THE ROLE OF LOGISTICS OUTSOURCING IN LEVERAGING OPERATIONAL COMPETITIVENESS AMONG BLUE CHIP COMPANIES IN KENYA

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NOVEMBER, 2012
DECLARATION

This research proposal is my original work and has not been submitted for any award in any other university.

Signed: ________________________________________ Date ________________

Achola Vincent Odhiambo

Reg. No. D61/63094/2010

Declaration by Supervisor

This research proposal has been submitted with my approval as the University Supervisor.

Signed: ________________________________________ Date ________________

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School of Business,

University of Nairobi
DEDICATION
I dedicate this research project to my beloved parents, dad Achola Odeyo and mum Achieng' nyar Origi; and my siblings Maureen, Christine, and Victor for their prayers and constant encouragement.
ACKNOWLEDGEMENT

First, I would like to acknowledge the ubiquitous Spirit of the Almighty God Who has always emboldened me to pen down the ideas that this research project is made of. Thank you God for the gift of life and providence!

Second, I am highly indebted to my sponsors, the Catholic Scholarship Programme of East Africa for providing finances and spiritual support towards the achievement of this goal. At the same time, I am grateful to Rev. Fr. Daniel Villaverde on behalf of the Comboni Missionaries, for facilitating the sponsorship and all the help that he accorded me.

Third, I was privileged to have Mr. Michael Chirchir and Mr. Onserio Nyamwange as my supervisor and moderator respectively. I thank them both for their invaluable intellectual guidance and support. And to my great friend Fredrick Ayege, I will always remember the woods we groped in and the unwavering hope and determination that you instilled in me to get out of it.

Lastly, I must thank Charles Okore for his constant encouragement and my classmates George Ogwang’ and Ingwe Kennedy for their immeasurable help towards the completion of this grueling task, may God bless you!
ABSTRACT
The concept of logistics outsourcing is not new since it has been applied in businesses for over thirty decades. It emerged as a result of the need for companies to concentrate on their core business activities and leave non-core activities to other companies to run. Logistics management being lifeline of supply chain management, it emerged that managing it efficiently would ultimately be reflected on the positive results from supply chain management as a whole. This study therefore attempted to delve into the depths of logistics outsourcing and how it can result into operational competitiveness of a company. The researcher used the blue chip companies that trade in Kenya's bourse market, Nairobi Securities Exchange (NSE), to determine the validity of this hypothesis.

The literatures reviewed demonstrate how outsourcing logistics functions can achieve operational competitiveness. Researchers contend that efficacy is obtainable with logistics outsourcing hence the realization of operational competitiveness. Scholars articulate such theories in a more understandable pattern that brings out their cost reduction potentials. These theories, for instance, are transaction cost economics (TCE), resource-based theory (RBT), and network theory (NT). Moreover, a number of logistics engagements are outlined as out-tasking, core-managed services, managed services, and full outsourcing. The researcher then used a descriptive survey design to study these variables. SPSS-enabled factor analysis and Chi Square Tests revealed that logistics outsourcing and dependent variables outlined in the conceptual framework. However, the Chi Square Test affirmed the null hypothesis. Nevertheless, some companies did confirm that logistics outsourcing helps them leverage on their operational competitiveness.
It was recommended that companies in all industries should strive to embrace logistics outsourcing while managing their supply chain systems due to its efficacy. The benefits that come with employing this process have the potential to turn around businesses that are detouring from their core business activities. Lastly, it was suggested that research be done on companies that are not listed as blue chips at the NSE to compare the findings.
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<table>
<thead>
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<th>Description</th>
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<tbody>
<tr>
<td>3PLs</td>
<td>Third Party Logistics</td>
</tr>
<tr>
<td>EABL</td>
<td>East Africa Breweries Limited</td>
</tr>
<tr>
<td>ECR</td>
<td>Efficient Customer Response</td>
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<tr>
<td>GPS</td>
<td>Global Positioning System</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ITS</td>
<td>Intelligent Transport System</td>
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<tr>
<td>JIT</td>
<td>Just-In-Time</td>
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<td>NSE</td>
<td>Nairobi Securities Exchange</td>
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<td>NT</td>
<td>Network Theory</td>
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<td>RBT</td>
<td>Research-Based Theory</td>
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<td>SC</td>
<td>Supply Chain</td>
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<td>SCiM</td>
<td>Supply Chain Management</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The concept of supply chains is incomplete without mentioning logistics, which knots disparate chains together in a pattern that eventually adds value to the final product. Supply chain management was conceived to expedite production process while sticking to the specifications and timing of the order with an objective of satisfying the customer's needs. Logistics function plays a crucial role since it pervades the entire path followed by a product from procurement of raw materials and/or subassembly parts to distribution and after-sale services (reverse logistics). In order to remain competitive and deliver value to customers, companies have increasingly had to create efficiencies in all business processes, focus on core competencies, and outsource functions that can be performed more efficiently by third-party logistics firms (Zacharia et al., 2011). This is because logistics has been noted as a primary function that can enables companies to cut costs and to help in improving responsiveness through outsourcing (Christopher, 2005). Consequently, there has been a high demand for outsourcing of logistics services and therefore a mushrooming of third-party logistics firms (3PLs) that provide such services over the past decade (Mahnke et al., 2005; Sanders et al., 2007).

Logistics management, in the past, focused on such activities as warehousing, transportation, order processing, clearing and forwarding, and information technology support. These activities, though very critical to the operations of a company, were deemed as non-core functions by many firms. Moreover, logistics function requires significant asset base and therefore offers the potential for large cost savings that justifies its outsourcing. Initially, 3PLs offered traditional logistics services such as warehousing, distribution, transportation, and so on. However, they
have changed considerably due to the increased volume and scope of services that are demanded from them. As a result, today, they are involved in strategic coordination of their client's supply chain activities. Given their role of connecting members of supply chain, 3PLs perform a critical role that is responsible for achieving effective logistics integration by which inter-firm and intra-firm activities become integrated to enhance customer satisfaction as well as to provide competitive advantage (Knemeyer et al., 2003).

Since the introduction of logistics outsourcing in the practice of supply chains, many organizations have breathed a sigh of relief for finding companies to which they can outsource their logistics tasks in order to get time and resources to concentrate on core business activities. 3PLs have become so versatile in their service provision in the sense that firms that began as providing only one activity within the ambits of logistics, say transportation, have added others such as warehousing, IT support, and so on, to become integrated under one banner. With the intense competition in the marketplace, many firms have found 3PLs necessary in helping them to leverage their competitive advantage. The researcher therefore, proposes to study the role of 3PLs in providing competitive leverage for blue chip companies in Kenya.

1.1.1 Logistics Outsourcing

The genesis of logistics outsourcing can be traced back from the 1980s when organizations discovered the importance of concentrating on their core business activities. One such company that pioneered the services of logistics outsourcing is FedEx, whose overnight delivery services altered the way in which business to business and business to customer transactions operated (Mangan, Lalwani & Butcher, 2008). Businesses thus got the opportunity of using just-in-time (JIT) techniques that saved warehousing space and minimized total costs. The introduction of
Efficient-customer-response (ECR) techniques gave rise to smaller and more efficient shipment sizes that further minimized costs (Mangan et al., 2008).

The benefits that accrued as a result of outsourcing the delivery and warehousing functions could be seen by companies in various industries and therefore when the idea of 3PL companies was mooted, they immediately began to rise offering an ever increasing number of services. The soaring number of companies that seek logistics outsourcing services has subsequently led to increased competition between organizations and these firms have achieved greater savings. Since the beginning of the 21st century, 3PL providers have leapt from regional to global businesses. Today, 3PLs have become a crucial part of supply chain, where they offer services that can allow firms to outsource part or all of their supply chain management function. Logistics outsourcing involves such activities as inbound freight, warehousing freight consolidation, order fulfillment, distribution, and outbound freight. Logistics outsourcing has enabled businesses to become leaner, reduce assets and allow focus on core business activities (Goldsby & Martichenko, 2005).

1.1.2 Blue-Chip Companies in Kenya

In Kenya, most companies especially multinationals are increasingly leading the way in contracting 3PLs to manage their non-core business activities. The wave of globalization that has swept the marketplace and brought cutthroat competition to their backyard, has forced them to fight back. The best way to ward off this competition is by concentrating on the business they know best and employing all the resources towards its realization while outsourcing its other activities to 3PL. There has been a proliferation of 3PL firms in Kenya such as DHL, SVD Transami, Federal Express (FedEx), Bayusuf & Sons, and so on, that provide logistics services to
their clients. Such companies have resources and expertise to efficiently and effectively carry out their tasks. Given that 3PLs specialize in the provision of integrated logistics activities, clients expect excellent service when contracting for the said tasks.

