

CHRISTIAN SERVICE UNIVERSITY COLLEGE



DEPARTMENT OF MARKETING, LOGISTICS AND CORPORATE STRATEGY

THE OUTSOURCING OF TRANSPORTATION ACTIVITIES IN THE LOGISTICS

DEPARTMENT OF PETROLEUM COMPANY.

A CASE STUDY OF GHANA OIL COMPANY LIMITED (GOIL)

(KAASE)

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We hereby declare that this project report is the result of our own original research and that no part of it has been presented for another degree in this University or elsewhere.

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## **ABSTRACT**

The research study is principally focused on Ghana Oil Company Limited on the outsourcing of transportation function to a service provider for the purpose of ensuring effective and efficient distribution channel. The rationale behind the outsourcing activities is to cut down cost and enjoy first class service from specialist using the most suitable, quick and reliable technology. The objectives of the study are to identify the rationale(s) behind the outsourcing decision of the outsourcing company and to identify the benefits and challenges associated with the outsourcing the transportation function by the outsourcing company. The target population for the study was 150 employees which include functional managers of GOIL in Kumasi in respect to their nature and attributes. The study was based on sample size of fifty (50) employees of GOIL in Kumasi. The method employed in the collection of data was through the use of questionnaires and interviews. It was discovered that outsourcing logistics activities which is a contractual service has become relatively stable in developed countries while it is a rapidly growing and emerging in developing countries like Ghana. It was found that although companies are reluctant considering outsourcing some of its operations, the most obvious reason behind outsourcing logistics activities was to provide very effective means of reducing costs, better services, improving operating efficiency, flexibility and getting access to new suitable technologies easily at a lower cost. Outsourcing, therefore, has increasingly becomes an important strategy that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness. However, there are risks of becoming over dependent on service providers. Although outsourcing comes with some challenges and difficulties, the findings of the study were backed by recommendations which would aid the company in its operations.

## **LIST OF ABBREVIATIONS**

3PL..... Third Party Logistics

GOIL..... Ghana Oil Company Limited

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

The intensified competition in the emerging global economy has caused manufacturing and retailing industries to outsource their logistics functions to third party companies. Outsourcing logistic activities is an arrangement whereby a firm asked another firm (logistic service provider also known as Third Party Logistic Company) to perform its non-core activities such as packaging, transportation, shipping, warehousing, distribution, inventory keeping, research and information service. Because of the globalization of outsourcing, distribution companies in recent years have been adopting the logistics management approach to guide their business operations. The adoption of logistics concepts has increasingly enabled many companies to focus on their core business and outsource their transport and other logistics activities. The outsourcing of logistics activities to third parties has gradually become an alternative to vertical integrated firm.

A growth in the number of outsourcing partnerships has contributed to the development of more flexible organizations, based on core competences and mutually beneficial longer-term relationships (Rabinovic, 1999). In recent years outsourcing of logistics function has witnessed a high level of global interest. Outsourcing has increasingly become an important strategy that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness. It is therefore, a fast growing aspect of the world economy (Quinn and Hilmar, 1994).

GOIL was incorporated as a private limited liability company on June 14, 1960 as AGIP. Ghana Company limited with the objective of marketing petroleum products and related

products particularly fuels, liquefied petroleum gas (LPG), lubricants and related products in Ghana. Over the years, GOIL has been using its own transportation in distributing their product to customers without considering the possibility of outsourcing their function.

Logistics has been an important part of every economy and every business entity. Average logistics cost 12% of the Growth Domestic Productivity (GDP). The worldwide trend in globalization has led many companies to outsource their logistics activities to Third Party Logistics companies and focus on their core competence. In the annual report of the council of logistics Management's (CLM) 2003 of which 400 representatives from North America, Western Europe and Asia Pacific were interviewed by Cap Gemini Ernest and Young US LLC, Georgia Tech and FedEx, it was concluded that outsourcing logistics remains a growing business globally. Another survey concluded by Lied and Bentz. (2004), reveals that 83% of manufacturing used the third party logistic services.

Driven by globalization and rapid advancement in information technology, organization strives to improve competitiveness and responsiveness to customers and market demands. The extent of usage of Third party logistics activities depend on a number of factors or business process, such as geographical coverage, nature of length of contract, percentage of total logistics budget allocated to Third party logistics companies and the level of commitment.

Formally most organizations were undertaking all functions by themselves. That is each organization has a separate department for outsourcing, finance, marketing and productions. Today these organizations are looking to Third party logistics companies to help them in areas where they are not able to generate world – class quality. Total quality management

demands that organizations compare each function against the best in the world (Lambert, 1999).

### **1.2 Statement of the Problem**

Many organization are competing in an increasingly difficult market, many are indeed seeking to outsource their logistics activities (Transportation) to the third party logistics provider. Although there are good reasons to outsource, a number of potential obstacles and problems associated with outsourcing are also recognized which includes hidden cost, internal loss of employment and loss of confidentiality. It is for this reason the research was aimed at determining the current situation of outsourcing logistics activities in an organization

### **1.3 Objectives of the study**

To ascertain the numerous benefits of outsourcing the transportation function of Ghana Oil Company Limited. The general purpose of the studies is to investigate how decisions are made regarding outsourcing the transportation function in most effective and efficient way.

#### **The specific objectives are:**

- To identify the rationale (s) behind the outsourcing decision of the outsourcing company.
- To identify the benefits of outsourcing the transportation function and their impact on the outsourcing company.
- To identify the challenges associated with outsourcing the transportation function by outsourcing company.

