000), Tayles and Drury (2001), Momme and Hvolby (2002) and Arlbjørn et al. (2004). Sink and Langley (1997) and Bagchi and Virum (1998) specifically focus on outsourcing of logistics.

Outsourcing, third party logistics services (3PL) and contract logistics generally mean the same thing (Lieb *et al.*, 1993). It involves the use of external companies to perform logistics functions, which have traditionally been performed within an organization. The functions performed by third party logistics service providers can encompass the entire logistics process or select activities within that process. A key rationale for outsourcing of logistics functions is the intensified globalization of businesses. During the last two decades, globalization has emerged as a major force of shaping business strategies, leading firms to develop products designed for a global market and to source components globally (Cooper, 1993). This has led to more complex supply chains requiring larger involvement of managers in logistics functions. Lack of specific knowledge of customs, tax regulations and infrastructure of destination countries has forced firms to acquire expertise of third party logistics service providers. As a result firms are concentrating their energies on core activities and leaving the rest to specialist firms (Byrne, 1993; Foster and Muller, 1990; Trunick, 1989).

An equally important development that is impacting the logistics industry is the increased emphasis on supply chain management as a source of competitive advantage. In the last two decades, the quest for time-based competence led initially to a rapid adoption of new manufacturing methods like just-in-time, flexible manufacturing systems, computer aided manufacturing and so on by organizations. These methods have brought about significant improvements in supply chain performance through their focus on compressed manufacturing lead times and improved quality. However, further enhancements in supply chain performance will necessitate speeding the flow of information on orders to upstream supply chain partners, and expediting logistics activities like storage and delivery of materials or products through the entire supply chain (Bhatnagar *et al.*, 1999). A recent research carried out on supply chain management practices in India highlights that the opening of Indian economy and globalization of businesses has been a key factor for the Indian industry to align supply chain strategy with business strategy, streamline processes for supply chain integration and form partnerships for minimizing inventories. Indian organizations are increasingly deploying supply chain strategies for logistics improvements – to increase sales revenue, enhance profits, reduce order to delivery cycle time and minimize inventories (Sahay and Mohan, 2003).

Logistics is therefore emerging as a key frontier of competition in the future. Good logistics performance requires a trade off between the need to reduce overall supply chain inventory and lead times, while simultaneously capturing economies of scale and improving customer service for enhanced business performance. Versatility of third party logistics service providers enables them to maintain this trade-off by turning fixed costs into variable costs for companies using their services (Trunick, 1989). The use of third party logistics service providers has gained prominence in this context. Empirical studies have tested the following factors in defining the extent of usage (Lieb, 1992; Dapiran *et al.*, 1996; Bhatnagar *et al.*, 1999):

- Length of experience with third party logistics firms.
- Level of commitment to the usage of third party logistics services.
- Percentage of the total logistics budget allocated to third party logistics service providers.
- Specific logistics services outsourced (warehouse management, shipment consolidation, fleet management, order fulfilment, product returns, carrier selection, logistics information systems, rate negotiation, product assembly, order processing, inventory replenishment, order picking, inbound transportation, outbound transportation, labelling and packaging, distribution, custom clearance and forwarding, import export management, customer service/support).

Lieb (1992), Lieb and Randall (1993), Lieb *et al.*, (1996) have documented the experience of North American and European companies in using third party logistics services.

The studies indicated that European firms were significantly more committed and allocated a larger share of the overall logistics budget to their 3PL company, as compared to their American counterparts. However, companies from both regions agreed that outsourcing need not be an all or nothing proposition. There seemed to be consensus on "what" services to outsource, with warehousing, shipment consolidation, and fleet management being the three services most frequently outsourced. Dapiran *et al.,* (1996) have presented an overview of the 3PL usage by large Australian firms. The findings of these authors indicate that more than one-fifth Australian firms characterize their commitment to 3PL as extensive, and one-quarter of the firms allocate more than fifty percent (50%) of their total logistics budget to third party logistics service providers. Fleet management, warehouse management, and shipment consolidation were the most frequently outsourced logistics services. Bhatnagar et al., (1999) have analysed the third party logistics scenario for Singaporean firms. The studies reveal that Singaporean firms have been utilizing the services of 3PL service

providers for several years with over three-quarters of the users characterizing their commitment as moderate or extensive, and one-half of the firms allocating over thirty per cent (30%) of their total logistics budget to third party logistics service providers. Shipment consolidation is outsourced by more than one-half of the firms and around forty per cent (40%) of the firms outsource order fulfilment, carrier selection and freight payment.

At the same time, studies indicate that firms outsource logistics functions for a variety of reasons. Watson and Pitt (1989), Sheffi (1990), Foster and Muller (1990), and Bardi and Tracey (1991) have suggested the following reasons for the growth of logistics outsourcing in America: need to focus on core activities, better transportation solutions (e.g. consolidation), cost savings, customized services, reducing inventory, penetrating markets, becoming more active in international shipping, gaining the use of sophisticated technology, need for more professional and better-equipped logistics services. Gooley (1992) added flexibility as another reason for outsourcing based on his experience with European firms. By understanding the reasons for outsourcing of logistics services, 3PL service providers can gain insight into the benefits sought and provide focused services. A third party logistics service provider with experience, focus and expertise is regarded as more competent, compared to those service providers who profess to be "all things to any consumer" (Sink et al., 1996). The research on supply chain management practices in India has identified that outsourcing of logistics activities is growing in popularity for Indian organizations and there has been an increase in the number of third party logistics providers over the last couple of years (Sahay and Mohan, 2003). The major reasons cited for usage of 3PL services include – cost reduction (27 per cent), strategic reasons (26 per cent), process effectiveness (24 per cent), and lack of internal capability (11 per cent). Usage of third party logistics services is a strategic decision and hence it is necessary to perceive and quantify the impact it has on business performance. The purpose of engaging in third

party relations is seldom cost reduction alone, but a combination of service improvements and efficient operations (Skjott-Larsen, 2000). Studies based on user firms indicate that the decision is worthwhile if it has an impact on one or more factors.

Lieb *et al.*, (1993), Dapiran *et al.*, (1996) and Bhatnagar *et al.*, (1999) have observed that the future usage of third party logistics services is a function of the current level of satisfaction of the firm with the logistics services provider. The authors have also explored the changes in the level and the nature of outsourcing of logistics services by the user firms. All the above studies indicate high levels of satisfaction with third party logistics services providers, which will translate in increased outsourcing in the future.

Typically, firms start with the outsourcing of few logistics services, moving over to activities which have maximum impact on logistics performance and then increase scope of usage of logistics services with perceived and quantifiable impact on overall business performance.

2.4.1. Extent of use of the third party logistics services

The longer the relationship between manufacturing firms and the third party services providers, more extensive would be the use of third party logistics services, higher would be the level of commitment to the relationship on either side, and more likely firms would be willing to invest in contract logistics. *Lieb et al.,* (1993b) compared the experience of the US and European manufacturers in using third party logistics services. The authors tested the following factors in defining the extent of usage:

- . Level of commitment to the usage of third party logistics (extensive to every limited).
- . Percentage of total logistics budget allocated to third party providers.
- . Geographical coverage provided by third party firms (domestic versus international).

- . Third party services utilized (warehouse management, shipment consolidation, fleet management, order fulfilment, product returns, carrier selection, logistics information systems, rate negotiation, product assembly, order processing, and inventory replenishment).

2.4.2. Nature and length of third party contracts.

The study indicated that European firms were significantly more committed and allocated a larger share of the overall logistics budget to their 3PL company, as compared to their US counterparts. However companies from both regions agreed that outsourcing need not be an all o r nothing proposition. A mix of internal and external logistics services provided better control and balance to ensure consistency and flexibility, and cross pollination of best practices and industry expertise. There seemed to be consensus on ``what'' services to contract out, with warehousing, shipment consolidation, and fleet management being the three services most frequently outsourced. Almost all respondent companies in the survey were found to have negotiated specific 3PL contracts of periods ranging from one to three years. The chief difference observed was that a significantly higher proportion of the European firms included performance incentives in their contracts. (Dapiran *et al.*, 1996) have presented an overview of the 3PL usage by large Australian firms. The findings of these authors indicate that the Australian firms are comparable to US firms in their usage of 3PL services, with more than one-fifth of the firms characterizing their commitment to 3PL as extensive and one-quarter of the firms allocating more than fifty (50) per cent of their total logistics budget to contract providers. Fleet management, warehouse management, and shipment consolidation were the most frequently outsourced logistics services. McMullan (1996) found that transportation, maintenance, and warehousing were among the most outsourced functions among the clients of the consulting group, KPMG, in the Asia-Pacific region. (Bardi and Tracey, 1991), in a survey of the transportation

practices of US manufacturers, found that freight bill auditing and payment, and transportation reports were among the most frequently outsourced transportation functions.

In summary, it appears that usage of 3PL services and commitment of resources increases over time as the two parties become more comfortable in their interaction with one another. An objective of this study is to characterize the stage of development of 3PL relationships for Ghanaian firms.

2.4.3. Decision making process for choosing contract logistics services.

Firms outsource logistics functions for a variety of reasons. Sheffi, 1990 suggested the following reasons for the growth of logistics outsourcing in USA:

- Need to focus on core businesses;
- Better transportation solutions (e.g., consolidation);
- Cost savings and improved services;
- Development of necessary technological expertise and computerized systems which is beyond the scope of many companies;
- Need for more professional and better-equipped logistics services.

Similar reasons were also reported by Bardi and Tracey (1991) in an empirical study of the transportation outsourcing practices of US companies. The interested reader is also referred to Watson and Pitt (1989), Zubrod (1990), Cooke (1988), Richardson (1990) and Foster and Muller (1990) who have reported a subset of the following reasons as drivers of the decision to outsource logistics functions: ability to focus on the core activities, gaining the use of sophisticated technology, coping with reductions in the resources (i.e. funding), reducing capital investment (e.g. warehouse), using the expertise of a third party, receiving very customized service, reducing inventory, penetrating markets, having a single point of contract, becoming more active in international

shipping, exploiting logistics to gain competitive advantage. In Europe, flexibility is another important reason for contracting out logistics functions (Gooley, 1992) because of the uncertainty over the European Union and possible changes in the regulatory framework. A mixed system of outsourcing, that is, partial outsourcing of the logistics functions, can help the company to gain leadership in logistics cost and value. This arrangement can also provide a balanced and controlled operation, thus ensuring both consistency and flexibility (Dapiran *et al.*, 1996). As the previous discussion brings out, outsourcing is a complex decision, arising out of a variety of reasons. Providers of 3PL services need to understand the objectives that buyers are seeking to accomplish by outsourcing logistics services. By understanding the decision making process, providers can gain insight into the benefits sought and provide more focused services. Lieb *et al.*, (1993) and Dapiran *et al.*, (1996) have identified the following important factors that define the decision making process governing the usage of contract logistics services:

- Organizational level at which the outsourcing decision was made;
- Functional areas included in the process;
- Sources of information;
- Reservations within the firm to outsourcing;
- Selection criteria.