Blue chip companies have a reputation for dependability as well as offering the best potential for increasing shareholder value through dividend growth and capital gains (McDowell, 2010). Generally, blue chip companies sell high quality, widely accepted products and services and they are known to weather downturns and operate profitably in the face of adverse economic conditions, which helps to contribute to their long record of stable and reliable growth. Blue chip stocks are considered as a less volatile investment than owning shares in companies without blue chip status since the latter have an institutional status in the economy (McDowell, 2010).

The Nairobi Securities Exchange (NSE) 20-Share index measures the average performance of 20 large market capitalization stocks drawn from different industries including the agricultural, financial, commercial, industrial and alternative investment market segment (NSE, 2012). The NSE 20-Share Index has been in use since 1964 and measures the performance of 20 blue-chip companies with strong fundamentals and which have consistently returned positive financial results (NSE, 2012). It is this good financial performance of blue-chip companies that has made the researcher curious to find out how 3PL logistics outsourcing help them leverage competitiveness.

1.2 Research Problem
Outsourcing logistics to 3PL companies has been practiced for more than three decades and organizations that outsource logistics services have recorded success of the practice. As such, it
is not an overstatement to appreciate that logistics outsourcing yield competitive leverage in the marketplace. The last decade saw logistics outsourcing by companies expand to international markets. This expansion therefore revolutionized the way business is done in third world countries with respect to the management of supply chain functions. Kenya, for instance, became aware of logistics outsourcing at the dawn of the 21\textsuperscript{st} century and even then, it was big multinationals that could afford it (Ranjan & Tonui, 2004). It took a number of years for erstwhile domestic companies to start engaging in logistics outsourcing (Ranjan & Tonui, 2004).

Studies have been done on the role of logistics outsourcing in expediting the disparate activities within the supply chain system in the realization of the best practices of supply chain management. Fung \textit{et al.} (2009), Stubbs (2004), and Schweitzer (2005), for example, have written extensively on the role of 3PL as an orchestrator within the supply chain. The gist of their arguments is that a successful supply chain network(s) is managed by an aggregate player (3PL) that offers the required services and takes control of a part or the entire supply chain network. According to Fung \textit{et al.} (2009), the concept of orchestration as may be engineered by 3PL is imperative for supply chains to remain competitive in today’s global marketplace. The same sentiments are echoed by Bitran \textit{et al.} (2006) who hypothesize that supply chains can only be sustainable if governed by an orchestrator. Stubbs (2004) is even more factual in his argument that the type of firm emerging as an orchestrator varies and is based on select market of supply chain and that in logistics-dominant supply chains 3PLs have emerged to play that role.

There is empirical evidence that logistics outsourcing in other parts of the world achieve competitiveness. The survey conducted by Dai \textit{et al.} (2003) on the users of logistics outsourcing
services in China indicated a positive perception on the part of companies of the value offered by providers. Bhatnagar et al. (1999) surveyed logistics outsourcing in Singapore and found that there was a high level of satisfaction experienced by companies contracting 3PLs. Sohail et al. (2004) examined logistics outsourcing by companies in Ghana and reported a generally high level of satisfaction on the part of companies. Lastly, the study conducted by Power et al. (2007) on the role of 3PLs through Logistics Association of Australia, revealed a significant association between 3PLs' service offerings and their contribution to companies' competitiveness. However, on the other end of the spectrum, some researchers have documented evidential studies on the reasons that cause 3PL-client relationship failures thus leading to losses. Foggin et al. (2004) conducted a study on supply chain diagnostic tool where they reviewed literature on the reasons given for this failure in 3PL-client relationships (Foster, 1999; Keeling, 1999; Harrington, 1998; & Mottley, 1998). The primary reason given was the lack of proper communication.

In Kenya, however, no significant research has been conducted to explain whether logistics outsourcing leverage competitiveness. Therefore, this forms the knowledge gap that the study intends to fill up. Hence, the study will be guided by the following research question: Does logistics outsourcing enable a company to leverage its operational competitiveness?

1.3 Research Objective

Arising from the proceeding research question, the objective of this study will be:

To determine the role of logistics outsourcing in leveraging operational competitiveness of blue chip companies in Kenya.
1.4 Hypotheses

This study focuses on the following research hypotheses:

Ho. Logistics outsourcing does not enable a company to leverage its operational competitiveness.

Hi. Logistics outsourcing enables a company to leverage its operational competitiveness.

1.5 Value of the Study

It is expected that the findings of this study will benefit companies that have not yet embraced the practice of logistics outsourcing in their businesses operations. Since the study intends to investigate how the use of logistics outsourcing results in high competitive leverage, the above firms may have a factual evidence of the efficacy of 3PLs and may begin to contract with them.

Perhaps the blue chip companies may also benefit from the results of the study in the sense that by dissecting the types of logistics outsourcing engagements, the best type may stand out for them to adopt while dealing with the 3PLs.

Lastly, the study is expected to be useful to academicians and researchers who may intend to inquire more on business outsourcing with bias to 3PL providers. The study is also expected to be an interesting piece of literature for readers who would want to get informed on the trends of logistics outsourcing in the 21st century.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Logistics improvement is the primary source of a firm's profitability for it facilitates and maintains competitive advantage. However, there are certain instances where the logistics systems have caused bottlenecks in an organization's overall management. The capacity to reduce total cost and improve the quality of services provided to customers can be multiplied by eliminating these bottlenecks. Moreover, from the social perspective, an efficient logistics system potentially offers possibilities to reduce road congestion and environmental pollution that may eventually result in increased macroscopic economic productivity. A number of innovations have therefore been developed to advance the logistics system. These innovations improve individual processes of logistics and the logistics systems totally. They include innovative hardware such as new inter-modal terminals with efficient transshipment ability and innovative software such as truck route planning with ITS (Intelligent Transport System) and GPS (Global Positioning System).

To completely eliminate these bottlenecks, it is imperative that control mechanisms are applied to the business process as a system and system-management innovations developed. Among these innovations are supply chain management (SCM) and logistics outsourcing. In this chapter, the researcher reviews literature focusing on SCM and logistics outsourcing and the relationship therein. It examines the purpose of the diffusion of SCM and attempts to demonstrate that logistics plays an important role in SCM. The researcher examines advantages and disadvantages of logistics outsourcing from the standpoint of the overall performance of the supply chain system.
2.2 The Concepts of SCM and Logistics

According to Lysons and Farrington (2006), supply chain consists of a set of processes associated with the flow of goods, information, and money among firms, from the raw materials or subassembly parts supply stage, through production/assembly and consumption stage, and finally to the recycling stage. A tool that optimizes the supply chain through integrated management is thus referred to as Supply Chain Management (Sinha, 2009). Given that SCM involves both inter-Firm and intra-Firm activities, its processes include various functions such as procurement of raw material, production/assembly management, inward and outward transportation, inventory management, information system management, order processing, order picking, material handling, protective packaging, warehousing, and recycling, returns and waste disposal (Lysons & Farrington, 2008).

Wang et al. (2007) identify the main features of SCM as upward integration, from the company to suppliers, and downward integration, from the company to customers, that can be performed through inter-Firm strategic alliance. They further argue that since total optimization is superior to the sum of disparate optimization in general, total optimization in supply chain is superior to the sum of partial optimization in the individual chain (Wang et al., 2007). However, if an organization operates all supply chain processes in-house and thereby becoming a large-scale organization, it definitely bears high administrative costs. Forming strategic alliances with other companies that provide some activities in a Firm's supply chain system can help to minimize overall costs (Sehgal, 2009).

According to Nemoto and Tezuka, a well-designed SCM brings positive net value by creating benefit, minimizing cost, and improving profitability (Nemoto & Tezuka, n.d.). These benefits
stem from lead-time compression or flexible response for customers that reduce overall cost from upstream to downstream and enhance service levels for customers (Nemoto & Tezuka, n.d.). It is such improvements that give competitive leverage to organizations. In fact, competitive advantage is achieved by concentrating the firm's resources on its core-competence and in creating value by ensuring flexibility and adaptability in the turbulent market environment (Nemoto & Tezuka, n.d.).

Seiler (2012) observes that in the process of optimizing the total flows within the supply chain, the interests of firms or departments in the supply chain may conflict and therefore coordinating these varied interests is necessary for logistics management in SCM. In this case, the author proposes that a firm that possesses logistics know-how on coordinating economic resources may be crucial in making advises. Such a logistics coordinator also called Third Party Logistics (3PL) has been gaining attention (Seiler, 2012).

### 2.3 Operational Competitiveness

A competitive advantage refers to the leverage that a company gains over its competitors by offering to its customers, greater value in the form of low pricing and/or fringe benefits and services (Cole, 2008). The concept of competitive advantage has been advanced by Michael Porter in his idea of the value chain in which he argued that every company is a collection of activities that are performed to design, produce, market, deliver, and support its product (Porter, 1985). He further demonstrated that a company may develop a competitive advantage in any of the primary activities such as inbound logistics operations, outbound logistics, sales and marketing, and in services, as well as in support activities (Ankli, 1992). Dess et al. (2005) argued, in addition, that a competitive advantage exists when a firm has a product or service that
is perceived by its target market customers as better than that of its competitors.