#### **1.4 Research Questions**

The research questions that formed the bases of the study included the following:

- What are the rationale(s) behind the outsourcing decision of the outsourcing company?
- What are the benefits of outsourcing the transportation function and their impact on the outsourcing company?
- What are the challenges associated with outsourcing the transportation function by outsourcing company?

#### **1.5 Justification of the study**

The research is to enable the researcher to know the numerous benefits and rational associated with outsourcing the transportation function. To know the effectiveness of outsourcing and to enable the organizations (GOIL) satisfy its customers through the distribution network. It is worth conducting a research into the subject matter for effective understanding of the parameters which called for an outsourcing decision to be made by a company. If the rationales behind outsourcing decision making are perfectly understood it will help most oil companies in Ghana to make quality decision and improve upon their services deliveries. The academia can also use it as a reference material for subsequent research work.

The research work will be conducted at the Ghana Oil Company Limited (GOIL).

#### **1.6 Limitation of the study**

Certain limitations were encountered in course of the work. Notable among them were: difficulties in assessing information, apathy on the part of some respondents which were not encouraging, respondents who felt reluctant to respond to the questions which were prepared for the survey.

#### **1.7 Scope of the Research**

The research was limited to Ghana Oil Company Limited (KAASE DEPOT) and covers the period of February 2014 to June 2015

## **1.8 Organization of the study**

The study would be organized into five main chapters, which are summarized below:

The first chapter would focus on the introduction of the study and gives a background of the study, problem statement, purpose of the study, research question, justification of the study, scope and background of GOIL.

The second chapter deals with the literature review related to the topic. It involves the definition of outsourcing and the theoretical exposition on outsourcing. The empirical review covers, the rationale for Outsourcing, Advantages and Disadvantage of Outsourcing Logistics Activities, Criteria for Selecting Third Party Logistics Service Provider and Criteria for Outsourcing Logistics Activities.

Chapter three comprises of the methodology of the study, concept of the study and conceptual model, which explore the relationship between GOIL and their 3PL companies.

Chapter four comprises of the analysis and discussion of findings of the data.

The last chapter, chapter five involves the summary of findings, conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

The purpose of the study is to ascertain the numerous benefits and challenges of outsourcing the transportation function of Ghana Oil Company Limited. This chapter reviews some of the related literature that has been written by some eminent authors. The purpose is to know the relevance of outsourcing transportation as a distribution channel.

#### **2.1 General overview of Outsourcing**

Outsourcing is the subcontracting of a company non-core function such as product design of manufacturing company to a third-party company. It is the activity that involved mainly two parties. The clients company who outsource logistics activities and the outsourcing service provider who performed the outsource activities. The decision to outsource is often made in the interest of lowering a firms cost and conserving energy directed towards the core functions of the firm, in order to make more efficient use of labor, capital, technology and resources

(Vallespir et al., 2001, Quinn et al., 1994).

Since the early 1990s, the worldwide practices of outsourcing logistic activities have been increasing, resulting in an annual 10% increase (Sohail et al.; 2003). According to “Cap Gemini Ernst & Young” survey (2002), the rates of resorting to logistic suppliers have reached

94% in Europe, 78% in North America and 92% in Pacific Asia.

According to Harrison et al. (2002), the importance of outsourcing becomes particularly evident when companies look critically at their internal structure and resources. Harrison et al stated that Outsourcing provides companies with greater capacity for flexibility especially in the purchase of rapidly developing new technologies. By outsourcing logistics activities, firms can save on capital investment, and thus reduce financial risks. Investment on logistics

assets, such as physical distribution centres or information networks, usually needs large lump sum of money, which involved high financial risk.

According to Sink et al (1997) Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and further growth. Many companies turned to outsource logistics activities as a way of restructuring their distribution networks and gain competitive advantage

According to Babu (2005), outsourcing provides certain power that is not available within an organization's internal departments. This power may have many dimensions such as; economic of scale, process expertise, access to capital and access to expensive technology.

## **2.2 Brief Description of Logistics**

According to Council of Supply Chain Professionals formally known as Council of Logistics Management (2003), logistic, is the process of planning, implementing, controlling the efficient and effective flow, storage of goods, services and related information from the point of origin for the purpose of conforming to customer's requirements.

It is also defined as part of supply chain that plans implements, controls the efficient and effective forward and reverses flow, storage of goods, services and related information between the points of origin and the point of consumption in order to meet customer's requirement (Vitasek, 2007).

Scott and Westbrook (1991), described supply chain management as a chain linking each element of the manufacturing and supply process from raw materials through to the end user, encompassing several organizational boundaries and treating all organizations within the value chain as a unified virtual business entity.

Panayides et al. (2007) emphasized that, logistics is a functional system which is crucial for improving efficiency, both in the flow of goods and information and to meet low-cost, fast,

and reliable delivery objectives within a company and throughout a network of companies. Logistics significantly contributes to company's competitive advantage in both efficiency and effectiveness. Logistics activities and processes are fundamental elements that a company's supply chain capabilities and competences are based upon. The close relationship between logistics and customer service, and its effect on a firm's competitiveness dictate that companies handle their logistics function prudently so as to achieve its full potential as a source of competitive advantage.

### **2.3 Outsourcing Logistics Activities**

Outsourcing logistics activities involved the use of third-party logistics providers for all or part of organizations logistics operations. The phenomenon describes an activity carried out by a logistic service provider for its clients (Vallespir et al., 2001).

According to Lambert et al. (1999), outsourcing logistics activities has increasingly become an effective way to reduce costs and spread risks for traditional vertically integrated firms.

Some of the potential economics advantage of outsourcing logistics activities according to Persson et al. (2001), are the elimination of infrastructure investments, access to world class process, products services, technology, improved ability to react quickly to changes in business environments, risk sharing, better cash flow, reducing operation costs, exchanging fixed costs with variable costs, access to resources not available in the organization.