By developing goals and selection criteria, companies will find they are better able to determine which third party will provide the ``best fit'' with their needs and existing operations. This, in turn, will help them streamline the screening process and increase the probability of success of the relationship with the third party provider ultimately chosen. (Sink *et al.*, 1996) found that the most important criterion for the selection of third party providers was core competencies. Firms with readily identifiable core strengths and operational expertise seemed to be able to instil a level of

comfort in the buyers that firms with undefined competence and superficial experience could not provide.

Therefore, a third party firm with experience, focus and expertise will be regarded as more competent, compared to those suppliers who profess to be ``all things to any consumer''. Issues of expertise, reputation, experience and reliability were often mentioned in relation to the emphasis on supplier core competencies. Price was used as a tiebreaker, or considered a secondary issue to service, in the evaluation of potential providers. Roberts (1994) reported that the level of service provided, quality of the people, and cost are the three most used evaluation criteria when choosing a qualified logistics contractor. The author suggests that while cost and service are the major issues, the most noticeable change is the emphasis on the quality of people, particularly in the operational area. Therefore, to provide the high level of customer service, contractors must employ the best people with the relevant expertise.

Third party logistics services also reflected in the work of Dapiran *et al.,* (1996) and Lieb *et al,.* (1993) who found that while cost and service are the most important criteria, prior experience with the third party firm, company reputation, ``total package offered'', information handling capability and compatibility of information systems were other important factors. Logistics performance may be viewed as a subset of the larger notion of firm or organizational performance (Chow *et al.*, 1994). An important requirement for assessing the performance of logistics service providers is the presence of meaningful quantitative measures. Minahan (1997) and McMullan (1996) identify the common performance measures used in the USA and Asia-Pacific, respectively.

In summary, the most commonly cited factors affecting the final selection of contract companies include the price offered by contract companies, the quality of the services provided, reputation of the contract companies, range of services offered and relevant past experiences.

2.4.4. Impact of usage of contract logistics services on the organization

Third party logistics service is a strategic partnership between the firm and the logistics company. Before making the decision to outsource, the impact on the organization should be considered carefully. As observed by Bowersox (1990), a necessary imperative for the relationship to succeed is a match between the cultures of the two organizations.

One issue of particular concern regarding the use of third party logistics providers is the impact on both the organization and its customers (Lieb *et al*,. 1993). This means that the user firms must consider the response of their customers with regard to the use of third party logistics providers. It is important that the customers play a part in the decision-making, especially if the user firm plans to have close contact with its customers. A complete understanding of customer requirements must be developed, as that will determine the needs of the firm, such as type of facilities required by the customers (Gooley, 1992). Dapiran *et al.,* (1996) found that the impact of third party logistics on the internal logistics performance and the logistics costs had been positive among Australian companies. However, because introduction of contract logistics services into a company represented an important shift in the way business was conducted; related training of the internal staff was found to be necessary. The authors found that the company must plan for the implementation of the partnership by educating the logistics service provider about the firm's requirements, developing programs to place redundant employees, correcting the ``us versus them'' attitude of internal staff, and integrating the information systems of both the services provider and the user firm (Dapiran *et al.,* 1996).

2.4.5. Service offerings and usage

The review reveals a mismatch between supply and demand for logistics services (Murphy and Poist, 2000). Evidence from recent industry surveys indicates that while LSPs expand their offerings to include information systems, consulting, contract manufacturing and even purchasing and financial services, there is a low uptake of such services and buyers in general prefer to outsource transport- and warehouse-related functions (Lieb and Bentz, 2005a; Lieb and Kendrick, 2003; Lieb and Randall, 1999).

The literature appears to focus on the demand-side of 3PL; a large number of studies focus on the extent of 3PL usage across specific countries/regions and industries.

A series of annual surveys conducted in the USA by Lieb and colleagues (Lieb, 1992; Lieb and Bentz, 2004, 2005b; Lieb et al., 1993; Lieb and Miller, 2002; Lieb and Randall, 1996) is a well-known example. Main issues examined by such studies include services used, usage rate, contract renewal rates, outsourcing costs and geographical spread of services. Generally speaking, findings indicate the prominence of transport, warehouse and administration-related (e.g. freight payment) services and confirm the continuing growth of logistics outsourcing (Ashenbaum *et al.*, 2005; Lieb and Bentz, 2005b; Murphy and Poist, 1998).

Research regarding 3PL usage also includes experience from specific countries or industries. Country-specific studies appear to stress the prominence of transport and warehousing services and also identify other activities with growth potential (e.g. freight bill auditing/payment, see Min, 2002). Examples include:

- Australia (Dapiran *et al.*, 1996; Sohal *et al.*, 2002);
- China (Hong *et al.*, 2004a);
- Malaysia (Sohail and Sohal, 2003);

- Mexico – US border (Maltz *et al.*, 1993);
- New Zealand (Sankaran *et al.*, 2002); and
- Singapore (Bhatnagar *et al.*, 1999).

Fernie (1999) reports a low uptake of 3PL service in the UK retail sector, whereas Wilding and Juriado (2004) submit that firms within the European consumer goods industry use both in-house and contract logistics, with transportation and overflow storage to be the most often outsourced services. Evidence also suggests that shippers outsource services in bundles (e.g. warehousing and inventory control) by combining activities that share common transactional elements and information flows (Maltz and Ellram, 2000; Maltz *et al.*, 1993; Rabinovich *et al.*, 1999).

Overall, there appears to be weak demand for value-added solutions such as information systems, 4PL and manufacturing-related services (van Hoek, 2000b, c; van Hoek and Dierdonck, 2000). Most client organizations perceive such activities as too important to outsource and express their reservations about LSP capabilities in those areas. It is even suggested that such services are supply-driven and do not reflect the shippers' needs (Wilding and Juriado, 2004). The bulk of logistics services bought still remains in the areas of transportation and warehousing.

2.4.6. Purchasing frameworks.

Three main frameworks for procurement of logistics services have been identified. Andersson and Norman (2002) compare the purchasing process between commoditized (e-freight exchanges) and advanced logistics services. They find that definition of service requirements appear to be more difficult, criteria for 3PL selection extend far beyond price considerations and contracts are much more detailed when buying advanced logistics solutions (Andersson and Norman, 2002).

In contrast, Sink and Langley (1997) emphasize process issues such as need identification, top management commitment, formation of cross-functional buying team, development of selection

criteria and service implementation. Bagchi and Virum (1998) also emphasize process, but their framework is wider in scope than the previous two, dealing with post-contracting issues such as performance measurement and goal redefinition (Bagchi and Virum, 1998).

All these models emphasize need awareness as the starting point of the process. However, Sink and Langley's (1997) and Bagchi and Virum's (1998) models assume that the buyer is responsible for service definition and also extend to post-contracting issues such as service implementation and performance measurement. On the other hand, Andersson and Norman (2002) draw a distinction between purchasing of commodity and advanced logistics services, arguing that a different approach (in terms of time and effort requirements) is appropriate in each case. Generally speaking, all three models appear to present many similarities to generic purchasing frameworks (Baily et al., 1998).

2.4.7. Selection criteria for 3PL providers.

Several criteria for LSP choice have been discussed in the literature; typically, these include cost, service quality and reliability, flexibility, responsiveness to requests and financial stability. Some criteria are developed with specific client needs in mind, while others are common for all circumstances (Bagchi and Virum, 1996). There is contrasting evidence on the relative importance of price; some authors (van Laarhoven and Sharman, 1994) rank it as top criterion, while others argue that service performance and quality requirements precede discussions about rates (Crum and Allen, 1997; La Londe and Maltz, 1992; Menon et al., 1998).

Qualitative factors such as supplier reputation, references from clients and response to information requests are used for the initial screening of candidate service providers (Sink and Langley, 1997). Moreover, prior experience of the client's industry, its regulations and products types are perceived

as important selection factors by buyers (Aghazadeh, 2003; Sink et al., 1996; van Damme and Ploos van Amstel, 1996).

Overall, the criteria cited seem to apply to all 3PL purchasing circumstances, irrespective of buyer characteristics and special requirements. A rare exception is Meade and Sarkis (2002), who present special factors pertaining to third party reverse logistics services (e.g. reverse logistics functions and process).

2.4.8. Future usage of contract logistics services

Lieb *et al,.* (1993) and Dapiran *et al.,* (1996) have observed that an important indication of the satisfaction of the firm with the logistics services provider is its plans for future usage of such services. The authors explored such areas as whether the firms are considering changes in the level and the nature of their involvement with the third party logistics. Firms were asked to report the following information:

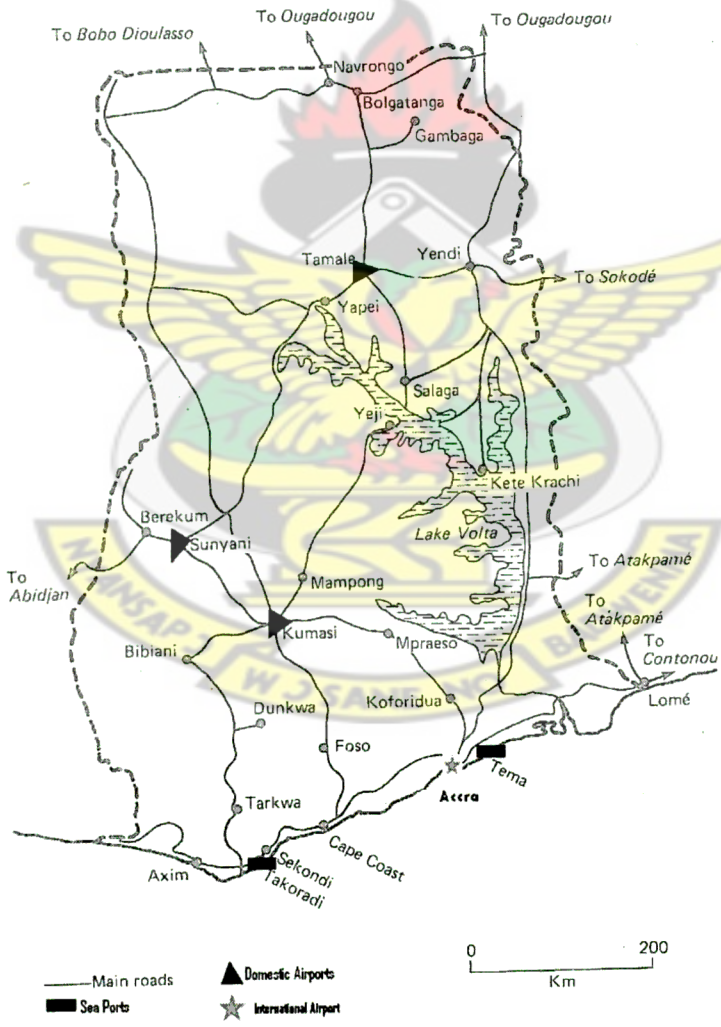
- Level of satisfaction with the contract logistics services;
- Whether usage of contract logistics had a positive development;
- Likely changes of usage of third party logistics.