Logistics outsourcing is a way of ensuring that the entire system of supply chain achieves efficiency in its operations. According to Porter (1985), operational efficiency and competitiveness is achievable through maintaining all areas of value chain. Logistics outsourcing integrates both support and primary activities in the value chain thus facilitating the achievement of operational competitiveness. Porter (1985) further observed that there are two basic types of competitive advantage a firm can possess: low cost and product differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus has two variants, cost focus and differentiation focus (Porter, 1985). The practice of logistics outsourcing can be one way of achieving cost leadership as espoused in TCE theory and RBT (Zacharia et al., 2011).

2.4 Logistics Outsourcing

Logistics outsourcing is a new type of industry where an organization's logistics activities can be outsourced (Shah, 2009). Its genesis is traced from the deregulation of freight transportation industry in the 1980s (Maloni & Carta, 2006). Over time, however, 3PLs have been increasingly offering an integrated set of logistics activities following the demand for such services (Shah, 2009). Moreover, as outsourcing logistics services grew, the role of the 3PL within the supply chain began changing accordingly. Actually, the author observes that the role has changed from initially offering transportation services, to offering a broad array of bundled services that also includes warehousing, inventory management, packaging, cross docking, and technology management (Shah, 2009). Other activities include: order processing, materials handling,
purchasing or procurement, order picking, recycling, waste disposal, returns management, among others (Coyle et al., 2008). Recently, however, 3PL has taken on a more comprehensive strategic role as supply chain activities become more critical to the business (Sople, 2005).

The degree of competition in today's global business arena has forced firms to keep their focus on core competencies and outsource business activities that are deemed as non-core. Significant support in the social science literature for logistics outsourcing as a strategy and the role of 3PL in expediting the achievement of competitive advantage are wrapped up in a triad theory of cost (of production) reduction. Zacharia et al. (2011) articulate these theories in a more polemic pattern that brings out their cost reduction efficacy. These theories are transaction cost economics (TCE), resource-based theory (RBT), and network theory (NT).

TCE theory is based on the fact that a company's ownership decision is inclined to minimizing the sum of its transaction and production costs (Zacharia et al., 2011). It provides a solid ground for analyzing the decisions on logistics and outsourcing. The theory posits that outsourcing to 3PLs will occur when there is an opportunity to reduce transaction costs. Normally, outsourcing logistics activities minimize costs, for example, by efficient use of assets, centralizing order processing, and consolidating overhead by a 3PL provider. The relationship between the company and a 3PL will nevertheless incur transaction costs. Engaging in one relationship, nonetheless, calls for the use of fewer resources in comparison to managing multiple relationships without a 3PL. The 3PL endeavors to reduce these transaction costs further, by standardizing the processes as well as improving the coordination.

There is substantial evidential support regarding the consolidation of tasks provided by the 3PL
that the greater the consolidation, the lower the transaction cost (Hofer et al., 2009; Ellram & Maltz, 1995). The TCE theory has been used by Andersson (1997) to provide support for third-party partnerships while Skjoett-Larsen (2000) to support the role of 3PLs. Steensma and Corley (2002) have used the theory to support technology sourcing and Mahnke et al. (2005) used it to support outsourcing IT services. For these reasons, 3PLs have significantly grown in the number of services they offer, and more so, with the increasing demand for outsourcing logistics services. The increased role of 3PL has also facilitated the acquisition of assets and creation of synergies in service to a variety of clients, and further managed to minimize firm transactional costs. The TCE theory is anchored on the premise that as long as there are cost advantages, it makes economic sense to outsource more activities to 3PLs (Zacharia et al., 2011).

Resource-based theory holds that the company can be considered as a bundle of resources that are heterogeneously distributed across companies with enduring differences between them (Eisenhardt & Martin, 2000). RBT uses the term "resources" in reference to both physical or tangible assets that include plants, equipment; as well as intangible assets such as knowledge, expertise, and other organizational assets. The underpinning argument for this theory is that a company must secure an efficient bundle and flow of the right type of resources from its operating environment to stay relevant and prop up its performance (Rungtusanatham et al., 2003). Accordingly, competitive advantage can result from having ownership of or access to, a unique asset, innovations, and barriers to resources. It is these resources that, in turn, enable companies to have leverage for competitiveness in the marketplace. The combination of such resources and capabilities form the core competencies of a company.

Zacharia et al. (2011) talked of RBT as critical to many firms due to its competency in logistics
and that it can be expensive if a company opts to invest in it. The authors view the competency as a source of sustainable competitive advantage that companies can have over a period of time. Its realization is pegged on the practicability of outsourcing all logistics functions hence permitting the company to access a full range of resources it does not own. Companies have therefore relied on outsourcing to gain access to other firm's valuable resources in the competitive market (Zacharia et al., 2011). With the growing need for such resources, companies searching and providing such services become reciprocally adapted towards one another and more value dependent. The theory thus suggests that the use of 3PLs enables firms to be accessible to complementary resources and create much more competitive resource bundles, providing them with a competitive advantage (Zacharia et al., 2011).

Network theory holds that outsourcing enables the firm to manage its supply chain as a single entity through the application of relationship building and network coordination. The scope of this theory is wide in that it views the entire distribution channel. It assumes that it is a necessity for companies to exchange resources and that organizational relationships are the foundation of this very process. The theory offers an explanation for the growth of 3PL services and their multi-client relationships that spans the supply chain. It argues that resources can be obtained only by creating relationships and interacting with 3PL firms. Consequently, networks develop across the value chain and firms that enter such networks invest in building medium to long-term relationships that may evolve over time. The theory further suggests that 3PLs do not only provide a network-wide efficiency but associating with a 3PL enables firms to take advantage of network relationships. The reciprocity of the need and offering, as supported by the theory, has given rise to the role of the 3PL as the entity that has the ability to orchestrate activities within
the supply chain thus providing competitive advantage to a firm (Zacharia et al., 2011).

Since organizations experience increasing pressure to reduce costs and provide better services, outsourcing their logistics to third-party logistics firms can help them improve both their efficiency and effectiveness (Sum et al., 2001). Outsourcing of logistics activities has thus become a rapidly expanding practice because it has turned out to be a source of competitive advantage and logistics cost savings. According to Wang et al. (2006), in a survey conducted on the 500 largest companies in the United States in 2004, of the 13 percent that replied, 80 percent indicated that their companies used 3PL services.

2.4.1 Interactive effects of SCM and Logistics Outsourcing
Lambert (2008) noted that SCM and logistics outsourcing have a positive interactive or synergistic effect. He argued that when a firm contracts out its logistics activities, the 3PL provider needs to establish transaction and inventory management systems involving other firms in the supply chain. Zacharia et al. (2011) have used the notion of orchestration when referring to the interactive effects of SCM. Actually, this notion within the supply chain has been thematic in the recent literature (Fung et al., 2009; Schweitzer, 2005; Stubbs, 2004). What these researchers mean by the concept of orchestration is that successful supply chains or supply networks are governed by an aggregate player whose role is to provide the required service and assume control of a part of the supply network (Bitran et al., 2006). Fung et al. (2009) state that orchestration is necessary for supply chains to remain competitive in today's global environment.

Zacharia et al. (2011) have defined the concept orchestrator, as a neutral third-party who focuses on developing a system architecture. Stubbs (2004) says it is one who organizes collaborations of
companies and markets the capabilities to end customer. Christopher (2005) defines the term as a firm that engages in the activity of managing, coordinating, and focusing on the value-creating network. Within the context of logistics-dominant supply chains, the literature points to 3PL emergence in that governance role (Stubbs, 2004). For instance, after years of research conducted with UPS, Bitran et al. (2007) documented that the governance role of 3PLs can play in complex supply chains. Furthermore, the authors noted that the rise of 3PLs and the indubitable trend that they have become brokers organizing supply chain networks. This process of organizing networks, sharing information, managing assets, and reducing inventory, make 3PLs to facilitate SCM best practices (Bitran et al., 2007).

2.4.2 Framework of Logistics Outsourcing Engagements

Numerous frameworks have been presented, against the backdrop of the SCM paradigm and the realization of the importance of relationship building, discussing partnership development with the outsourcing context (Lambert et al., 2004; Moberg & Speh, 2003; Knemeyer et al., 2003). These frameworks demonstrate the extent to which the functions being outsourced, has become comprehensive and hence provides general support to logistics outsourcing thus facilitating SCM best practices (Bitran, et al., 2007). One of the recent frameworks has identified two key dimensions that distinguish outsourcing engagements (Sanders et al., 2007). The first is the scope of outsourcing engagement while the second touches on the criticality of tasks outsourced.