The main reason why firms outsource their logistics activities to third-party logistics providers is to reduce costs (Mercer Management Consulting, 2002). Today, third-party logistics is a key component of logistics management strategy in many industries (Gooley, 2002).

According to Goldsmith (1989), public warehousing is the oldest form of outsourcing in logistics. Later, Richardson (1992), added marketing, packaging, transportation, distribution, import and export to this list. This is justifiable since third parties do have some role in

determining where goods are stored, how they are packaged for shipment, and in choosing the best mode for transporting them to the customer (Hill, 1994). Since the third-party providers are also increasingly being utilized for value-added activities such as assembly and quality control (Fawcett et al., 1993), the list is however expanding. Some companies sell software and consulting services that help their customers develop their own efficient transportation networks. Others handle chores such as paying bills and tracking costs of transportation for their customers. Many third-party logistics companies have been found to offer services such as logistics information systems, shipment consolidation, warehouse management/operation, carrier selection, rate negotiations, fleet management/operations, product returns, order fulfilment, customer spare parts, vendor selection and purchasing (Lieb et al., 1996).

Muller (1993), appears to be the first to propose two basic types of logistics outsourcing service providers, i.e., operations-based and information-based third-party logistics vendors. Later, he himself modified this classification scheme by suggesting the following four types of vendors:

- *Asset-based vendors.* Companies which offer dedicated physical logistics services primarily through the use of their own assets, typically a truck fleet or group of warehouses or both.
- *Management-based vendors.* Involved in offering logistics management services through systems databases and consulting services, often acting as a subcontracted traffic department, either for part, or all, of a client's business segments. These firms do not own transportation or warehouse assets.

- *Integrated vendors.* These companies own assets, typically trucks, warehouses or a combination of both. They are not, however, limited to using those assets, and will contract with other vendors on an as-needed basis.
- *Administration-based vendors.* Firms which mainly provide administrative management services such as freight payment.

Minahan (1995) stated that, it should be noted that no one category of the logistics vendors is inherently superior to another. Buyers should have knowledge about the various providers and make a selection based on their own goals and needs. It has been advocated that instead of focusing on the service providers' assets, firms should consider their skills, and see how those skills compliment what the firms have in-house (Sink et al., 1997).

#### **2.4 Advantages of Outsourcing Logistics Activities**

According to Lieb et al. (2004), across many industries, outsourcing logistics activities has become a rapidly expanding source of competitive advantage and logistics cost saving. He reported that some firms routinely have achieved 30 – 40 % reduction in logistics costs and have been able to greatly streamlined global logistics processes as a consequence of outsourcing. Logistics significantly contributes to company's competitive advantage. The most obvious reason behind outsourcing logistics activities is to provide very effective means of reducing costs by contracting with a third-party who can provide better services and high quality at a lower cost. By reducing costs through outsourcing, you gain the ability to improve operating efficiency, increase return on assets, and improve profitability. Panayides et al, (2005) stated that Outsourcing is also an effective means of generating new revenues. A firm which outsource can contract with a third-party to provide products and services which it cannot offer on a profitable basis . This form of outsourcing enables a client firm to test market demand for a services or product if it is less risky , more cost-effectively way than creating the service internally with scarce resources (Panayides et al., 2005).

Outsourcing can also occur in the form of collaboration or alliance with two or more like parties in the same business line to offer complementary products or services. These hybrid situations enable the two organizations supporting the same market to share resources and increase revenue through synergistic relationships. It is also discovered that outsourcing companies would gain more from a well-managed relationship with their third-party providers than what they could have gained from pure price competition. Such relationships also brought benefits to outsourcing companies' customers (Knemeyer et al., 2003; Panayides et al., 2005).

## **2.5 Disadvantages of Outsourcing Logistics Activities**

According to Piachaud (2002) there are a number of risks in outsourcing, which may create perceived disadvantages. However, these disadvantages are mostly of a psychological nature and if managed effectively, do not lead to financial losses. For example, parting with a third-party introduces a host of new outlooks, personalities, and demands that can produce new problems. These challenges include a more complicated level of communication and insecurity in the workforce.

Earl (1996) stated that monitoring outsourcing logistics activities is often a difficult and complex task. In order to ensure that the business carried out by the third-party logistics providers meets the standards, resources such as money, time and expertise are needed to establish an effective monitoring system. Once outsourcing logistics activities have been initiated, managing the outsourced activity is also difficult. If the third-party logistics providers choose to change the way they provide the outsourced activities, the firm must also learn to adjust to the new system. If the third-party logistics provider changes its personnel or organization, the firm has to invest in establishing new partnerships and understand how things are operated in the new environment (Earl, 1996).

## **2.6 Criteria for selecting 3PL provider**

The 3PL selection is a multi-criteria problem and hence a complex process because it involves various criteria such as price, quality, delivery, competencies, operational flexibility, investment etc. Some criteria are developed with specific client needs while others are common for all circumstances. A study conducted by McGinnis et al.(1995) and Menonet al. (1998), depicts that both the firm's competitiveness strategy and external environmental affect the selection criteria. They also show that there are eight important criteria which are: on time shipment and deliveries, superior error rates, financial stability, creative management, ability to deliver as promised, availability of top management, responsiveness to unforeseen occurrences and performance quality requirements before price.

In 2003, the International Warehouse Logistics Association (<http://www.iwla.com>) that Comprises more than 550 logistics companies of North America conducted an exploratory Study with several 3PL customers. Their study showed a major change in the selection Criteria's rankings. The top determinants in selecting of a 3PL were service quality, reliability and on-time performance. In 2003, the price became the most important selection criterion while it was ranked eleventh in 1994. This change is mainly due to the increase of quality and the number of services offered by the 3PL. Although the cost of these services continued to decrease, the price remained the crucial part of the negotiation with the 3PL.