All the above studies indicate generally high levels of satisfaction with third party logistics services. An interesting result was that firms typically tiptoe into outsourcing relationships, testing the waters with a single service before buying a wide variety of services.

2.5. The Ghanaian transportation environment

Ghana is served by nine hundred and seventy seven kilometres (977 km or 607 mi) of rail lines, which are limited to the southern sector of the country, essentially connecting Sekondi, Accra, and

Kumasi. The national rail line has not expanded since its construction in the early 20th century, with the exception of the short Accra-Tema link built in the 1960s. Logs, timber products, and minerals from the southern regions are transported to the deep-water harbours at Tema and Takoradi for export. River transportation on the Volta north of the Akosombo Dam is possible, but the most accessible means of domestic travel is by road. There is forty seven thousand seven hundred and eighty seven kilometres (47,787 km or 29,693 mi) of roads in the country, only 18 percent of which are paved. Most Ghanaians travel by bus, or another form of private mass transportation. The Kotoka International Airport is located at Accra, but private airlines serve local airports at Kumasi, Tamale, Sunyani, and Takoradi. The transport network of Ghana is shown in Figure 2.1



A map of Ghana showing the Road Network, Airports and Sea Ports

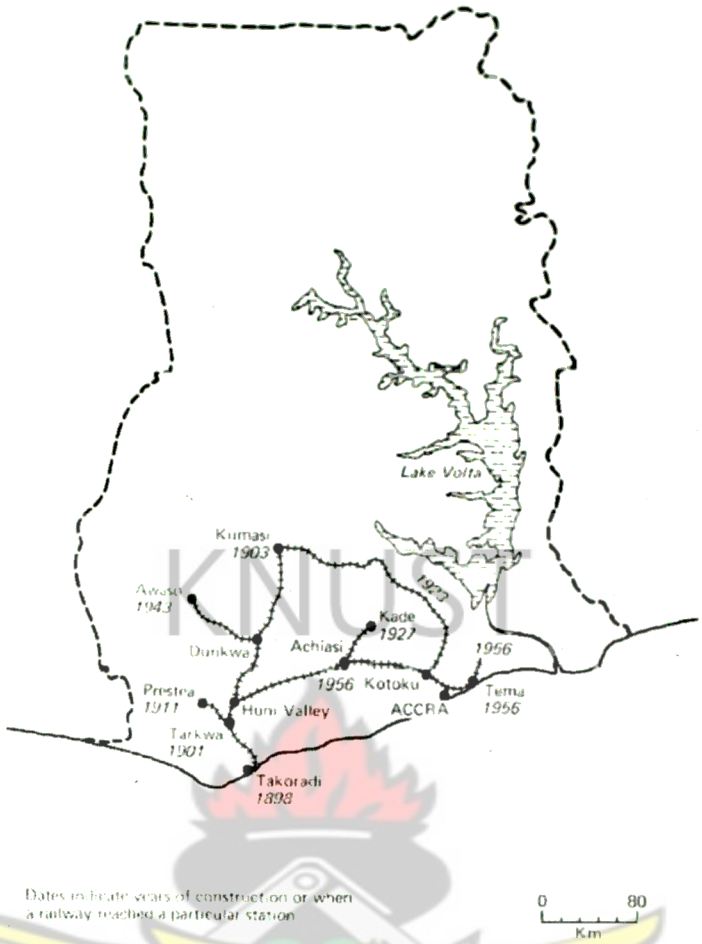


Figure 2.2.

Map of Ghana Showing the Rail transport System

In summary, the above studies provide a sound and comprehensive foundation for the research framework for analyzing the third party logistics issues in Ghana.

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.1 Introduction

In this chapter the methodology of the thesis is presented. The selections and implications of the research methods are explained together with justifications of the choices. Data analysis techniques focused on both descriptive and analytical tools covering percentages and graphical presentations of findings of the research.

3.2. Study Type

This was a descriptive study with a cross-sectional design.

3.3 Study Variables

The study employed qualitative and quantitative variables. Specifically, the study area covered three third party logistics usage companies.

3.4. Sample selection

After initial phone-calls to organizations in the manufacturing, Service, Extraction and Agriculture industry, three companies that where interested to participate and also could provide interesting cases for our research were chosen, representing the tree broad areas chosen. The particular companies where chosen due to the understanding that large organizations were most likely to have researchable logistics activities. A problem when conducting research on larger organizations is to get access to right persons and departments. During the preliminary phone-calls I was able to book interviews with the right respondents at the organizations and logistics departments. An interview

was conducted with Emmanuel Teye, Head of Logistics and Supply Chain Management at Newmont Ghana Gold Ltd, and Michael Justice Osei, the Financial Manager at Sompa Kokoo Company Limited and The Logistics Officer at Guiness Ghana Limited.

3.5 Data for research.

The interview with Emmanuel Teye was conducted by telephone since he was stationed at the mines headquarters in Kenyasi. The interviews were recorded after approval from the respondents to complement our own notes taken during the interview. In this way we could return to the recorded material at any time if needed. The interview with the Logistics officer of Guiness Ghana Breweries Group and the Finance Manager of Sompa Kokoo was conducted face to face at their respective offices.

3.6 Analysis of data

A case study should start with a general analytical strategy that provides the basis for what to analyze and why. There are three different general analytical methods: Relying on theoretical propositions, thinking about rival explanations, or developing a case description. Yin (2003) says that without a general analytic strategy, a case study analysis will be difficult to carry out. According to Yin (2003) the first strategy, relying on theoretical propositions, is the most preferred. It means that you are following the theoretical propositions that led to your case study. The original objectives and design of the case study presumably were based on such propositions, which in return reflected a set of research questions, review of the literature, and new hypotheses or propositions. Thinking about rival explanations tries to define and test rival explanations; this can also be related to the first strategy. The final strategy is developing a case description; this is according to Yin the

least preferred, but it can be used when you have problems making either of the other approaches work.

In this thesis we have used the method of relying on theoretical propositions. The research questions are developed and built on the basis of previous studies, and the findings are compared to the previous research conclusion. We started to analyze the collected data using within-case analysis, comparing existing theories to our empirical findings. After the single cases where analyzed, a cross-case analysis was made to distinguish similarities and differences and to draw conclusions based on the analysis between the banks (Yin, 2003).

To make our analysis clear, there was the need to use Microsoft Excel which was used in the drawing of tables and graphs.

3.7 Validity & Reliability

In all research, the methods and conclusions need to be justified. This justification has to demonstrate the nature of the decisions taken during the research, and on which ground the decisions are reasonable for the reader (Denscombe, 2003).

3.7.1 Reliability

The research was as objective as possible when handling and evaluating the collected data.

A digital-recorder was used during the telephone interviews. By using a digital-recorder others can review the interview answers, and we can also double-check the material afterwards. We also tried to avoid biasing the respondents' answers by asking leading questions.