Scope is described as the breadth or degree of responsibility assigned to the 3PL. Logistics outsourcing may involve assigning a single task to the 3PL from many possible tasks that comprise an entire function at one end of the spectrum (Sanders et al., 2007). At the other end of the spectrum, outsourcing may involve handing over the management and even strategic
direction of an entire operation to the 3PL. For example, a comprehensive outsourcing of all aspects of the transportation functions to a 3PL provider (Sanders et al., 2007). The authors identify four types of logistics outsourcing engagements based on the degree of scope outsourced to 3PL.

*Out-tasking:* This involves outsourcing a specific task such as inventory management. This type of outsourcing provides standardization of repeatable tasks between supply chain entities, besides ensuring cost advantage. Only a single activity of the total function gets outsourced to a 3PL (Sanders et al., 2007).

*Core-managed Services:* In this type of arrangement, a large scope of the task/function, compared to out-tasking, is assigned to a 3PL under direct control of the Firm. The Firm and the 3PL share responsibility for managing the tasks and assets and work collaboratively (Sanders et al., 2007).

*Managed Services:* This type of outsourcing engagement involves a huge responsibility assigned to a 3PL that surpasses that of the core-managed services. In this case, the Firm engages a 3PL to design, implement, and manage an end-to-end solution for a complete function; for instance the complete management of the Firm's transportation systems. 3PL is seen as providing the Firm with the ability to tap into its unique talent and skills and as a neutral party that works with other entities of the supply chain on behalf of the Firm (Sanders et al., 2007).
**Full Outsourcing:** This type of outsourcing engagement is where the firm assigns total responsibility to the 3PL for the design, implementation, management, and often the strategic direction of the function, operation, or process being outsourced (Sanders et al., 2007). Typically, the services are highly customized to the business environment of the firm. The 3PL is charged with the day-to-day execution as well as the ongoing development of the tools and staff that support the business process. This arrangement can serve as a source of competitive advantage through process transformation and strategic differentiation; and as a result, can provide many strategic benefits to the firm (Lindner, 2004).

The second differentiating dimension for outsourcing engagement (criticality), according to Sanders et al. (2007) is the importance of the outsourced task or function to the firm. Zacharia et al. (2011) have observed that at the one extreme, out-tasking typically involves assigning responsibility of a more tactical task/function to the 3PL, rather than a strategic function. As such, the task generally has a lower criticality to the organization. At the other end of the spectrum is full outsourcing, which involves outsourcing a strategic function and more critical responsibility (Zacharia et al., 2011). Even though the degree of criticality is positively correlated to the task scope, this is not always the case. The reason being, it is possible to outsource an entire function/process with little critical importance, and to outsource a single highly critical task.

Nemoto and Tezuka (n.d.) observe that contemporary logistics outsourcing arrangements are based on formal contractual relations that are either long term or short term, but not spot purchases of logistics services. 3PLs also assume a more strategic role that involves coordinating activities of the supply chain. Consequently, the contemporary role of the 3PL has shifted from
out-tasking to full outsourcing (Zacharia et al., 2011). It must be acknowledged that information technology (IT) has significantly contributed to this new role of the 3PL. The development of IT has enabled integration of firms, the logistics providers, and their customers. Actually, Sanders and Premus (2005) concur that IT is a critical factor for enabling 3PL performance. It achieves this by automating certain elements of the logistics workload such as order processing, order status inquiries, inventory management, and so on. IT enables 3PL to link members of a supply chain such as manufacturers, distributors, transportation firms and retailers (Nemoto & Tezuka, n.d.). Collaboration has also been made feasible, for example, real-time data transfer and automated communication. Finally, with IT capability, 3PLs have been able to gather critical information on supply chain and coordinate activities to add significant value and improve performance for their clients (Nemoto & Tezuka, n.d.).

2.4.3 Logistics Outsourcing and Firm Competitiveness

The rapid growth of 3PL industry has been enabled by the high demand from companies that require its services in the management of their supply chain networks. 3PL providers have excelled as efficient neutral players that coordinate all the disparate functions and activities within a supply chain network of a company. According to Lambert (2008), logistics outsource help supply chain managers to resolve the tradeoffs between the supply chain drivers. He gives an example of the tradeoff between investment in inventory and the level of premium transportation mode that achieves the appropriate level of customer responsiveness. The issue of tradeoffs within supply chain management is very tricky to most managers and can mean definite success or failure of the systems. Since 3PLs are experts in dealing with these issues, a company is better of contracting them rather than gambling with results (Lambert, 2008). By appropriately resolving tradeoffs within the supply chain network, logistics outsourcing enhances value
Michael Porter has observed that linkages can yield competitive advantage in two ways: optimization and coordination (Porter, 1990). 3PLs use their expertise and resources to coordinate and optimize these linkages within the supply chain networks of their clients in order to achieve competitive advantage (Nemoto & Tezuka, n.d.). If the strategy of a firm is to compete on cost, then the contracted 3PL must deliver according to the service level contract. It achieves this by working with suppliers and other channels to exploit possibilities for all parties to gain through the coordination and joint optimization of their respective value chains thus reduce the final cost of the product (Zacharia et al., 2012). 3PLs therefore will synchronize their activities with the competitive strategies of their clients. As Porter (1990) rightly puts it, a vital ingredient to exploit the linkages among value activities is the use of information and information flows that allow 3PLs to undertake optimization and/or coordination.

According to Coyle et al. (2010), one of the important reasons for employing 3PLs is their ability to provide their clients with expertise and experience that otherwise would be difficult to acquire, or costly to have in-house. The expertise gained by 3PLs from working with other clients allows users to benchmark against other companies and may lead to opportunities to lower costs and improve customer service. The authors believes that a 3PL with national and regional expertise can even provide a customer a local image, albeit, that company may have no local presence in assets and logistics employees (Coyle et al., 2010). The authors add that with 3PLs as their advisors and innovators, companies can gain since the former add value that translates to profits.
Companies lacking sophisticated information systems at the strategic level, according to Rivard and Aubert (2008), might look to outside sources for database management techniques used in forecasting or for handling the information flow loop. Logistics outsourcing enables firms to spend more time to pursue strategic planning and management issues, and focus on their core business competency, rather than logistics. Firms get the opportunity to concentrate their resources in the production of goods and/or services for which they are in business. The other non-core activities that support the core business activity are outsourced to 3PLs that efficiently perform them to bring profitability to the client (Zacharia et al., 2011). EABL, for example, has outsourced its supply role to DHL and remained to brew liquor that forms its core competency (Kenya Morning Note, 2011).

2.4.4 Benefits of Logistics Outsourcing

Logistics outsourcing offers many advantages to firms that use this strategy. First, Coyle et al. (2008) observe that logistics outsourcing enables their clients to reduce capital investment in facilities, equipment, information technology, and manpower. This allows the using firm greater flexibility in adapting to changes in the market and access to leading edge technology. Companies only need to contract for the necessary level of service to meet current demand and when it surges beyond the capability of a company, logistics outsourcing becomes important.

Logistics outsourcing reduce inventory and improves inventory turnover rate by coordinating production and shipping schedules thus resulting in faster transit times, less damage and less paper work (Richardson, 1995). Moreover, Richardson continues that logistics outsourcing enable firms to respond quickly to marketing, manufacturing, and distribution changes and help to improve on-time delivery. The coordination role of 3PLs is very crucial for the realization of
SCM best practices that gives a firm a competitive edge in the industry (Nemoto & Tezuka, n.d.).

Companies employing logistics outsourcing generally agree that it is less costly than carrying out the same functions in-house (Nemoto & Tezuka, n.d.)- Given that the use of an outside multiple service provider (3PL) reduces the needed multiple service contracts for the firm to a single point of contract, coordination costs are also reduced. In a research conducted by Murphy and Poist (1998), contract logistics users cited cutting transportation/distribution costs, focusing on the core business and cutting internal administrative costs as major reasons for using 3PLs. Bradley (1995) adds that other reasons for using 3PLs include consolidating services, improving service to the company, improving customer service and satisfaction, simplifying the logistics process, increasing productivity and reducing number of service suppliers.