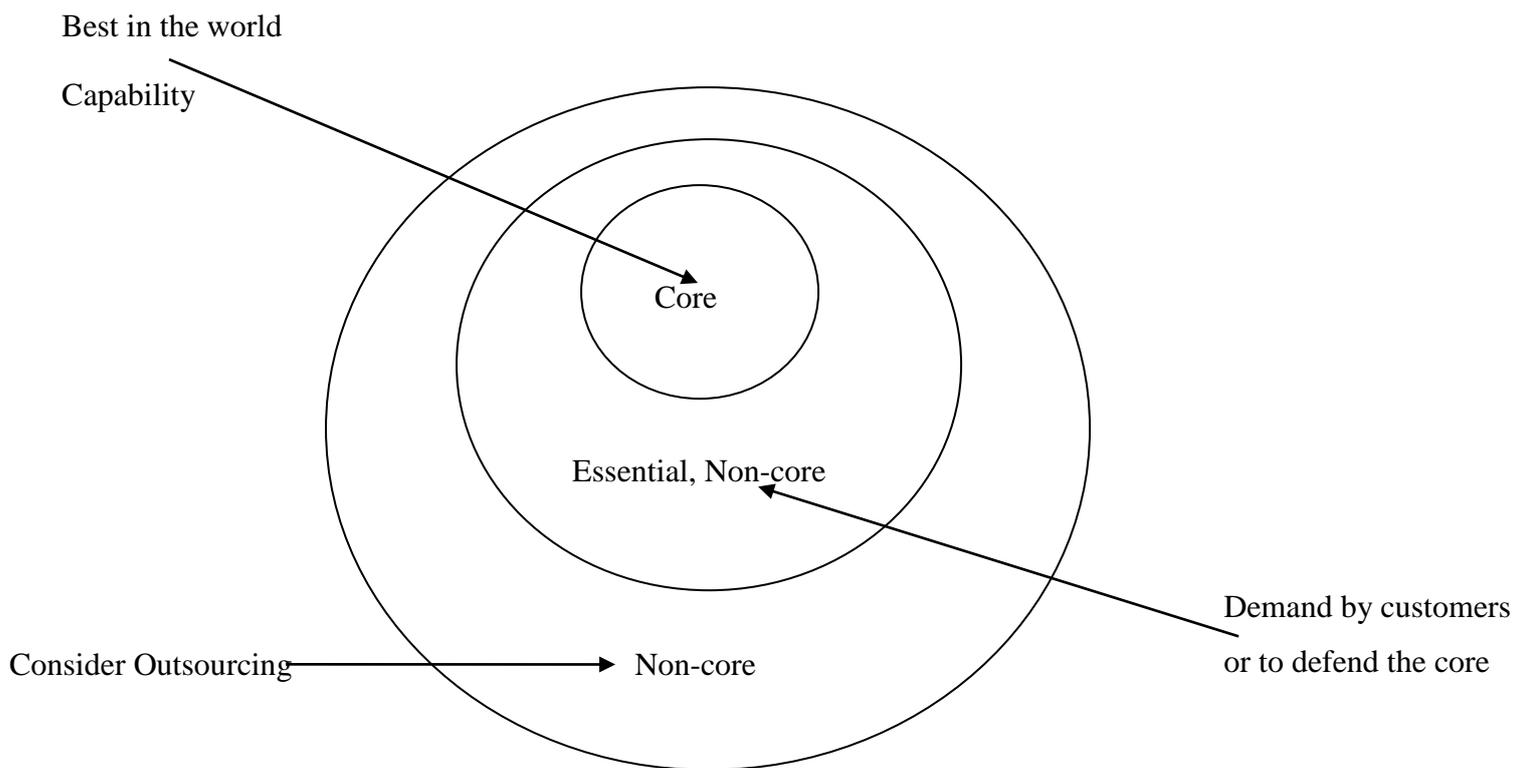
Another study by Aghazadeh (2003), presents four relevant criteria for selecting an effective 3PL, which are: similar value, information technology systems, key management, and relationship. The various studies mentioned above clearly show that 3PL selection is multi-criteria. According to Murphy et al. (1997), these criteria may be influenced by several attributes such as: firm size, degree of 3PL usage, period of time 3PL have been used, and degree of current satisfaction with 3PL services.

## **2.7 Criteria for Outsourcing Logistics Activities**

Every company needs to position itself in the supply chain by deciding how many logistics activities it should perform and which one to outsource. This decision depend basically on the firm ability to determined which part of their production is their core activity and which is non-core as shown in Fig.2.1. Distinguishing between core activities and non-core activities is a complex task. Hence care must be taken to ensure the long-term strategic considerations and true benefits are assessed. On the other hand, it is constrained by limited choices in resources and competences (Vallespir et al., 2001).

Criteria proposed by McIvor (2000), found poor decision making led to insignificant benefits of outsourcing and failed outsourcing projects. He provided four stages of comprehensive framework approach.

- The first stage is to recognize “core” activities that generate high customer value and competitive advantage. Cross-functional team, containing top management and lower level personal required. Non-core activities should be outsourced, but non-core activities with political concern, such as union’s objection should be kept in-house.
- The second stage is to evaluate the company’s competencies in performing the core activities in relation to available external resource. Benchmarking internal and external suppliers and competitor’s capability and cost was suggested.
- The third stage is to perform total cost analysis using activity-based costing approach to compare internal and external supplier’s costs of the core activities. He recommends that the company should keep the core activities in-house if the company has cost advantage and if the core activities represent critical competitive advantage.
- The last stage is for the outsourcing company to consider several aspects related to external relationship such as control and organizing in favor of its own competitive advantage and to avoid potential threat and competition of the 3PL companies.