3.7.2. Validity

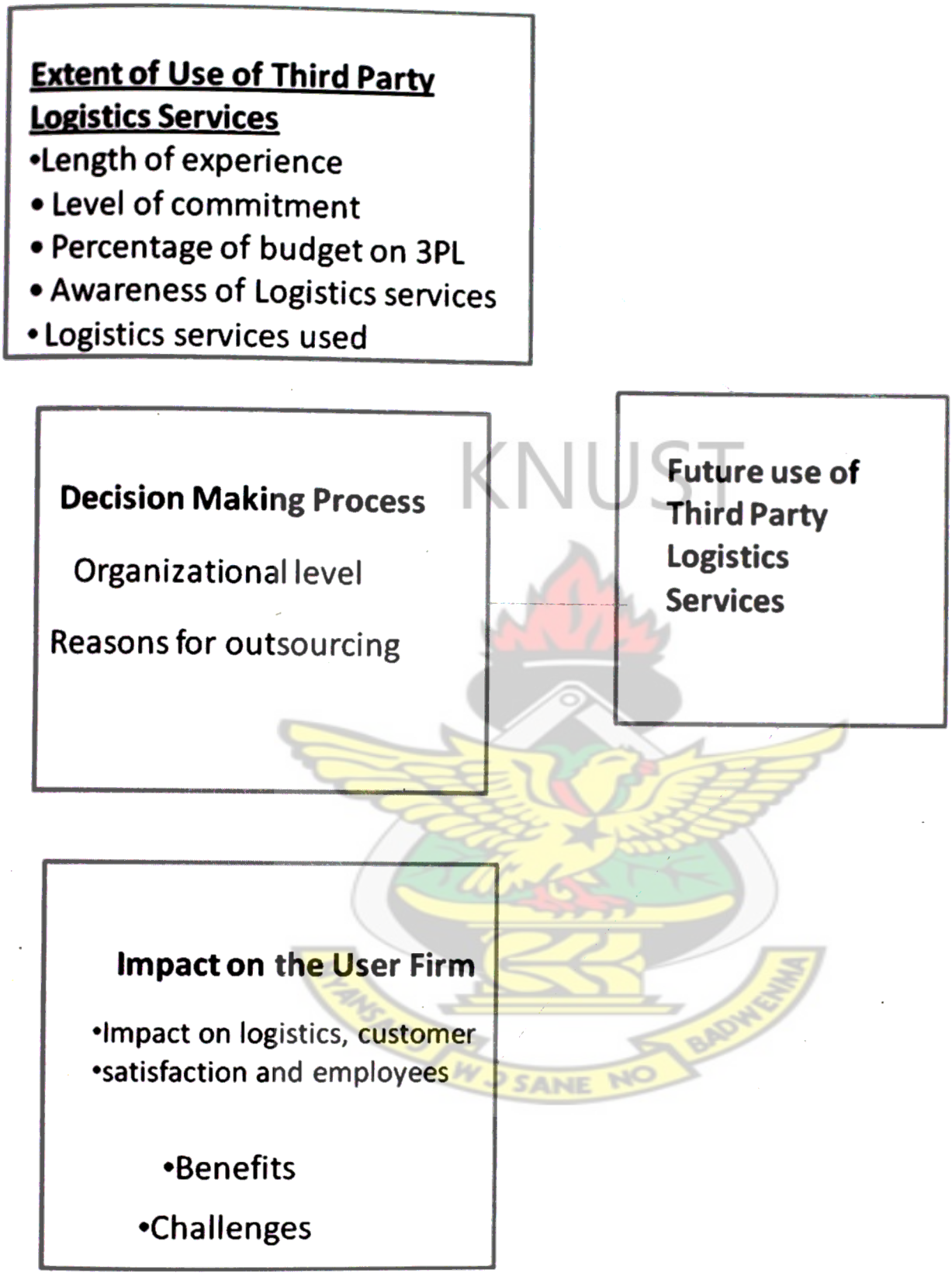
The meaning of validity is whether your methods, approaches and techniques actually measure and relate to the problem that has been explored (Blaxter *et.al.* 2001). Validity is defined as an instrument's ability to measure exactly what it is supposed to measure (Eriksson & Wiedesheim-Paul, 2001). There are according to Yin (2003) three forms of validity, construct-, internal-, and external validity. When establishing constructs validity the researcher makes sure that the correct operational measures are utilized for the concepts being studied, and that objective judgment is used to collect data. Internal validity is only of relevance if conducting an explanatory study, and since we are not conducting an explanatory study this is of no relevance. Finally, external validity refers to establishing of the domain to which the findings to a study can be generalized. Since our sample is small, and the study qualitative, we are not aiming to generalize (Yin, 2003).

Two or more methods are used in order to complement each other. Combined they can produce differing but supporting ways of collecting data with increased validity as a result (Denscombe, 2003). By using interviews and documentation, the construct validity of this study was increased. To further increase the validity, a simplified outline of the interview guide was sent to the respondents in advance. This gave our respondents the possibility to prepare for the interview and to obtain the correct information. After the interviews were documented, they were sent to the respondents for corrective reading. According to Denscombe (2003) direct contact at the interview enables that data can be checked for accuracy and relevance, as it is collected. When interviewing by telephone we were not able to see the facial reactions of the respondents, but were are able to get back to any issues and ask them directly if there was anything left unclear.

3.8. CONCEPTUAL FRAME WORK

To determine the usage of third party logistics services in Ghana, interviews were conducted in July 2009. The interviews were adapted from Lieb *et al.* (1993) and Dapiran *et al.* (1996). The interview instrument reflected the framework presented in Figure 1 and focused on the following areas:

- ✓ . Extent to which firms use the services of contract logistics companies;
- ✓ . Specific contract services used;
- ✓ . L Level at which the decision to outsource is taken;
- ✓ Factors affecting the final selection of contract companies;
- ✓ Benefits to the user firms;
- ✓ . Challenges encountered in implementing contract logistics relationships;
- ✓ . Impact of use of contract logistics services on logistics costs, and their satisfaction level.
- ✓ . Future plans of current users of contract logistics services.



Source: Author's Field Survey, 2009

3.9. Organizational profile of the selected case study

3.9.1. Ghana Breweries (GGB) Group

Guinness Ghana Breweries Limited and Ghana Breweries Limited are members of Guinness Ghana Breweries (GGB) Group. The company was formed on the 1st of January 2005 as result of a merger between Guinness Ghana Breweries Ltd and Ghana Breweries Limited. Guinness Ghana is the largest beverage manufacture in Ghana. The Group has three sites with two locations in Kumasi (Kaasi and Ahinasan) and one in Accra (Achimota). Guiness Ghana Breweries Group has since won the following awards: "Foreign Company of the Decade" award by Millennium Excellence awards organization: Ghana Professional Achievers "Corporate Champion " from the EXCEL, UK: GOLD Award at Ashanti excellent award from excellence awards organized by Top Brass under the auspices of the Manhyia Palace and "INDUTECH Nation Corporate "award from the Association of Ghana Industries. For two years running Guinness Ghana Guinness Ghana Breweries has been named among top five distinguished companies in Ghana. The ranking was based on the level of profitability, size, net assets and growth.

GGBL'S mission is to be Ghana's most celebrated company. That means having first choice brands that provides great times and drinking experience for every occasion. It means building amazing relationship with employees and business partners that brings out the best. Financially, it means enriching the communities in which we operate.

Guinness Ghana Limited has a worldwide reputation for producing and marketing quality brands for consumer satisfaction and for being a socially responsible corporate citizen. It is a major player in

the market for breweries with its well-known brands such as Guinness stout and Malta Guinness. Recently it added the Guinness extra smooth stout to its brands.

3.9.2. Newmont Gold Ghana

Newmont Mining Corporation is primarily a gold producer, with significant assets or operations in the United States, Australia, Peru, Indonesia, Ghana, Canada, New Zealand and Mexico. Founded in 1921 and publicly traded since 1925, Newmont is one of the world's largest gold producers and is the only gold company included in the S&P 500 Index and Fortune 500. Headquartered near Denver, Colorado, the company has approximately 34,000 employees and contractors worldwide.

In 2007, Newmont became the first gold company selected to be part of the Dow Jones Sustainability World Index. Newmont's industry leading performance is reflected through high standards in environmental management, health and safety for its employees and by creating value and opportunity for host communities and shareholders

Newmont Ghana Gold is a subsidiary of Newmont African operations. It currently, operates two main mines Ahafo mines in Kenyasi in the Brong – Ahafo region and the Akyem mines in the eastern region of Ghana.

Newmont's Ahafo operation and Akyem project comprise about 20 percent of our core assets worldwide. They are serving as a catalyst for national development - bringing information technology, communications, education, technology transfer, human resource development, supply chain, electricity and health to the country. Within our concession areas, Newmont Ghana is working to responsibly operate and develop these mines so they may contribute significantly to local employment and economic growth, as well as improve living conditions

Developing our Ahafo operation proved challenging as the ore deposit was located beneath an area inhabited by about 1,700 households from two primary traditional areas, Ntotroso and Kenyase 2, both of which are near the mine. As a result, Newmont Ghana created a range of policies and procedures to resettle and compensate people for losses suffered from development.

Our staff collaborated with the affected community to enable them to successfully resettle. While the process was initially disruptive, we worked diligently to ensure a smooth transition. Newmont Ghana also compensated residents financially, as well as provided residents with new homes, schools and titles to land they previously were not allowed to own.

Additionally, we introduced a highly successful Agricultural Improvement and Land Access Program (AILAP), to assist compensated farmers directly affected by mine development to restart farming. We supported farmers with such incentives as farming inputs and access to alternative land. More than 95 percent of farmers who lost their lands are again farming using improved planting and harvesting methods that result in the production of higher yields

During the past five years, the Akyem project has been subject to a thorough environmental impact study, public consultation process and an independent review process. Project leaders have engaged directly with numerous community representatives, nongovernmental organizations, government agencies and international organizations to listen to their concerns about the social and environmental implications of project development, and to raise awareness about how issues are being addressed. Following completion of further economic and power analysis to ensure sustainability, the project will advance to its next phase of development.

Vision

We will be the most valued and respected mining company through industry leading performance.

Values

- Act with integrity, trust and respect
- Reward creativity, a determination to excel and a commitment to action
- Demonstrate leadership in safety, stewardship of the environment and social responsibility
- Develop our people in pursuit of excellence
- Insist on and demonstrate teamwork, as well as honest and transparent communication
- Promote positive change by encouraging innovation and applying agreed upon practices

3.8.3. Sompa Kooko

The company was set up six years ago. It was set up as a result of a corporative between cocoa farmers. Cocoa farmers in Ghana are joint shareholders of the company. They operate in all the cocoa producing areas of the company. They are into the purchasing of cocoa beans on behalf of the government of Ghana.

CHAPTER FOUR

EMPIRICAL FINDING

4.1 Introduction

4.1.1. CASE 1: GUINESS GHANA BREWERIES GROUP (GGBG)

GGBG has been using third party logistics (TPL) for over sixteen (16) years. The logistics officer indicated that the company has accumulated a lot of experience in their relationship with TPL's. Eight (8) main logistics providers and others who execute one – off contracts, now serve the company. He mentioned that the eight TPL providers that GGBG deals with are Maersk logistics, DHL limited, John More, Dukings Ltd., Antrack logistics, Fredymes logistics, JAL Ltd. and Ewald ltd.

As to whether they could use more TPL providers? They answered in the affirmative. The company believes that these providers had the capacities to meet their needs adequately as indicated by the logistics offers, but are sometimes compelled to use other TPLs, especially during peak seasons such as Christmas and other festive occasions when the main providers are overstretched.

Awareness

The logistics officer indicated that the company became aware of the TPL companies and their services through sales calls by TPL representatives and advertisements on both electronic, print media and billboards. **Also they were persuaded by adverts on trucks.** They indicated that they have been receiving sales calls about new TPL providers at least every month.

Decision to outsource

At GGBG the decision to outsource originated from the corporate level of management. The company believes that this is a strategic decision and as such they are the appropriate authority to make it. The TPLs cater for 40% - 50% of the total budget of logistics provision in the company. This amount shows the important role TPL plays in the life of GGBG. At GGBG, though the decision to out source originate from the highest decision making body of the organization, the other organizational levels also have roles to play in the decision making process. The lower level units also help in the evaluation TPL providers.