**2.4.5 Obstacles to the use of 3PLs**

Among the most common obstacles to the use of 3PL is the perceived loss of control of firm's activities to the former, hence inhibiting discouraging this practice (Nemoto & Tezuka, n.d.; Lambert, 2008). However, in reality companies do not totally relinquish their control since outsourcing does not absolve them of the need to monitor their vendors (Nemoto & Tezuka, n.d.). It is important that the two sides meet frequently to map strategy and resolve problems that may arise. Sometimes the lack of sophisticated information technology linking manufacturer, carrier, warehouse, and customer operations has invariable caused hindrance to contract logistics management. Moreover, losing touch with important information, failure to select or manage providers properly, unreliable promises of 3PLs, their inability to respond to changing requirements, their dearth of understanding of buyer's business goals and difficulty of changing providers have been cited as problems by 3PL users (Bradley, 1995).
Another challenge to the use of 3PLs is the difficulty of obtaining organizational support (Nemoto & Tezuka). The lack of confidence by management in an outside company to deliver service at as high a level as the company employees is a major issue since 3PL may be inadequate in its capability to meet user's requirements. It is therefore imperative for companies planning to outsource their logistics function to address each of these issues carefully so that 3PLs can be a catalyst for improvement. By considering various aspects of the outsourcing process cautiously, companies can expect to achieve greater success with 3PLs.

2.5 Summary of the Literature Review

The evolution of 3PL industry has attracted many scholars and researchers who have dissected its dynamics and operations to this day. It has emerged from the reviewed literature that logistics outsourcing plays a crucial role to a firm's supply chain networks that enables it to have competitive leverage over other players in the industry. The concept of supply chain management has also emerged from the literature as an important aspect of any firm that intends to thrive in the global business. Authors have contended that logistics management is an indispensable function within the SCM network whose handling invariably determines the success of failure of a company's supply chain. Since logistics management is a supportive function towards the execution of an organization's core business activity/competency, researchers agree that outsourcing this function to an outside logistics firm (3PL) enables a company to efficiently manage its supply chains as well as providing great opportunity to concentrate on its core business activity.
2.6 Conceptual Framework

The conceptual framework upon which this study is going to be based is depicted below.

Intervening Variables
- Out-tasking
- Core-managed Services
- Managed Services
- Full-Outsourcing

Independent Variables
- Inventory Management
- Warehousing
- Transportation
- Order Management
- Materials Handling
- Packaging
- Procurement/Purchasing
- Reverse Logistics Management

- The conceptual framework figure above, intervening variables are the ways through which a 3PL provider is outsourced to a client company. Independent variables are the logistics activities i client company. Finally, dependent variables are the benefits that a company gets as a result of outsourcing its logistics activities to a 3PL provider thus constituting competitive advantage.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the researcher outlines the methods that have been employed to achieve the objectives of the study and thereby answer the research questions outlined in Chapter One. This chapter, therefore, discusses the following aspects of research that the study extensively utilized: research design, study population, research instruments, data collection and procedure, and data analysis.

3.2 Research Design

The researcher employed a descriptive survey design that is proper to a study seeking to describe the characteristics of certain groups, estimate the proportion of people with distinct characteristics, and make predictions. According to Creswell (1994), the purpose of a descriptive study is normally to gather information about the present existing conditions without making amends to the actual observation. This study, therefore, aimed at collecting information from the blue chip companies in Kenya. Descriptive survey, according to Best and Kahn (1998) has the ability to produce statistical information about aspects of education that interest policy-makers and researchers.

Orodno (2003) has clarified that descriptive survey research designs are used in preliminary and exploratory studies to enable researchers gather information, summarize, and interpret the data. The purpose of descriptive research according to Mugenda and Mugenda (2003) is to determine and report phenomena and help in establishing the current population under the study. The researcher believed that the chosen design would be able to adequately address the research questions and meet the objectives of the proposed study.
3.3 Population

Coc per and Schindler (2006) define population as the total collection of elements about which one wishes to make some inferences. This study covered blue chip companies in Kenya. The researcher conducted a census of 20 blue chip companies trading at the NSE given that the size is small. Mugenda and Mugenda (2003) noted that the target population should have some observable traits to which the researcher aims at when generalizing the result of the study.

3.4 Data Collection

The researcher used primary and secondary data for the study. Questionnaires in Likert scale format (scale of 1 to 5; where 1 is 'strongly agree' and 5 'strongly disagree') were used to extract information from the respondents. The questionnaires were administered to the respondents who were expected to provide information on the benefits that their organizations derive as a result of outsourcing logistics activities to 3PL providers as well as other necessary information pertinent to the study. One respondent was sampled from each company who was a procurement, logistics, and/or supply chain manager with expert knowledge on the subject matter. This category of respondents was chosen because of its experience and proximity to the companies' strategy-formulating organs and was therefore the best placed to give reliable information consistent with the objectives of the study. Secondary data, on the other hand, were collected from the respective companies' management reports on performance especially with regard to outsourcing to 3PL providers.

3.5 Data Analysis Method

Descriptive analysis was employed in summarizing the collected data. It aided the researcher in linking systematically about aspects in a given situation and offered ideas for further probing ind research. The data was then edited for accuracy, uniformity, completeness, and arranged for
A computer program, Statistical Packages for Social Sciences (SPSS), was used to analyze the data. SPSS enables a researcher to generate frequencies, descriptive statistics, and pie charts. Factor analysis was also used to aid in accurate interpretation of the findings. The hypotheses were tested using Chi Square Test method. The data was presented using statistical measures such as bar graphs, frequency tables, and pie chart presentations.
CHAPTER FOUR: FINDINGS, PRESENTATION AND ANALYSIS

4.1 Introduction

The objective of this study was to determine the role of logistics outsourcing in leveraging operational competitiveness of blue chip companies in Kenya. Out of the sample of a size of 20 respondents, 16 (80%) of them responded to the questionnaire. This was considered adequate for the objectives of the study. In this chapter, therefore, the researcher presents and analyzes data, besides giving relevant interpretations. The findings have been presented in three parts: demographic profile, the extent to which companies use logistics outsourcing engagements; and logistics outsourcing as leveraging competitive advantage. The findings have been presented in tables, graphs, and pie charts.

4.2 Demographic Profile

4.2.1 Position of Respondents

Out of the sixteen respondents, nine were in middle level management position, which comprised about 56% while seven were in senior managerial positions in their companies, which was about 44%. It can therefore be construed that the results that were obtained were true representation of what occurs in the companies. The Figure 4.2 below diagrammatically illustrates the distribution of these positions.
4.2.2 Industry of the Company

Figure 4.2: Respondents' Positions in Companies


Figure 4.3: Sectors of the Economy

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>13%</td>
</tr>
<tr>
<td>Energy &amp; Petroleum</td>
<td>12%</td>
</tr>
<tr>
<td>Construction &amp; Allied</td>
<td>12%</td>
</tr>
<tr>
<td>Banking</td>
<td>19%</td>
</tr>
<tr>
<td>Commercial &amp; Services</td>
<td>19%</td>
</tr>
<tr>
<td>Manufacturing &amp; Allied</td>
<td>19%</td>
</tr>
<tr>
<td>Telecommunication &amp; Technology</td>
<td>6%</td>
</tr>
</tbody>
</table>

Figure 4.3 above shows that companies from the commercial and service sector; the manufacturing and allied sector; and the banking sector had the greatest number of respondents interviewed at 19% (3) each, of the total respondents (16). This was followed by companies from the agricultural sector which was 13% (2) of the total respondents. In both the energy and petroleum sector and the construction and allied sectors, the number of respondents constituted approximately 12% each. Finally only a single company from the agricultural sector responded to the questionnaire, and this constituted 6% of the total respondents.

4.23 Respondents' Level of Education

**Figure 4.4: Percentage in Level of Education**

![Pie chart showing percentages of Level of Education](image)

**Source:** Research Data, 2012.

Figure 4.4 above illustrates the percentage of respondents with the first degree as 87% which is the highest compared to those with master's degrees at 13% of the total respondents.
4.2.4 Years of experience in the Company

Table 4.1: Experience Bracket of Respondents in Years

<table>
<thead>
<tr>
<th>Experience Bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;3</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>4 - 7</td>
<td>5</td>
<td>31</td>
</tr>
<tr>
<td>8 - 11</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>12 - 14</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>&gt;15</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100</td>
</tr>
</tbody>
</table>


From Table 4.1, it is evident that the highest percentage of the respondents fell had work experience with their respective companies spanning between 4 - 7 years of experience. This stood at 31% of the total respondents. This was followed by the experience bracket of less than 3 years and those between 8 - 11 years. The two experience brackets comprised 25% each of the total population. Respondents whose years of experience spanned between 12 - 14 comprised 13% o; and only one respondent had 15 years of experience, hence 6% of the total respondents.

4.2.5 The Period of Listing at the NSE

Table 4.2 below illustrates companies that have been trading at the NSE for less than 10 years comprised 31.5% with the frequency of 5. This was similar to those that have been trading
between 11 - 21 years. This was followed closely by companies that have traded at the NSE for between 33 - 44 years at 25% with a frequency of 4. Lastly, those at 6% with a frequency of 1 have traded at the NSE for between 22 - 32 years; and more than 45 years.