**Figure 2.1** What are core and non-core activities? , Quinn (1999).

Bolumole et al., (2007), developed a theoretical framework based on multiple social science perspective to examine and evaluate logistics outsourcing decisions .The framework indicates logistics outsourcing decision criteria as transaction costs, resources and control issues.

According to Donald (1998), the strategic approach for evaluating the decision to outsource logistics activities involves a number of factors. These factors should be evaluated in logical sequences as follows: customer view function, capabilities and physical assets required to perform the function, technological requirement, world class abilities and performance and delivery capabilities versus competitive alternatives.

## **2.8 Managing Outsourcing Logistics Activities**

According to Donald (1998), outsourcing is not only about decision making, it also demands control mechanisms which include; service acquisition, service provider selection and service

provider management. The key managerial activities identified from managerial frameworks were group into two phases as pre-outsourcing and post-outsourcing.

**Pre-outsourcing involves:**

- Identification of needs to outsource
- Decision criteria assessment
- Development and assessment feasible alternatives
- Evaluation and selection supplier
- Contract negotiation

**Post-outsourcing involves:**

- Project execution and transfer
- On-going service assessment
- Managing relationship
- Contract Termination
- The extents to which a firm can manage a 3PL provider effectively depend greatly on the information received and the early detection of problem. Since the information received by the logistics manager of the outsourcing company would be less comprehensive than if the outsource activity is performed in-house, it is advice that the logistic manager ensure effective communication with the 3PL organization. In order to properly manage and evaluate a 3PL logistic provider, the outsourcing organization should develop clear guidelines for appraising their 3PL provider (Cavalla, 1996).

## **2.9 Managing Service Provider (3PL) Relationship**

Berggren et al. (2004), stressed that the relationships with external partners just do not happen; it has to be facilitated and organized. The strategies that outsourcing companies adopted to manage their supplier relationship were synthesized into two kinds;

- Service provider development
- Service provider involvement

It is a strategic alliance, where both parties have needs that the other can fulfill, and both firms share values, goals and corporate strategies for mutual benefits. In addition, the benefit of synergy strong communication and commitment and high level of interdependence have also been emphasized as integral to the strategic alliance (Bowersox, 1990).

Gentry (1993), argue that although every partnership is unique, increased partnering efforts typically share the same common goals of attaining superior performance. In a strategic alliance, there is a commitment between the outsourcing company and 3PL provider to jointly improve quality and productivity to reduce overall costs. Both firms in the strategic partnerships use joint problem-solving efforts to develop mutual responses to changes in the marketplace.

Partnership between firms demands high level of understanding of their own business as well as the business of their counterparts. Outsourcing firms are able to achieve superior customer service by working closely with their partners to improve the logistics process. Together, they could offer faster deliveries and more accurate information. It is through such long-term relationships that outsourcing logistics activities draws its strength as a powerful and effective source of strategic advantage (Richardson, 1993c).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Methodology refers to the philosophical base on which the research is founded. The methodology is therefore used to achieve the objective of the study. It provides a detailed account of the process, method and design with which the research was conducted. In addition, it provides the source of data, the population, sampling techniques, the data collection instruments, the data analysis techniques and the profile of Ghana Oil Company Limited (GOIL) which provide the guidelines with which the research was conducted?

#### **3.1 Research Design**

Research design refers to the overall strategy that is chosen to integrate the different components of the study in a coherent and logical way thereby ensuring effective addressing of the research problem. It constitutes the blueprint for the collection, measurement and analysis of data. The research problem determines the design that is required not the other way round. This study was conducted at Ghana Oil Company Limited (Kasere Depot). The researcher in this study used the survey or descriptive approach in conducting the research. The survey or descriptive approach attempts to describe conditions of the present by using many subjects and questionnaires to fully describe a phenomenon. It was used here because of the accessibility and low cost of obtaining information. This enabled the researchers to assess opinions and trends concerning outsourcing of logistics activities from both management staff and the third party provider. Questionnaires were employed to obtain data from management staff. A total of hundred questionnaires were administered to respondents. Respondents were asked open and close ended questions about outsourcing of logistics activities (Transportation). Simple random sampling technique was used to sample management staff because of its ease of obtaining the required information from the respondents.

### **3.2 Source of data**

Primary data and Secondary data were used in this research.

#### **3.2.1 Primary data**

Primary data was collected specifically for the research being undertaken and was collected directly from first-hand experience. The data was collected through survey questionnaires as the main research instrument and personal interview representing the responses from the respondent.

#### **3.2.2 Secondary data**

Data was obtained from relevant reports written on outsourcing logistics activities operation and related material which include internet, libraries, academic journals and previous academic research reports.

### **3.3 Population of the study**

The Ghana Oil Company Limited (Kaase Depot) has staff strength of 150. The study population comprises of the managers, assistant managers of production, sale, administration departments and the four personnel in the logistic departments. This was because they had in-depth knowledge of outsourcing and that they could provide the required information for the study. Management staff and drivers of the third party logistics provider were also included in the study.

#### **3.4 Sampling technique**

Purposive sampling technique also commonly called a judgmental sample, is one that is selected based on the knowledge of a population and the purpose of the study and for this reason management and staff of GOIL were selected on merit because they had in-depth knowledge and information required of the study. Management and drivers of the third party logistics provider were included.