Kind of services that they outsource

TPL companies provide many services to their clients. At GGBG the TPL companies provide many services as indicated many the logistic manager. He mentioned Shipment (Consolidation) as one of the services. This involved a TPL provider transporting imported raw materials when they arrive at the ports at Tema to their factory in Kumasi. Also raw materials from the northern and other parts of Ghana to Kumasi are provider by the TPL's. The manager continues that finished goods are also transported by TPL's. This he said involved the provision of transportation solution. They do this to fulfil orders placed by customers of GGBG. The TPLs also provide warehousing to the company. The specific warehousing provided by the TPLs includes the storing of imported raw materials. Though GGBG according to the logistics manager the company has storage points at their factory site, they outsourced the storage of certain raw materials to the TPLs providers at the Tema Port. The company has also partially outsourced the delivery of Mails to courier services, especially by air. Be sent electronically has been outsourced.

Reasons for outsourcing

Many companies in Ghana outsource part of the activities to TPLs providers for various reasons. At GGBG the logistics manager stated that they went into TPL because of the following reasons:

- **The need to focus on core business.** The core business of GGBG is to produce alcoholic and non-alcoholic beverages to the satisfaction of their consumers. In order to achieve this objective they believe that the functions above ought to be outsourced. They believe that they will have an unwavering focus that will enable them produce brands with superior quality to their competitors.
- **They also believed that there were providers who provide superior transportation solutions in relation to what they would have provided**. Since the providers are specializing in the area of transport, they are in a better position to provide very good transport services. Some of their providers have been in the business for well over twenty years with international exposure. That is Maersk Logistics and DHL. What this means is that they have developed better systems and appropriate technologies that make their work easier and more efficient.
- **The company is motivated to enter in contract logistics as a cost saving measure, which also lead to improved services**. The use of contract logistics meant that the company would not have to incur certain costs which they would have incurred, such as, social security, insurance on freight and vehicles, vehicle maintenance, etc.

Satisfaction with TPL's

On the scale of very satisfied, satisfied and dissatisfied and very dissatisfied GGBG is very satisfied with two (2) of the TPLs, satisfied with four, dissatisfied and very dissatisfied.

Reasons provided for very satisfied and satisfied are that the six (6) TPLs provide excellent service especially in terms of time and handling of materials. ''Their time of delivery and safety record is unparalleled. In the years that we have been patronizing their services, hardly, had they failed to deliver on time.''

GGBG believed that they dissatisfied with two TPLs because they do not follow safety procedures when they are on their factory premises. The manager hinted that at the expiration of their current contract it is likely not to be renewed.

Benefits

In terms of the benefits achieved from TPLs, they reported obtaining multiple benefits. Cost reduction, increase productivity and savings on time was mentioned as the most benefits frequently obtained from the TPLs. Enhanced flexibility, access to new markets, and the ability to offer new services, better space utilization, and access to up-to-date technology, techniques and special expertise from the contract logistics firms were also mentioned as important benefits by GGBG.

Challenges in using TPL

In spite of the benefits GGBG derives they also face challenges from dealing with the TPLs providers. The manager mentioned that TPL providers sometime do not provide feedback. Should they encounter problems they do not communicate to them about the particular problem. ''When TPL's encounter problems such as breaking down of vehicles and driver unavailability they do not inform them of their inability to meet our needs.'' This leads to delays in deliveries, which creates dissatisfaction among their numerous customers. The logistics manager continues that they are most at times economical with the truth when they are not prepared to undertake an order.

TPL providers sometimes breach safety rules and regulations both on and off factory sites. These regulations have been put in place to ensure that on and off site accidents are prevented. Finally,

there were also issues concerning the lack of appropriate regulation of these TPL's. There is no legislative instrument regulating the activities of 3PL. this sometime raises unnecessary tension among both providers and GGBG.

Future prospects

"The above challenges do not blight the future of TPL in Ghana", this is according to the logistics manager. He was of the view that the prospect is bright, believing that the TPL industry is growing and at a very fast rate. He concluded by saying that "as the benefits of TPL's are touted, entrepreneurs will be drawn into the TPL provision business and other companies will also begin to out source their logistics services.

4.1.2. CASE 2: Newmont Gold Ghana Ltd

The logistics officer stated that the company has had a close relationship with TPL's. Three (3) logistics providers serve Newmont Gold. The logistics officer mentioned them as Antrak Logistics, Allship Logistics and Logistics Direct. The officer suggested that the three (3) TPL's fully meet their needs and do not need any other TPL's provider.

Awareness

The logistics officer indicated that they became aware of the TPL companies through the media and direct contacts by the representatives of the TPL providers. Advertisement in professional publication such as, the international Journal of Physical Distribution and Logistics presented an opportunity for Newmont Gold to learn about the TPL providers.

Decision to outsource

The decision by Newmont Gold to outsource originated from the corporate level of management. By their corporate culture such a decision should be taken at the corporate level in the organization. The other levels of management provide support services with the Supply Chain and Logistics office keeping the way. The support is in the form of evaluation of providers and writing reports. They spent between eleven (11%) and twenty (20%) of their budget for logistics on Third Party Logistics providers.

Kind of services that they outsourced

At Newmont Gold the kind of services that they outsource includes:

- Shipment (Consolidation); this involved a TPL provider, which transport inputs from the Tema harbour to the Ahafo and Kenyasi mines. Some of the materials the TPL's transports are, Cyanide, machine parts etc. Extracted minerals are also transported by TPL's.
- Fleet management is the other function that has been outsourced by Newmont Ghana Gold Limited. The company has its own light duty trucks but heavy-duty trucks needed for the extraction and conveyance of gold ore have been outsourced. Also the delivery of fuel needed for its operations has been outsourced to Shell Ghana Limited.

Reasons for outsourcing

The logistics manager stated that they went into TPL because of the following reasons:

- The need to focus on core business. The core business of Newmont Ghana Gold is to produce extract Gold for the export market and they have to deliver on time. In order to achieve this objective they believe that the functions above ought to be outsourced. They believe that

they will have an unwavering focus that will enable them to deliver the Gold on the international market on time.

- Newmont Gold believed that there were providers who provide superior transportation solutions in relation to what they would have provided. Since the providers are specializing in the area of transport, they are in a better position to provide very good transport services. Some of their providers have been in the business for a very long time with international exposure. What this means is that they have developed better systems and appropriate technologies that make their work easier and more efficient.
- Newmont Gold again is motivated to enter in contract logistics as a cost saving measure. The use of contract logistics meant that the company would not have to incur certain costs which they would have incurred, such as, social security, insurance on freight and vehicles, vehicle maintenance, etc.
- The logistics officer mentioned that they engaged the services of 3PL's because there was a need for a more professional and better-equipped logistics services.
- Another reason for outsourcing was a need to improve on productivity. They needed external help in the logistics area with the aim of getting more from the mines in terms of volumes of production.

Satisfaction with TPL's

On a scale of very satisfaction, satisfaction, very dissatisfied and dissatisfied, the logistics manager mentioned that they are satisfied with all the TPL's. The reason is that they meet all their expectations. The company however believed that the providers would to keep on improve their service.

Challenges in using TPL

Conformance to safety standards was the main challenge facing their relationship with TPL companies. TPL company staff sometimes faces difficulty maintaining the standards that they meet at our mines but after sometime of retraining they start exhibiting expected behaviour and this comes at an extra cost to us.

Benefits

- According to the logistics officer the use of TPL's reduced cost of production considerably. He also believed that on time delivery has now become their hallmark.

The Supply Chain manager said that 'outsourcing freight management to specialized logistics service providers has not only saved cost and time but has created employment for the communities in the mine catchment area'.

- The knowledge base of their logistics providers is broad and they willingly share it with them. This has improved their way of going about their business. This is contributing factor in the improvement of their production capacity.

Future prospects

The logistic manager indicated that the full potential of the TPL industry is not being fully exploited. He said that with the interest shown by firm in many industries and the government taking the necessary steps in creating the regulatory environment will ensure that the future will be very bright'.

4.1.3. CASE THREE (3) – SOMPA KOKOO

This is a cocoa purchasing company that has been in existence for six (6) years and has been using third party logistics (TPL) throughout their existence. In the absence of a logistics office in the organization I was directed to the finance officer, Mr. Michael Justice Osei who oversees their logistics functions. He told me that the company has an interdependent relationship with TPL's. Ten (10) logistics providers are serving them. He mentioned some as YABCO Logistics, ADAMS Logistics Opoku Mensah Transport, Clement Effah Transport, Greatest Enterprise and other TPL providers that execute one – off contracts.

When I asked why the huge number of TPLs, he explained that their operations cover the cocoa producing areas of Western, Ashanti and the Central regions hence the wide area means that they would have to use this huge number. He further explained that despite the huge number they had to still supplement it with their own trucks. He intimated that the decision on the number of TPLs to use depends on the amount of purchases that they are likely to have after the forecasting of expected harvest values.

Awareness

The finance officer indicated that they became aware of TPL companies through personal sales representatives advertisement in the media. They have also become aware through the "snowball" effect that is, through recommendations by other cocoa purchasing companies.

Decision to Outsource

The organization's decision to outsource normally originates from the corporate level management but there is involvement of the other operational level managers, Such as the research and development officers and Zonal heads etc.

Kind of services that they outsourced at SOMPA KOKOO

The kinds of service they outsource include fleet management

- **Fleet management** is the other function that has been outsourced by Sompa Kokoo Limited. The company has its own light duty trucks but heavy-duty tipper trucks needed for the conveyance of cocoa from the cocoa producing areas to the ports for onward shipment outside the country have been outsourced.
- The other service that they have outsourced is the **management of warehouse services**. They have 3PL's providing them with warehouses for the storing of cocoa beans before they are transported to the approved ports. These warehouses are scattered at their area of operations and along its routes.

Reasons for outsourcing

The finance manager stated that they went into TPL because of the following reasons:

- They also believed that there were providers who provide superior transportation solutions in relation to what they would have provided. Since the providers are specializing in the area of transport, they are in a better position to provide very good transport services. Some of their providers have been in the business for a very long time with international exposure. What this means is that they have developed better systems and appropriate technologies that make

their work easier and more efficient. Also they have acquired experience in the transportation of cocoa for a longer time than they have been in operation.

Improvements in productivity

- It is the believed if the company out sources it will lead to improvements in productivity. As they ship the goods on time it will become an incentive to their district officers to do well to increase their purchases thereby increasing productivity.