### Table 4.2: Period of trade at the NSE in Years

<table>
<thead>
<tr>
<th>Period Bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10</td>
<td>5</td>
<td>31.5</td>
</tr>
<tr>
<td>11-21</td>
<td>5</td>
<td>31.5</td>
</tr>
<tr>
<td>22 - 32</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>33 - 44</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>&gt;45</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100</td>
</tr>
</tbody>
</table>


#### 4.2.6 Types of Ownership of the Company

Regarding the ownerships of the companies from which the respondents were drawn, it emerged that 50% (8) of the companies had both foreign and domestic ownerships. Similarly, the other 50% (8) were totally owned by the locals, that is, exclusively domestic owned. This depicts the even distribution that defines the ownership of blue-chip companies trading at the NSE. The table 6 below illustrates this even distribution.
4.3 Logistics Outsourcing Engagements

The respondents were asked the extent to which their companies employ various logistics outsourcing engagements. A Likert Scale of 1= Not at All; 2= Out-Tasking; 3= Core-Managed Services; 4= Managed Services; and 5= Full Outsourcing was coded and used to analyze the results with the aid of SPSS as shown in Table 4.3 below.

Table 4.3: Extent of Logistics Outsourcing Engagements by Companies

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The extent at which companies use inventory management</td>
<td>16</td>
<td>1.00</td>
<td>5.00</td>
<td>4.250</td>
<td>1.61245</td>
</tr>
<tr>
<td>The extent at which companies use warehousing</td>
<td>16</td>
<td>3.00</td>
<td>5.00</td>
<td>4.625</td>
<td>.80623</td>
</tr>
<tr>
<td>The extent at which companies use inward transportation</td>
<td>16</td>
<td>5.00</td>
<td>5.00</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>The extent at which companies use outward transportation</td>
<td>16</td>
<td>5.00</td>
<td>5.00</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>The extent at which companies use materials handling</td>
<td>16</td>
<td>3.00</td>
<td>5.00</td>
<td>4.375</td>
<td>.95743</td>
</tr>
<tr>
<td>The extent at which companies use procurement or purchasing</td>
<td>16</td>
<td>1.00</td>
<td>3.00</td>
<td>2.625</td>
<td>.80623</td>
</tr>
<tr>
<td>The extent at which companies use protective packaging</td>
<td>16</td>
<td>1.00</td>
<td>5.00</td>
<td>3.375</td>
<td>1.50000</td>
</tr>
<tr>
<td>The extent at which companies use information maintenance</td>
<td>16</td>
<td>1.00</td>
<td>5.00</td>
<td>3.375</td>
<td>1.50000</td>
</tr>
<tr>
<td>The extent at which companies use order picking</td>
<td>16</td>
<td>1.00</td>
<td>5.00</td>
<td>3.625</td>
<td>1.58640</td>
</tr>
<tr>
<td>The extent at which companies use order processing</td>
<td>16</td>
<td>1.00</td>
<td>5.00</td>
<td>3.375</td>
<td>1.40831</td>
</tr>
<tr>
<td>The extent at which companies use recycling</td>
<td>16</td>
<td>3.00</td>
<td>5.00</td>
<td>4.6875</td>
<td>.70415</td>
</tr>
<tr>
<td>The extent at which companies use returns</td>
<td>16</td>
<td>4.00</td>
<td>5.00</td>
<td>4.9375</td>
<td>.25000</td>
</tr>
<tr>
<td>The extent at which companies use waste disposal</td>
<td>16</td>
<td>5.00</td>
<td>5.00</td>
<td>5.000</td>
<td>.00000</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.3, it is evident that most companies apply logistics outsourcing engagements to manage most of their logistics activities. Activities that were fully outsourced included inward transportation; outward transportation; and waste disposal. All the three activities had a mean score of 5.00 which according to the Likert Scale denoted full logistics outsourcing. This implies that the mentioned activities are only profitable to an organization provided that they are conducted by fully by a 3PL otherwise they may increase the cost of operation that will eventually curtail a company's operational competitiveness.

Some variables from the Table 4.3 such as returns management, recycling, warehousing management, materials handling management, and inventory management scored a mean of between 4.9357 and 4.2500. This means that they most companies employ managed services as a logistics outsourcing to leverage on operational competitiveness. Actually, this finding agrees with Sanders et al. (2007) who noted from their research that the huge responsibility of managing such activities is left to a 3PL that designs, implements, and manages an end-to-end solution for a complete function thus ensuring efficiency and effectiveness of the said activities on behalf of a firm. Eventually, they contended, this provides competitive edge to a firm (Sanders et al., 2007).

A mean score of between 3.6250 and 3.3750 was obtained for the variables, order picking, order processing, information maintenance, and protective packaging. From the scale given, this denotes that companies used core-managed logistics outsourcing engagements to manage these activities. Since this type of outsourcing engagement is involves high participation of both the 3PL and the companies, it can be alluded that logistics activities that are sensitive to the company
fall under this domain. Information maintenance and order processing are fairly sensitive to the operation of a company and hence the analysis of the findings settled on a mean of 3 (Core Managed Services). Lastly, there was a mean score of 2.6250 for procurement or purchasing activity. This according to the scale meant out-tasking logistics outsourcing engagement. Sanders et al. (2007) had found that this type of outsourcing engagement provides standardization of repeatable tasks besides ensuring cost advantage. Perhaps this could be reason behind its choice by companies and, as such, a confirmation for its efficacy when dealing with procurement.

4.4 Factor Analysis

4.4.1 Effects of Logistics Outsourcing on Operational Competitiveness

In order to determine the effect of logistics outsourcing on a company’s operational competitiveness, this study utilized Principal Component Analysis for maximum extraction of variance from the variables under study with the aid of the SPSS. As a prelude to understanding the interpretations of factor analysis some few terms have been explained below.

Eigenvalues: Refer to the measure of the level of variation in the total sample accounted for by each factor loaded. Factors with low eigenvalues have little contribution to the explanation of the variations in the variables under study and are thus dropped in line with Kaiser’s rule which states that any factor with eigenvalues below 1 should be dropped.

Factor loadings: These are correlation coefficients of the variables being studied. Factor loadings that are less than 0.5 are perceived and interpreted as low while those above 0.5 are treated as high.
Rotation: This is the process that makes the outputs easier to understand for better interpretation of the factors.

Communality: This is reliability of the indicator when measured by the degree of variance in a given variable as jointly explained by all the factors.

Although there were fifteen (15) items on how logistics outsourcing leverages operational competitiveness among blue chip companies in Kenya, the use of factor analysis reduced the items to five (5) based on the fact that only factors with eigenvalues ranging from 1 and above had substantive importance. This was a high level summary on how logistics outsourcing leverages operational competitiveness of companies was further taken through principal component analysis and varimax rotation, and the interpretation made. Table 4.4 below shows linear components (factors) before extraction and after extraction.
Table 4.4: Factor Loading for the Effect of Logistics Outsourcing on Operational Competitiveness

<table>
<thead>
<tr>
<th>Component</th>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total % of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1</td>
<td>6.651</td>
<td>44.337</td>
<td>44.337</td>
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</tr>
<tr>
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<td>2.075</td>
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<td>90.394</td>
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<td>1.234</td>
<td>8.227</td>
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<td>8.227</td>
<td>98.621</td>
</tr>
<tr>
<td>6</td>
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<td>1.379</td>
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<td>1.379</td>
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</tr>
<tr>
<td>7</td>
<td>1.53E-15</td>
<td>1.023E-14</td>
<td>100.000</td>
<td>1.53E-15</td>
<td>1.023E-14</td>
<td>100.000</td>
</tr>
<tr>
<td>8</td>
<td>3.83E-16</td>
<td>2.557E-15</td>
<td>100.000</td>
<td>3.83E-16</td>
<td>2.557E-15</td>
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<tr>
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<td>6.221E-16</td>
<td>100.000</td>
<td>9.33E-17</td>
<td>6.221E-16</td>
<td>100.000</td>
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<td>10</td>
<td>6.66E-17</td>
<td>4.444E-16</td>
<td>100.000</td>
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<td>4.444E-16</td>
<td>100.000</td>
</tr>
<tr>
<td>11</td>
<td>5.08E-17</td>
<td>3.388E-16</td>
<td>100.000</td>
<td>5.08E-17</td>
<td>3.388E-16</td>
<td>100.000</td>
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<tr>
<td>12</td>
<td>1.42E-17</td>
<td>9.475E-17</td>
<td>100.000</td>
<td>1.42E-17</td>
<td>9.475E-17</td>
<td>100.000</td>
</tr>
<tr>
<td>13</td>
<td>-1.54E-32</td>
<td>-1.024E-31</td>
<td>100.000</td>
<td>-1.54E-32</td>
<td>-1.024E-31</td>
<td>100.000</td>
</tr>
<tr>
<td>14</td>
<td>-2.35E-16</td>
<td>-1.567E-15</td>
<td>100.000</td>
<td>-2.35E-16</td>
<td>-1.567E-15</td>
<td>100.000</td>
</tr>
<tr>
<td>15</td>
<td>-1.15E-15</td>
<td>-7.656E-15</td>
<td>100.000</td>
<td>-1.15E-15</td>
<td>-7.656E-15</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.