#### **3.5 Sample size of the study**

A sample size of fifty (50) management staff was selected to respond to questionnaires

### **3.6 Research strategy**

Both qualitative and quantitative techniques were adopted through the research. The mixed approach has been considered the most appropriate study design because variables are not manipulated intuitively by the researchers and offers vivid insight to the study

### **3.7 Research instruments**

The data collection instrument employed for this study is questionnaire and interviews.

#### **3.7.1 Questionnaires**

Open and Closed ended questionnaires were given to respondents to gather information for the study

#### **3.7.2. Interviews**

Interview administered guide were employed in this study to allow for participation of all and also clear ambiguity.

### **3.8 Data analysis**

Both qualitative and quantitative techniques were used in analyzing the data obtained. The mixed approach has been considered the most appropriate study design because variables are not manipulated intuitively by the researchers and offers vivid insight to the study (Godwin and Godwin 1996) .The data obtained was analyzed statistically using Microsoft Office Excel, an application or a modular software system that aids in data assessment, management, analysis and presentation in figures, tables and charts.

## CHAPTER FOUR

### ANALYSIS AND DISCUSSION OF FINDINGS

The purpose of the study is to assess the benefits of outsourcing transportation as a distribution channel in an organization. This chapter talks about the organization, description, analysis, and interpretation of the results. The data was presented according to the research questions. Percentages were used to analyze the data. The following were the findings which were obtained from the research study through personal interviews, observations and administering of questionnaires.

#### 4.1 Background Analysis of Data

The research considered Gender of respondents, educational background and number of years served as the background of the respondents.

**Table 4.1** *Gender of Respondents*

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	28	56%
Female	22	44%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: Field Survey, 2015**

Table1 shows that out of fifty (50) respondents, twenty-eight (28) were males which represent fifty-six percent (56%) whiles twenty-two (22) of the respondents were females which represent forty-four percent (44%). The respondents form the basis of our analysis and discussion of findings in the course of our work.

**Table 4.2** *Educational Background*

Level of Education	Frequency	Percentage (%)
Secondary	20	40%
Tertiary	30	60%
Total	50	100%

**Source: Field Survey, 2015**

Table 2 shows that out of fifty (50) respondents, twenty (20) had secondary education which represents forty percent (40%) while thirty (30) of the respondents had tertiary education which represents sixty percent (60%).

**Table 4.3** *Number of Years Served in the Organization*

Years Served	Frequency	Percentage (%)
1 – 5	10	20%
6 – 12	15	30%
12 and up	25	50%
Total	50	100%

**Source: Field Survey, 2015**

Table 3 above indicates the number of years management has worked with its outsourcing organizations. The period of cooperation between management and its 3PL providers create an atmosphere of good rapport between the two parties. From table 3 shows that 50% of the respondents had served for not less than 12 years, 30% had served between 6 to 11 years and 20% had served within 1 to 5 years.

**Table 4.4** *Logistics activities performed by GOIL*

Logistics activities	Responses		Percentage %	
	Yes	No	Yes	No
Customer service	50	0	100	0
Transportation system	40	10	80	20
Logistics information system	10	40	20	80
Shipment planning	20	30	40	60
Warehousing and storage operations	50	0	100	0
Inventory Management	50	0	100	0
Sale	50	0	100	0
Clearance and Forwarding	30	20	60	40

**Source: Field Survey, 2015**

According to the information gathered, greater percentages of the respondents positively say that the company performs almost all of the logistics activities provided above. The following data were collected; hundred percent (100%) of the respondents said customer service, warehousing and storage operations, inventory management and sales were performed by the company. Considering the transportation system, eighty percent (80%) of the respondents representing greater percentage said the company performs this function whiles twenty percent (20) of them said otherwise. With logistics and information system, twenty percent (20%) of the respondents representing a small percentage of the population said the company performs this function whiles 80% of them responded that the company do not perform this activity.

Also, with shipping planning, forty percent (40%) of the respondent shared the view that the company performs such function whiles sixty percent (60%) of them responded negatively that the company do not perform this function whiles clearance and forwarding responded vice versa. From the table above, it can be deduced that GOIL perform most of their core activities than outsourcing it to a third party service provider (3PL)

**Table 4.5** Rating the delivery of products to the other branches in Ghana.

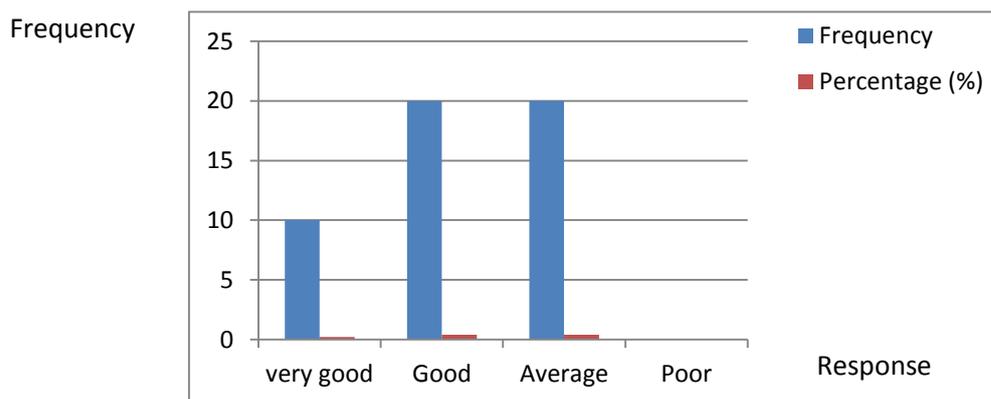
<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
very good	10	20%
Good	20	40%
Average	20	40%
Poor	0	0
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: Field Survey, 2015**

GOIL takes very keen interest in the delivery of product to other branches and clients as well. This forms major part of their activities in an attempt to eliminate the risk of shortages in their outlets. The management therefore uses various parameters to ensure that delivery is consistent at the right place and at the right time.