Cost saving measure

- I was further told that they were motivated to enter in contract logistics as a cost saving measure that lead to improved services. The use of contract logistics meant that the company would not have to incur certain costs which they would have incurred, such as, social security, insurance on freight and vehicles, vehicle maintenance, etc.
- The financial officer indicated that the use of TPLs helps to prevent the diversion of scarce resources into capital investment.

Satisfaction with TPL's

On the scale of very satisfied, satisfied and dissatisfied and very dissatisfied the financial officer mentioned that they are dissatisfied with the services provided by some of the TPL's providers. The reasons for the dissatisfaction are that delays in the conveyance of the cocoa beans from the growing areas have been a recurring challenge. These delays go further to reduce the turn around time of their deliveries thereby reducing profit.

Also some of the TPL's do not conform to the standards by the Ghana Highway Authority which is the main challenge facing their relationship with TPL companies. TPL company staff sometimes

faces difficulty maintaining the standards that they are to meet at axle load checking points accounting for the delay in deliveries.

Challenges

Also, some TPL's divert some of the cocoa beans. He narrated an incident where a TPL provider run away with a truck load of cocoa beans that they were to transport to the ports. The financial officer mentioned that this resulted in the decision to include a member of staff on every truck that has to deliver Cocoa beans.

This is contesting their belief that engaging TPL's lead to cost reduction.

Finally, frequent breakdown of vehicles due to poor maintenance also sometimes make their relationship strained. The vehicles constantly need to be maintained because a greater percentage of the road network used by these TPLs is in bad or worse state.

Benefits

The benefit the company derived from dealing with TPL's are that it helps reduced cost of production considerably. He also believed that on time delivery has now become their hallmark.

For example, The Supply Chain manager said that 'outsourcing freight management to specialized logistics service providers has not only save cost and time but has created employment for the communities in the mine catchment area'.

The knowledge base of their logistics providers is broad and they willingly share it with them. This has improved their way of going about their business. This is contributing factor in the improvement of their production capacity and meeting the targets set by their regulators, that is, the Ghana Cocoa Marketing Board.

Future prospects

The financial manager indicated that the prospect of TPLs in Ghana is very good. He believed that the cocoa industry is growing and the capacity levels will increase. Currently, that district offices are not operating fully and as they do so many more TPL's will be needed.

4.2. CROSS CASE ANALYSIS OF FINDINGS

This part of the work shall deal with the comparing and contrasting of responses given by their representatives of the companies. This shall be done with the aid of graphs and tables.

Number of Third Party Logistics Providers Used By the Companies

This refers to the number of TPL companies that the various companies used.

From the above case-to-case analysis it clear that between the three (3) companies they use twenty-one (21) different TPLs. This is shown in the table below. Also it can be observed that between the three Sompa Kokoo uses more of the TPLs. They explained that their operations cover the cocoa producing areas of Western, Ashanti and the central regions hence the wide coverage and hence the large number TPLs. The total of twenty-one different TPL's means that there is real presence of the industry in the country.

Table 4.1

A Table Showing the Number of TPL Providers each Company Used

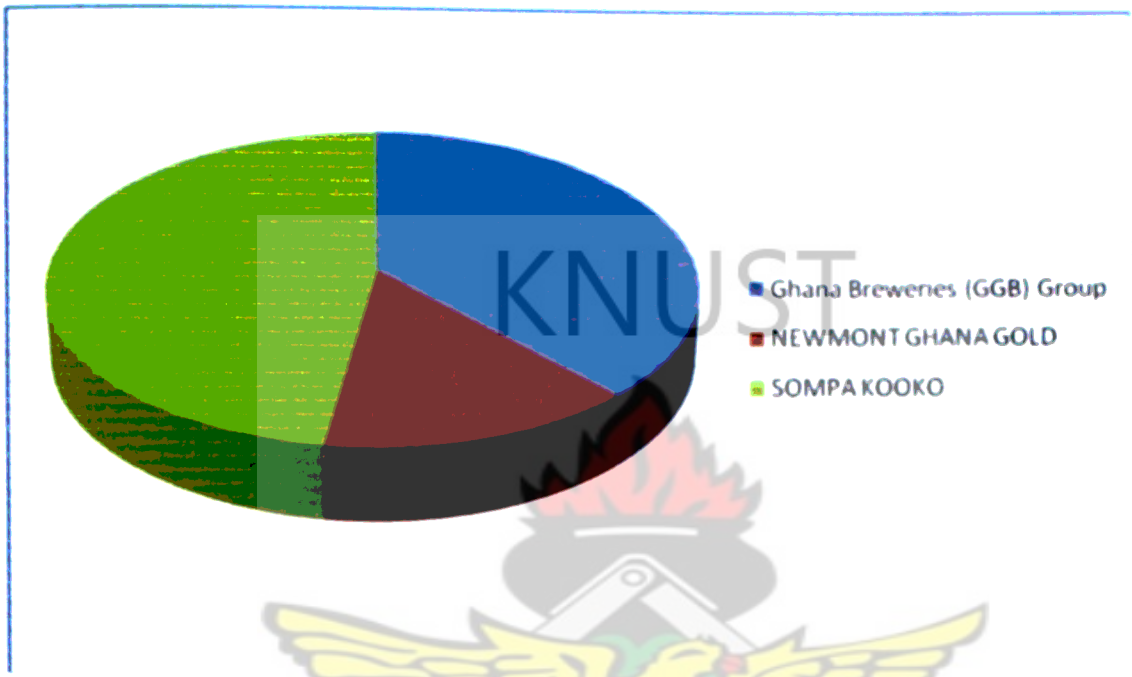
Ghana Breweries (GGB) Group	8
NEWMONT GHANA GOLD	3
SOMPA KOOKO	10
TOTAL	21

Source: Author's Field Survey, 2009

This is further shown in the Pie Chart below.

Chart 4.1

A Pie Chart Showing the Number of TPL Providers each Company Used



Source: Author's Field Survey, 2009

Awareness

From Table 4.2 it is seen that TPL providers normally send their sales representatives to help promote the services. This is showing how competitive their industry is.

Table 4.2

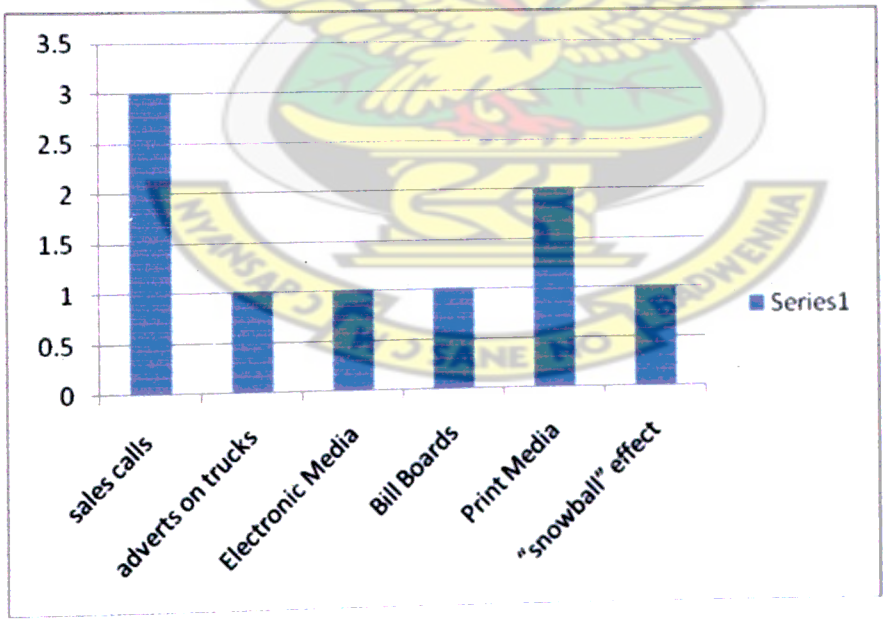
A Table Showing How TPL User Companies Became Aware of TPL Services

Sales calls	3
Adverts on trucks	1
Electronic Media	1
Bill Boards	1
Print Media	2
"snowball" effect	1

Source: Author's Field Survey, 2009

CHART 4.2

A Bar Graph Showing How TPL User Companies Became Aware of TPL Services



Source: Author's Field Survey, 2009

Decision to outsource

It is shown here that the decision to outsource normally originates from the corporate level of management. The reasons for this are that these companies invest substantial amount of their budget for logistics on TPLs and can be interpreted that it is due to the importance that is attached to this decision. The table below interprets this, that is, it is only at Sompa Kokoo that all the three levels of management.