Table 4.4 clearly indicates all the eigenvalues associated with each linear factor before and after extraction. The reduction in the number of factors from 15 to 5 shows that there were only five factors with eigenvalues greater than or equal to 1. The percentage variation is displayed in the third column after column 1 and 2 for the component and total respectively. Factor 1 accounted for 44.337% but after extraction it accounts for 40.450%. This is followed by factors 2, 3, 4, and 5.

4.4.2 Relationship between Logistics Outsourcing and Operational Competitiveness

Table 4.5 below shows rotated component (factors) matrix before extraction and after extraction and their partial correlations as analyzed through varimax method.
Logistics outsourcing helps supply chain managers to resolve tradeoffs between supply chain drivers.

Logistics outsourcing helps coordinate to optimize linkages within supply chain networks.

Logistics outsourcing provides expertise in logistics activities that a company lacks.

Logistics outsourcing provides effective information support systems that the company may lack at strategic level.

Logistics outsourcing enables a company to reduce capital investment in facilities, equipment and manpower.

Logistics outsourcing reduces inventory and improves inventory turn-over by coordinating production and shipping schedules.

Logistics outsourcing improves customer service.

Logistics outsourcing increases the company's productivity.

Logistics outsourcing provides high quality of logistics activities outsourced.

Logistics outsourcing enhances the speed of movement of materials and finished products within the supply chain as per the customer order.

Logistics outsourcing enables visibility within the supply.

Logistics outsourcing ensures proper handling of returns to the satisfaction of all stakeholders.

Logistics outsourcing ensures quick delivery of goods to retailers and/or end-user customers.

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization,
a. Rotation converged in 13 iterations.
Table 4.5 above indicates that the five significant variables with highest eigenvalues included the following: helping supply chain managers to resolve the tradeoffs between supply chain drivers; coordination towards optimizing linkages within the supply chain networks; provision of expertise in logistics activities that the company may lack; provision of effective information support systems that the company may lack at strategic level; and enabling the company to reduce capital investment in facilities, equipment and manpower. This meant that only the reduced variables aforementioned did influence operational competitiveness.

Moreover, from the above table, most of the questions (6) load highly in factor 1, two questions load highly in factors 2 and 5, three questions load highly in factors 3, and one question load highly in factor 4. Each number in the factors represents the partial correlation between the item and the rotated factor consequently forming a five-factor model illustrated by the above table.

### 4.4.3 Summary of Factor Analysis and Interpretation

Table 4.6 below shows the summary of the five-factor analysis as well as their interpretation.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Variables</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coordinating and optimizing linkages within the supply chain network</td>
<td>Enhancing</td>
</tr>
<tr>
<td>L</td>
<td>Provision of expertise in logistics activities that a company lacks</td>
<td>productivity</td>
</tr>
<tr>
<td></td>
<td>Provision of effective information support systems that a company may lack</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improving customer service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increasing the company's productivity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintaining</td>
</tr>
<tr>
<td></td>
<td>Provision of high quality of logistics activities outsourced</td>
<td>Networks efficiency</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>3</td>
<td>Help supply chain managers to resolve tradeoffs between supply chain drivers</td>
<td>Good management technique</td>
</tr>
<tr>
<td></td>
<td>Provision of effective information support systems that a company may lack</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Enhancing the speed of inventory movement within the SC</td>
<td>Meeting leadtimes</td>
</tr>
<tr>
<td>5</td>
<td>Enabling the company to reduce capital investment in facilities, equipment manpower</td>
<td>Reduction of production cost</td>
</tr>
</tbody>
</table>
4.5 Chi Square Test

Table 4.7 below shows the outcome of the analysis of Chi Square Test carried out to test the validity of hypotheses in chapter one.

<table>
<thead>
<tr>
<th>Test Statistics for HO</th>
<th>Logistics outsourcing does not enable a company to leverage its operational competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics outsourcing helps supply chain managers to resolve tradeoffs between supply chain activities that may lack at strategic level</td>
<td>Logistics outsourcing provides expertise in logistics, facilities, equipment and manpower</td>
</tr>
<tr>
<td>Logistics outsourcing helps supply chain network to optimize efficiency and reduce capital investment</td>
<td>Logistics outsourcing provides effective information support</td>
</tr>
<tr>
<td>Chi-Square (df)</td>
<td>9,000 (1)</td>
</tr>
<tr>
<td>Degrees of Freedom (df)</td>
<td>9,000 (1)</td>
</tr>
<tr>
<td>Asymptotic Significance (Asymp. Sig.)</td>
<td>.003</td>
</tr>
</tbody>
</table>

Note:
- a 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.0.
- b 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 5.3.
- c 4 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 4.0.
- d 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.5.
- e 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.0.
For Chi Square Test and any other tests in inferential statistics, Asymp. Sig. values need to be less than 0.05 in order to be significant. From Table 4.7 above in which the validity of null hypothesis is tested, it is evident that eight out of fifteen variables have scored Asymp. values that are less than 0.05; whereas the remaining seven variables have values more than 0.05. For instance, helping supply chain managers resolve the tradeoffs between supply chain drivers scored an Asymp. value of 0.03. In this category, customer service scored the lowest value of 0.01; whereas increasing a company’s productivity scored the highest of 0.33 in this category. On the other hand, seven variables had Asymp. Sig. values greater than 0.05. Helping consolidate services related to supply chain and providing high quality of logistical activities outsourced each scored an Asymp. of 1.00. The lowest value under this domain was 0.099 which was scored by proper handling of returns to the satisfaction of all stakeholders.

Asymp. values that were lower than 0.05 were found to be of significance to the analysis and since they were more (8 in number) than those whose values were greater than 0.05 (7 in number), the test confirmed the validity of the null hypothesis ($H_0$). However, the seven variables whose Asymp. values exceeded 0.05 have some weight in that they tend to lean towards alternative hypothesis ($H_A$) since their significance to the $H_0$ is rejected. In a nutshell, therefore, it suffices to say that most companies surveyed do not equate logistics outsourcing with their operational competitiveness but rather with other hidden benefits. Other companies, nevertheless, consider logistics outsourcing as leveraging on their operational competitiveness.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this chapter, the researcher focuses on three key areas, the summary of the important elements of the study; the major conclusions drawn and finally, the recommendation for improvement and for further studies. The study was a descriptive survey whose objective was to determine the role of logistics outsourcing in leveraging operational competitiveness of blue chip companies in Kenya.

5.2 Summary of Findings
From the onset, the study endeavored to underscore the crucial role played by logistics as a process within the supply chain network. Its indispensability within the network has become so pronounced that logistics has earned a descriptive noun of a lifeline of supply chain system. The study is in agreement with other scholars such as Zacharia et al. (2007) and Lysons & Farrington (2006) that effective logistics management influences the overall output of supply chain management. However, since most companies have not singled out logistics management as their core business function, the study discovered (supported by the reviewed literature) that the process is too involving in terms of expertise and capital for it to be efficacious. Managing the process, therefore, would ultimately rob the organization of its time and other resources that would otherwise be concentrated on its core business activities to compete evenly within its industry. Logistics outsourcing run by 3PLs firms, consequently, came in handy to solve this problem since logistics management became a core business activity for the said firms. Eventually, companies became free from managing logistics activities and embarked on their core business functions.
The research conducted among blue chip companies in Kenya has revealed that logistics outsourcing is a practice that most of these companies employ in order to ensure the smooth running of their supply chain systems. The study has discovered that the degree of employing various logistics outsourcing activities varies from firm to firm and the sensitivity and scope of the activity. For example, the study obtained a mean score of between 3.6250 and 3.3750 for the variables, order picking, order processing, information maintenance, and protective packaging. The scale given of 1 to 5, 3 denoted the use core-managed logistics outsourcing engagements to manage these activities. Given that this type of outsourcing engagement involved high participation of both the 3PL and the companies, it was alluded that logistics activities that were sensitive to the company fell under it. Similarly, there was a mean score of 2.6250 for procurement or purchasing activity, which according to the scale meant out-tasking logistics outsourcing engagement. Sanders *et al.* (2007) had argued that this type of outsourcing engagement provides standardization of repeatable tasks apart from ensuring cost advantage, hence validating the finding.