According to the data gathered from the various respondents the above ratings were given in the assessment of delivery of products to the other branches in Ghana. The following data were collected; hundred percent (100%) of the respondents said customer service, warehousing and storage operations, inventory management and sales were performed by the company. Considering the rating of delivery of products to the other branches, twenty percent (20%) of the respondent's representing Very Good, (40%) represent Good and (40%) represent Average. According to GOIL the parameters were very meaningful and have provided them a guided within acceptable and desirable parameters for effective monitoring to enable them achieve their organizational goal.

**Figure 4.1** rating the delivery of product to the other branches in Ghana.



**Table 4.6** *Has your company ever outsourced any of its logistics function?*

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	50	100%
No	0	0%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: Field Survey, 2015**

According to table 6 data collected from the fifty respondents representing hundred percent (100%) shared the view that the company has embarked on outsourcing some of its logistic functions

**Table 4.7** *Is the company's transportation cost higher as compared to a third party logistics?*

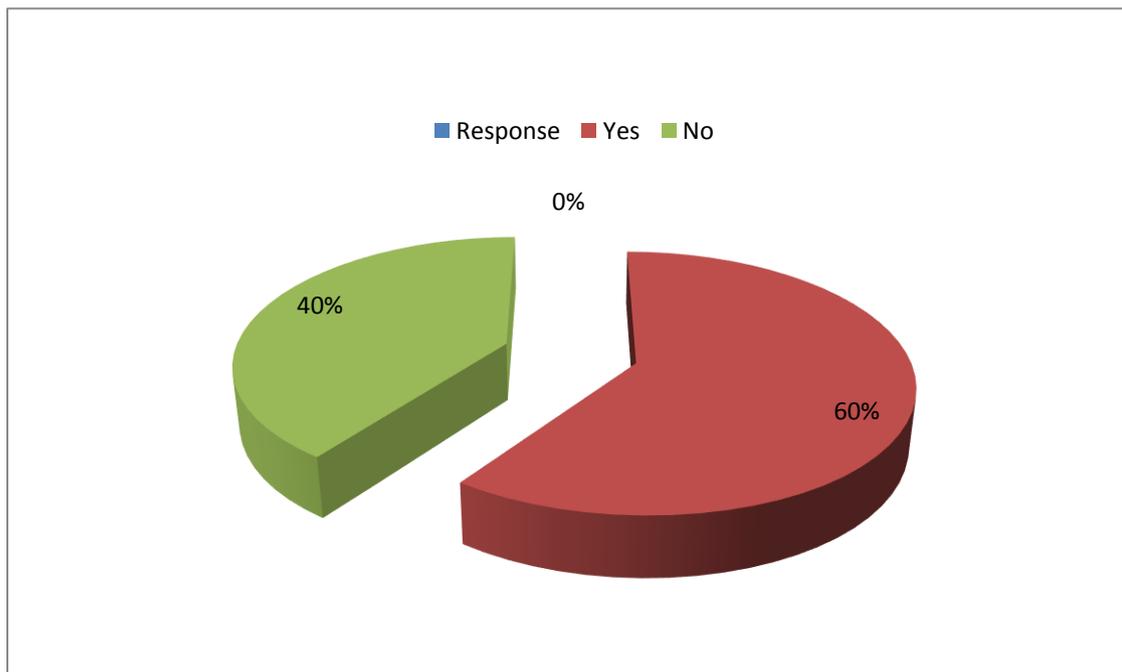
<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	30	60%
No	20	40%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: Field Survey, 2015**

From the information gathered from the respondent, 60% indicated that the cost involved in the provision of service by third parties is cheaper as compared to the organization performing the function by itself. On the other hand, 40% of the respondents argued that the services provided by the third party are higher as compared to the company's services therefore the need to invest in the third party so that the best services can be delivered. There is also cost of monitoring the performance of the third party to ensure that the right services are delivered.

The chart below illustrates the study of the respondents as to the cost of performing the logistics activities by the company to that of a third party providing that logistic activity.

**Figure 4.2 is the company transportation cost higher as compared to Third party logistic.**



**Table 4.8** *Does the company consider the relevance of outsourcing?*

<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	50	100%
No	0	0%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: Field Survey, 2015**

The importance of outsourcing becomes particularly evident when companies look critically at their internal structure and resources. Outsourcing provides companies with greater capacity for flexibility especially in the purchase of rapidly developing new technologies. By outsourcing logistics activities, firms can save on capital investment, and thus reduce financial risks. According to the information gathered, almost all the respondents agreed to the fact that outsourcing is beneficial to the organization.

## Discussion of the Results

- According to the data gathered, the following ideas were shared about the meaning of outsourcing

Outsourcing involves the contracting out of business process to another party, outsourcing is giving part of your business function to another firm to cut down cost and to be more efficient, outsourcing is giving either a core or non-core activity to a third party to operate more efficiently, and outsourcing is allowing a third party to operate some functions of a company.

- According to the data collected, it was analyzed that most respondents share the views that transportation should be outsourced for the following reasons;

To improve efficiency of transport, so that management can concentrate on more demanding issues, to cut down cost of transportation and to improve customer service in response to other outlets.

According to the data collected from the various respondents, it was analyzed that almost 90% of them agreed to the fact that some aspect of the logistic performed by the company should be improved. Some views gathered include, time of delivery, transfer of data (inventory management) because data are not received in time which causes major delays in distribution. Such improvement were necessary because of satisfy and maintain clients, in order to be cost efficient, improve delivery and also share risk.