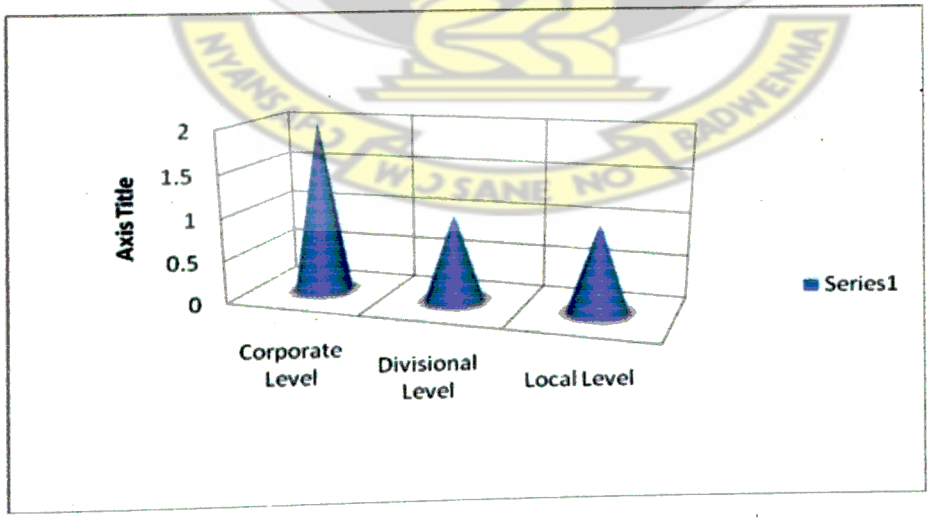
Table 4.3

A Table Showing the Level at which Outsourcing Decision is Taken

Corporate Level	2
Divisional Level	1
Local Level	1

Source: Author's Field Survey, 2009

Chart 4.3 A Cone Bar Graph Showing the above Phenomenon



Source: Author's Field Survey, 2009

Table 4.4

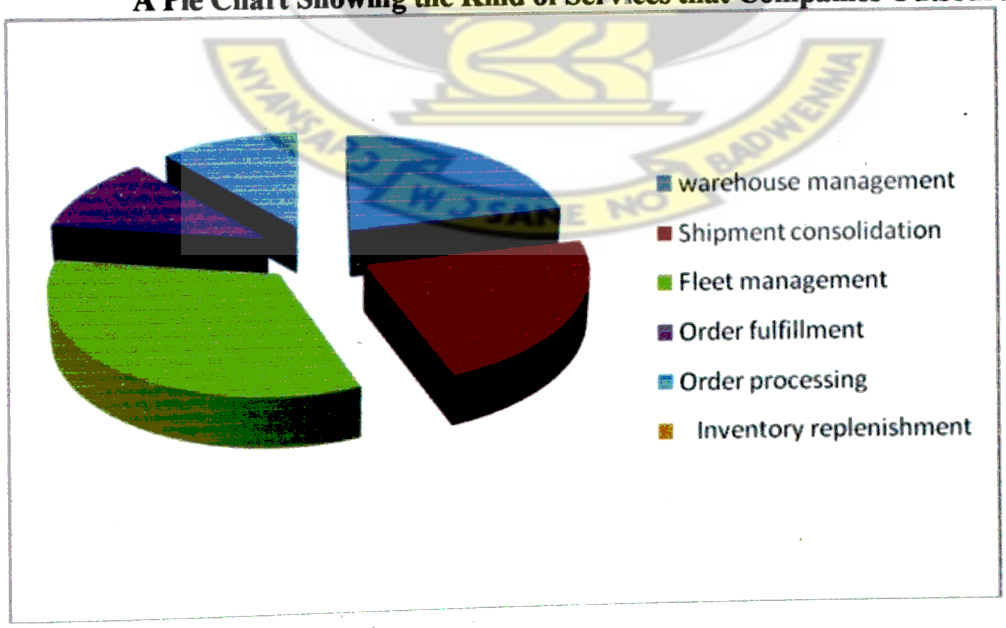
A Table of the Kind of Services that Companies Outsourced

Warehouse management	2
Shipment consolidation	2
Fleet management	3
Order fulfillment	1
Order processing	1
Inventory replenishment	0

Source: Author's Field Survey, 2009

CHART 4.4

A Pie Chart Showing the Kind of Services that Companies Outsourced



Source: Author's Field Survey, 2009

From chart 4.4 it can be seen that Guiness Ghana Breweries Group has outsourced more functions with five (5) functions. The other two companies have two (2) functions each being outsourced. This can be explained that GGB have used TPL's for the longest time period of time. The most outsourced function is fleet management, which all three companies have outsourced. This was explained by Cooke (1998); he said, "TPL can leverage tremendous freight volumes in contract negotiations with carriers to receive rates lower than what an individual shipper could obtain"

Table 4.5

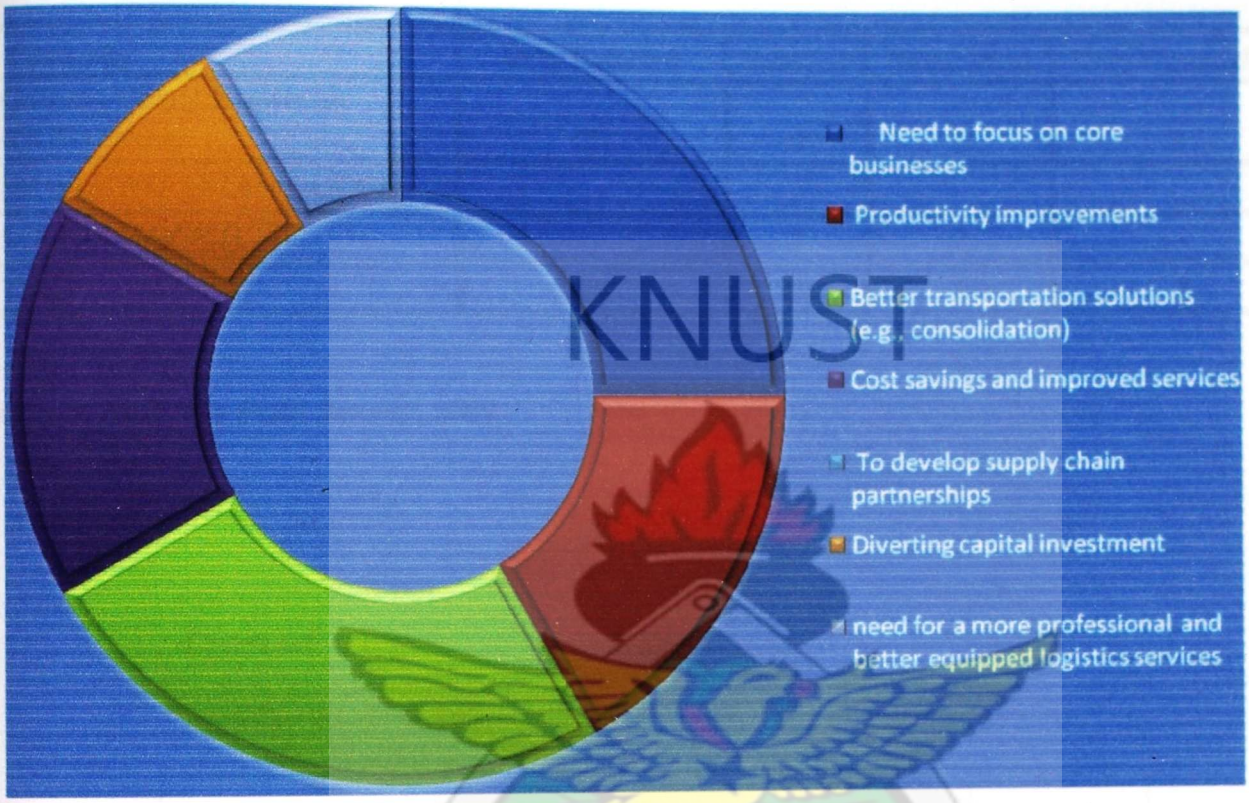
Reasons for outsourcing

Need to focus on core businesses	3
Productivity improvements	2
Better transportation solutions (e.g., consolidation)	3
Cost savings and improved services	2
To develop supply chain partnerships	0
Diverting capital investment	1
Need for a more professional and better equipped logistics services	1

Source: Author's Field Survey, 2009

Chart 4.5

Reasons for outsourcing



Source: Author's Field Survey, 2009

Table and Chart 4.5 gives the reasons why the companies went into TPL partnerships and it shows that two (2) main reasons stand out; Need to focus on core businesses and Better transportation solutions provided by TPLs.

These two activities are non-core activities that have a direct bearing on the delivery of their activities.

Table 4.6

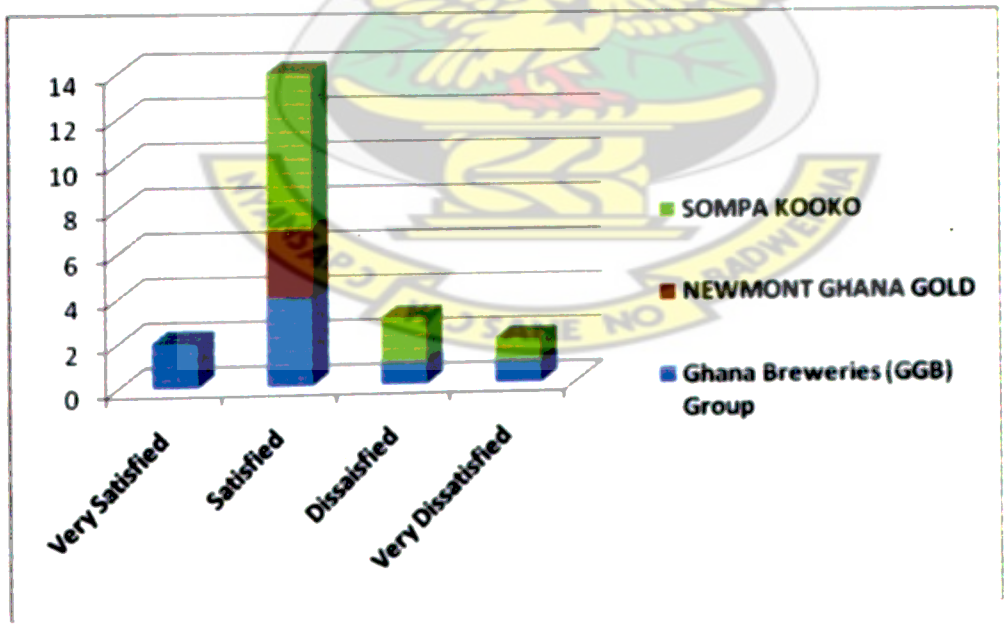
Satisfaction with TPL's

	SATISFACTION LEVEL			
Company	**Very Satisfied**	**Satisfied**	**Dissatisfied**	**Very Dissatisfied**
Guiness Ghana Breweries (GGB) Group	2	4	1	1
NEWMONT GHANA GOLD		3		
SOMPA KOOKO		7	2	1
Total	**2**	**14**	**3**	**2**

Source: Author's Field Survey, 2009

Chart 4.6

Satisfaction with TPL's



Source: Author's Field Survey, 2009

Out of the twenty one (21) TPL providers that the companies engaged, they were very satisfied with two (2) of them and these providers provided services to Guiness Ghana Breweries Group, Satisfied with fourteen (14), dissatisfied with three (3) and very dissatisfied with two (2). They were satisfied with sixty seven (67%) percent of providers and were largely disappointed with twenty three percent (23%) of the services provided.

Benefits

The combined benefits that the various companies have enjoyed are outlined below:

- Cost reduction
- Increase productivity
- Savings on time
- Savings on time
- Enhanced flexibility
- Access to new markets, and the ability to offer new services
- Better space utilization
- Access to up-to-date technology, techniques and special expertise from the contract logistics firms
- On time delivery
- Creation of employment

Challenges in using TPL

The companies are faced with the following challenges

- None provision of feedback by providers
- Breach of safety rules and regulations by providers
- Lack of appropriate regulation of these TPL's by government
- Diversion of goods by providers
- Frequent breakdown of vehicles due to poor maintenance
- Poor road network

Future prospects

The companies believed that the future of TPL is very good. They believed that the way ahead of TPL services is looking up and all necessary steps should be taken to address the challenges. This further elaborated by table 4.7 and the accompanying chart.