With regard to the relationship between logistics outsourcing and operational competitiveness of companies surveyed, the study found, with the aid of SPSS enabled factor analysis, that there was a strong correlation between outsourcing logistics functions and a company's operational competitiveness. Having had an extraction from 15 variables to 5 considering only those with Eigenvalues that are more than or equal to 1 (given their substantive importance), the variables (actor loading) were then rotated using rotated component matrix for easy understanding. Factor loadings which were less than 0.5 from the matrix were dropped since they were considered low...
correlation coefficients; whereas those with more than 0.5 were retained and considered high
correlation coefficients. The reduced variables with >0.5 were considered to have a positive
influence on operational competitiveness. A summary of factor analysis was further tabulated to
demonstrate that the variables with 0.5 facilitated enhanced productivity, maintenance of
network efficiency and good management techniques. This finding, as a matter of factor was
supported by many researchers whose works were reviewed in the literature and contended that
logistics outsourcing yields operational competitiveness to a company (Zacharia et al., 2007;
Hoferef al., 2009; Mahnke et al., 2005; and Eisenhardt & Martin, 2000).

Lastly, the Chi Square Test conducted by the researcher on the aforementioned hypotheses
confirmed the validity of the null hypothesis (H₀) which held that logistics outsourcing does not
enable a company to leverage its operational competitiveness. Asymp. Sig. values that were
found to be lower than 0.05 were of significance to the analysis and since they were more (8 in
number) than those whose values were greater than 0.05 (7 in number), the test confirmed the
validity of the null hypothesis (H₀). However, the seven variables whose Asymp. Sig. values
exceeded 0.05 had some weight in that they tended to lean towards alternative hypothesis (H₁)
since their significance to the Ho was rejected. It therefore sufficed to say that most companies
surveyed do not equate logistics outsourcing with their operational competitiveness but rather
with other hidden benefits. Other companies, nevertheless, considered logistics outsourcing as
leveraging on their operational competitiveness.
5.3 Conclusion

Based on the results from data analysis and findings of the research, the following conclusions were made with regard to the objectives of this study. Firstly, it was found that the outsourcing logistics activities is important to an organization because it lends it time to concentrate on its key business activities and endeavor to outsmart its competitors. Having contracted a 3PL to conduct these activities, a company is further assured of the quality of service that would result from such a move that would be ascribed to its supply chain system.

The second conclusion regards the large number of companies that have embraced logistics outsourcing as a means to efficiently managing their logistics activities. The study revealed that all the blue chip companies surveyed employ logistics outsourcing engagements at different scales. Even though each logistics activity is outsourced at a different level form one company to another, the bottom-line is that outsourcing has proved productive for companies and therefore a company cannot afford to embrace it. Indeed, outsourcing is a wise managerial decision that supply chain managers make to run this complicated network for through it managers are able to engage in tradeoffs that may eventually benefit the system. Moreover, outsourcing enables a company to benefit from the expertise of outsourcing firms, besides cutting on costs.

The third conclusive remark entails the numerous benefits that accrue as a result of using logistics outsourcing engagements. Companies may not directly benefit in terms of gaining an edge on operational competitiveness, as shown by the results of Chi Square Test, but nonetheless benefit in other areas such as enhanced productivity of the supply chain network; good management techniques; maintenance of supply chain network; and reduction in cost of production.
5.4 Recommendations

From the findings of the study, the following recommendations suffice. Companies in all industries should strive to embrace logistics outsourcing while managing their supply chain systems due to its efficacy. The benefits that come with employing this process have the potential to turn around business that are detouring from their core business activities and make them focused.

Secondly, blue chip companies should identify the best suitable logistics outsourcing engagement that will eventually yield operational excellence and perhaps catapult them to the heights of their industries. In fact, any company that intends to be in the prestigious list of blue chip companies at the NSE should make logistics outsourcing a policy of its supply chain management.

Finally, supply chain managers should identify the tradeoffs within logistics outsourcing process and attempt to choose the best that would efficiently produce the desired output at affordable cost. In other words, not all logistics activities can be outsourced with the same degree of engagement; for wisdom and experience are required to know which activity is outsourced with what level of engagement to 3PL and its overall implication to the supply chain system were it not have been outsourced.

5.5 Limitations of the Study

This study had a number of limitations. To begin with, most target respondents were from senior management positions and reaching them to fill out the questionnaires was difficult; others denied not to have enough time to do the task. Actually, the researcher could not get the response from four companies due to the bureaucracy and seniority of the target respondents. It
was also realized that some of the responses might have had a level of bias to conceal the real
situation in some companies.

5.6 Suggestions for Further Research

The study was limited to blue chip companies in Kenya. Further research could be conducted in
other companies that, even though trade at the NSE, are not considered blue chips.

The study was also limited to operational competitiveness. Other researches could therefore be
conducted on other facets of competition.

The study was a survey of blue chip companies and therefore, it could be appropriate to conduct
a case study of specific company.
REFERENCES


Poverty Patterns in Kenya: Emerging Issues and Policy Directions,


APPENDIX I: INTRODUCTION LETTER

Dear Respondent,

I am a post-graduate student at the University of Nairobi of registration number D61/63094/2010, currently studying for Master of Business Administration degree, specializing in Procurement and Supply Chain Management. In the second and final part of the program, I am conducting a research to establish the role of logistics outsourcing in leveraging competitive advantage among blue chip companies in Kenya.

You have therefore been selected to be the respondent whose view I seek on the above mentioned matter. The information you give will be treated with utmost confidentiality and at no instance will your name be mentioned in this research. Your assistance will be highly appreciated, and a copy of this study will be made available upon your request.

Thanks in advance.

Yours sincerely,

Achola V. Odhiambo  
Student

Michael Chirchir  
University Supervisor
APPENDIX II: QUESTIONNAIRE

SECTION A

1. Name of your company

2. Industry of the company

3. Position of the respondent in the company

4. What is your highest level of education?
   - High School [ ]
   - Diploma [ ]
   - First Degree [ ]
   - Master's Degree [ ]
   - Other [ ] (Indicate).

5. How many years have you worked with the company?

6. For how long has the company been listed as blue chip at the Nairobi Securities Exchange (NSE)?

7. What is the current valuation of the company's shares at the NSE?

8. What is the type of ownership of the company?
Please, indicate by ticking in the appropriate space in the table below the extent to which your company uses the following logistics outsourcing engagements.

<table>
<thead>
<tr>
<th>No</th>
<th>Logistics Activities</th>
<th>Not at all</th>
<th>Out-Tasking</th>
<th>Core-Managed Services</th>
<th>Managed Services</th>
<th>Full Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inventory Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Warehousing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Inward Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Outward Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Materials Handling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Procurement or Purchasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Protective Packaging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Information maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Order Picking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Order Processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Recycling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Returns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Waste Disposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C
Please, indicate by ticking in the appropriate space in the table below, how logistics outsourcing help you to leverage operational competitiveness.

<table>
<thead>
<tr>
<th>No</th>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Helping supply chain managers to resolve the tradeoffs between supply chain drivers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>Coordinating to optimize linkages within the supply chain networks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>Providing expertise in logistics activities that the company lacks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>Providing effective information support systems that the company may lack at strategic level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q5</td>
<td>Enabling the company to reduce capital investment in facilities, equipment and manpower</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q6</td>
<td>Reducing inventory and improving inventory turn-over by coordinating production and shipping schedules</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q7</td>
<td>Helping to consolidate services related to supply chain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q8</td>
<td>Improving customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q9</td>
<td>Increasing the company's productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q10</td>
<td>Helping to reduce the number of service suppliers of a company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q11</td>
<td>Providing high quality of logistics activities outsourced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q12</td>
<td>Enhancing the speed of movement of materials and finished products within the supply chain as per the customer order</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q13</td>
<td>Enabling visibility within the supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chain</td>
<td>Q14</td>
<td>Q15</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>-------</td>
<td>-----</td>
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</tr>
<tr>
<td>Ensuring proper handling of returns to the satisfaction of all stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensuring quick delivery of goods to retailers and/or end-user customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other benefits (please indicate)
## APPENDIX III: LIST OF BLUE CHIP COMPANIES

<table>
<thead>
<tr>
<th>No.</th>
<th>Names of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Athi River Mining</td>
</tr>
<tr>
<td>2</td>
<td>Bamburi Cement Company</td>
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<td>3</td>
<td>Barclays Bank of Kenya</td>
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<td>4</td>
<td>British American Tobacco</td>
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<tr>
<td>5</td>
<td>Centum Investment Company</td>
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<tr>
<td>6</td>
<td>East African Breweries Limited</td>
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<tr>
<td>7</td>
<td>East African Cables</td>
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<tr>
<td>8</td>
<td>Equity Bank</td>
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<td>KenGen</td>
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<td>Kenya Power &amp; Lighting Company</td>
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<td>Mumias Sugar</td>
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<td>Nation Media Group</td>
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<td>Rea Vipingo</td>
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<tr>
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<td>Safaricom Limited</td>
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<td>18</td>
<td>Sasini Tea</td>
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<td>Standard Chartered Bank (K) Limited</td>
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<td>20</td>
<td>Uchumi Supermarket</td>
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