- From the information gathered from the various respondents it was obvious that the company faces a lot of challenges in performing their own logistics activities. Some views shared by the respondents are as follows;
  - When it comes to the supply of fuel dispensers there was lack of spare parts.
  - There was also break down of vehicles which was a major challenge to the company in terms of transportation of lubricants.

- The cost involved in maintaining trucks and drivers was also a major challenge to the company.
- There was also improper monitoring of activities
- Delay in delivery causing reduction in profits.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The purpose of the study is to assess the benefits of outsourcing transportation as a distribution channel in an organization. This chapter highlights on the main ideas found in the research. They include Summary, Conclusion and Recommendation of the research.

#### **5.1 SUMMARY OF FINDINGS**

In summary, the information gathered from the various respondents it was obvious that the company faces a lot of challenges in performing their own logistics activities. Some respondents shared the view that when it comes to the supply of fuel dispensers there was lack of spare parts. There was also break down of vehicles which was a major challenge to the company in terms of transportation of lubricants. The cost involved in maintaining trucks and drivers was also a major challenge to the company. There was also improper monitoring of activities. There was lack of monitoring in outsourcing service which caused delay in delivery. Transportation of petroleum products was not reliable causing reduction in profits.

Also, the need for improving any aspect of logistics was also assessed by the respondent. According to the data collected from the various respondents, it was analyzed that almost 90% of them agreed to the fact that some aspect of the logistics activities performed by the company should be improved. Some views gathered include; time of delivery, transfer of data (inventory management) because data are not received in time which causes major delays in distribution. Such improvement were necessary because of the following, in order to satisfy and maintain clients, in order to be cost efficient, improve delivery and also share risk.

The relevance of outsourcing also came to light during the research. The importance outsourcing has become particularly evident when companies look critically at their internal structure and resources. Outsourcing provides companies with greater capacity for flexibility especially in the purchase of rapidly developing new technologies. By outsourcing logistics activities, firms can save on capital investment, and thus reduce financial risks. According to the information gathered, almost all the respondents agreed to the fact that outsourcing is beneficial to the organization.

## **5.2 CONCLUSION**

The research showed that there are different reasons for firms to engage in outsourcing. These reasons may range from just tactical to more strategic. Tactical reasons are to reduce control cost and operating cost, to free up internal resources, to receive an important cash infusion, to improve performance and to be able to manage functions that are out of control. Strategic reasons may be to improve company focus, to gain access to world class capabilities, get access to resources that are not available internally, to accelerate reengineering benefits, improve customer satisfaction, increase flexibility and share risks. All these reasons underline one overall objective to improve the overall performance of the outsourcing firm and increasing revenues by enhancing the company's value propositions to its customers.

## **5.3 RECOMMENDATIONS**

- Considering the numerous relevance of outsourcing, Ghana Oil Company Limited should consider outsourcing the whole transportation functions to a third party service provider so that it will be effectively performed to reduce cost
- Ghana Oil Company Limited should involve Third Party logistic provider so as to improve their delivery of products to other branches in Ghana

- Systems should be put in place to manage the operations of the service providers so that the fear of losing control can be reduced if not eliminated
- There should be continuous maintenance schedules for vehicles
- There should be proper monitoring of activities and expedite actions for timely delivery.

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## APPENDIX

### QUESTIONNAIRES

PLEASE KINDLY TAKE SOME TIME OFF YOUR BUSY SCHEDULE TO RESPOND TO THESE QUESTIONS WHICH WOULD BE USED FOR ACADEMIC PURPOSE: A THESIS TO BE SUBMITTED TO THE CHRISTIAN SERVICES UNIVERSITY COLLEGE, FOR THE AWARD OF DEGREE CERTIFICATE. THANK YOU

#### QUESTIONNAIRE FOR GHANA OIL COMPANY LIMITED (GOIL)

1. Gender: a) Male  b) Female
2. Age: a) 25-35  b) 36-45  c) 46-50
3. What is your Educational level? .....
4. How long have you been working in the organization?
- (Please tick) 1-5 years  6-12years  12years and up

5. Which of the following outsourcing logistic activities did GOIL outsource to a 3PL company?

(Please tick)

<i>Outsource item</i>	<i>Yes</i>	<i>No</i>	
<i>Customer service</i>			
<i>Transportation system</i>			
<i>Logistics information system</i>			
<i>Shipment planning</i>			
<i>Warehousing and storage operations</i>			
<i>Inventory Management</i>			
<i>Sale</i>			
<i>Clearance and Forwarding</i>			

6. Others please specify

.....  
 .....  
 .....

7. If your company decides to outsource any of its logistics activity, which function will it outsource and why.....

8. Does your company perform their own transportation function?

Yes  No

9. How does management measure the performance of its transportation function?

.....

10. What do you know about outsourcing?.....

11. Has your company ever outsourced any of its logistics functions?

YES  NO

12. If no, why?.....

13. Is your company's transportation cost higher as compare to the Third Party Logistics?  
 YES  NO
14. If yes how?.....
15. Does your company consider the relevance of outsourcing?  
 YES  NO
16. If No why?.....
17. Does any aspect of the logistics activities need to be improved?  
 YES  NO
18. If Yes, what do you think it should be improved.....
19. Is management actively engaged in improving the transportation function of the organization? YES  NO
20. How will you grade the delivery of products to your other branches in Ghana?  
 Very good  Good  Average  Poor
21. Have management ever consider the benefit of outsourcing the transportation function?  
 YES  NO
22. How profitable is your logistics functions to the organization?.....
23. Does management think Third Party Logistics can provide better services than the organization carrying out its own services? YES  NO
24. Do the logistics providers of the organization offer the best quality services to its clients?  
 YES  NO
25. What are some the challenges face by the organization in performing its own logistics activities?.....