TABLE 4.7

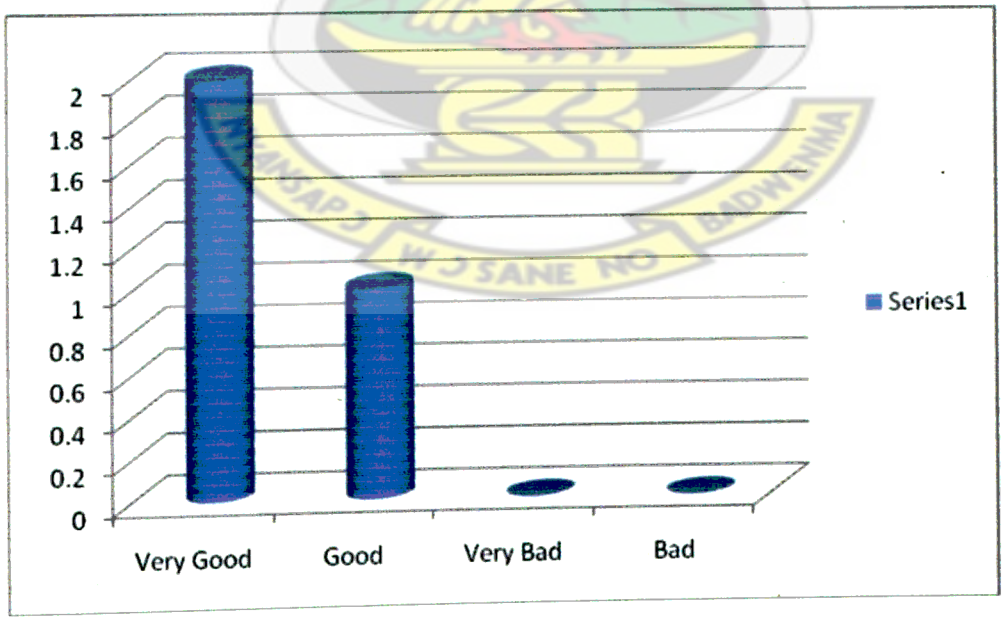
Future prospects

Very Good	2
Good	1
Very Bad	0
Bad	0

Source: Author's Field Survey, 2009

Chart 4.7

Future prospects



Source: Author's Field Survey, 2009

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the information obtained from the study. It also draws conclusions about the study in light of the findings and makes appropriate recommendations.

5.2. SUMMARY

The research work was concerned about the usage of third party logistics in Ghana, Current position and future prospects. Three companies were used as case studies. The following are the main findings of the study.

It was first of all discovered that there was wide use of TPL services by the three companies. Among the three companies twenty one TPL companies are used.

Secondly, the study found out that due to competition among TPL providers they became aware of TPL services through sales calls by TPL providers. This confirms the presence of the TPL industry in the country. Though the TPL providing companies used various means to get 3PL contracts the most popular was direct sale call by representatives of TPL providers to user companies.

Furthermore, the decision to enter into TPL contracts was taken at the corporate level of management. Most respondents of the case saw this as a very important decision due to the percentage of the company's budget allotted to TPL's. Most of the companies allotted between twenty five (25%) and Fifty (50%) of their total logistics budget on contract services.

Also the study found out that the most widely outsourced function is fleet management, followed by warehouse management, shipment and consolidation, order fulfilment, order processing and

inventory replenishments respectively. Guiness Ghana Breweries group outsourced the largest amount of functions, that is, three (3) functions.

The findings further revealed that the three companies outsourced the services mainly because of their need to focus on the core business of their companies.

Finally, the companies were very satisfied with the services provided by the providers.

5.3. CONCLUSIONS

The following conclusions were reached:

To assess the current state of third party logistics in the selected companies

The three TPL users used twenty-one different TPL providers demonstrating the presence of TPL industry in the country. Results reported in this study indicate that a number of companies are utilizing the services of contract logistics providers, and have been doing so for several years.

It has become clear that the companies became aware of the existence of TPL providers mainly by advertisements, Sales calls, recommendation by other TPL users and from professional journals, with sales calls being the most common means of reaching out to TPL users.

The high use of sales representatives by TPL providers indicates the presence of competition among providers. The initiative to outsource in the sample surveyed has been taken at the corporate level, which indicates that logistics is on the agenda of the top management. This means that TPL is a very important aspect of the various businesses.

5.3.1. To examine the reasons for selected parties entering into third party logistics relationships

The companies entered into TPL partnership for various reasons. These reasons are the need to focus on core businesses, improvements in productivity, better transportation solutions (e.g., consolidation) provided by logistics providers, savings on cost and improved services, the need to develop supply chain partnership, prevention of the desertion of capital investment and the need for a more professional and better equipped logistics services

From table 4.5 it can be seen that the three (3) companies outsourced due to their need to focus on their core business. This goes to show their commitment to improve efficiency and productivity.

5.3.2. To examine the benefits of third party logistics in the selected companies.

It was realized from the study that TPL has been very beneficial to their organization. Their expectations were met. There was cost reduction, increased productivity, and savings on time, enhanced flexibility in the going about of their business; they found access to new markets, and were able to offer new services, better space utilization, and easy access to up-to-date technology, techniques and special expertise from the contract logistics firms, on time delivery of raw materials and finished goods, and employment creation.

The reasons for entering into TPL largely matched with the benefits that they experienced, this is demonstrated in them being highly satisfied with the services provided.

5.3.3. To examine the challenges that third party logistics users face.

Companies were faced with various challenges prominent among them were none provision of feedback by providers when there are difficulties in delivery, breach of safety rules and regulations by providers, lack of appropriate regulation of these TPL's by government,

diversion of goods by providers, frequent breakdown of vehicles due to poor maintenance, and poor road network

5.4. To recommend and suggest ways of improving the usage and enhancing the prospects of third party logistics in Ghana.

All the respondents agreed that the future of TPL in Ghana was good. But to ensure that their projections of the future come to pass the following measures should be taken:

1. The logistics officers of the provider and user companies should work closely to build a relationship of trust amongst them. This will ensure that when a party is experiencing a difficulty there will be flow of information.
2. TPL providers should ensure that their front line staffs, such as drivers, warehouse managers, etc, are properly trained in modern safety measures. This will ensure that safety standards are not compromised and this will ensure that harmony between the TPL providers and users are not compromised. TPL user companies will also have to ensure that TPL companies they award contracts to have appropriate safety standards before they award TPL contracts to them.
3. The TPL user companies will have to further employ appropriate technology that would help in monitoring the activities of TPL provider companies. For example, they can implant Global Positioning Remote Systems (GPRS) on vehicles that carry their freight so as to know where they are at any point in time. They should deploy information and communication technology to their advantage.
4. Also it is believed that the government studies the TPL industry and brings about the necessary legislature that will help the industry to grow. Growth for this area means that

economic activities will be generated leading to income through taxation and employment. The government should also ensure that the necessary infrastructure is put in place for the betterment of the TPL industry. Good road networks will mean that the maintenance cost of vehicles will be reduced considerably.

5. Finally, the government should look to expand the cocoa industry. Sompa Kooko, for instance, employs ten (10) TPL providers, if cocoa production is to increase then the company would be able to employ more and the attendant benefits.

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APPENDIX 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

QUESTIONNAIRE

This questionnaire is designed to collect information purely and purposely for academics and any information provided will be confidentially kept.

Research Topic: The usage of third party logistics: Current position and future prospects, A case study of Some Selected Companies in Ghana.

(THIS IS FOR THIRD PARTY LOGISTICS USERS)

1. **Name of organization:** NESTLE.....
2. **How long have your organization been in existence? Please Tick**

   0 – 5 years ☐ **6 – 10 years** ☐ **11 – 15years** ☐ **16+ years** ☐

3. **How long have you been using third party logistics companies? Please Tick**

   0 – 5 years ☐ **6 – 10 years** ☐ **11 – 15years** ☐ **16+ years** ☐

4. **How many third party logistics companies do you work with? Please Tick**

   0 – 3 ☐ **4 – 6** ☐ **7 – 10** ☐ **11+** ☐

5. **Please name them.**

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6. **Indicate the organizational level at which the strategic decision to use contract logistics services originated within your company.**

   Corporate Level ☐ **Divisional Level** ☐ **Local Level** ☐

7. **How did you become aware of contract logistics providers? Please Tick**

   Sales calls by contract logistics representatives ☐ **Sales contact at a logistics conference** ☐

   Discussions with other logistics professionals ☐ **Advertising in professional publications** ☐

Direct mail advertising from contract logistics firm ☐ Others ☐

Please if others state.....

8. What factor(s) did you consider before arriving at the decision to outsource? Please tick

- Need to focus on core businesses ☐
- Better transportation solutions (e.g., consolidation) ☐
- Cost savings and improved services ☐
- Development of necessary technological expertise and computerized systems which is beyond my company ☐
- Need for more professional and better-equipped logistics services ☐
- Productivity improvements ☐
- To develop supply chain partnerships ☐
- Diverting capital investment ☐

9. What is the percentage of total logistics budget allocated to third party providers? Please tick

0 – 10% ☐ 11 – 20% ☐ 21 – 30% ☐ 31 – 40% ☐ 41 – 50% ☐ >50% ☐

10. What kind of third party logistics services does your company use?

- warehouse management ☐
- Shipment consolidation ☐
- Fleet management ☐
- Order fulfillment ☐
- Product returns, ☐
- Carrier selection ☐
- Logistics information systems ☐
- Rate negotiation ☐
- Product assembly ☐
- Order processing ☐
- Inventory replenishment ☐

11. How satisfied are you with the service(s) provided?

Very Satisfied ☐ Satisfied ☐ Very Dissatisfied ☐ Dissatisfied ☐

12. What benefit(s) have your company achieved from outsourcing this function?

Cost reduction ☐ Improved expertise ☐ Reduction in capital deployment ☐

Other(s) ☐

If others State.....

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13. What have been the challenge(s) that you have faced by using third party logistics providers?

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14. What are the future prospects for third party logistics providers? Please Tick One

Very Good ☐ Good ☐ Bad ☐ Very Bad ☐