Key Success Factors in Logistics Outsourcing: Conceptual Frame Work

Les Facteurs Clés de Succès de l'Externalisation Logistique: Cadre Conceptuel

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Abstract:

One of the biggest emerging sectors in economics is logistics outsourcing. The number of outsourcing organizations and logistics service providers has exploded, resulting in a fierce competition. Both outsourcing firms and service providers faced profound challenges in their outsourcing endeavors. To take full advantage of the outsourcing potential, outsourcing organizations require a deeper awareness of the success and failure elements, as well as the risks that go along with them.

On a financial, organizational, and operational level, the benefits of outsourcing logistics activities are diverse and complex. However, it is equally true that it conceals considerable dangers that businesses must consider before making a decision. Indeed, this decision-making causes significant long-term organizational and structural changes to the company that makes it, and even if resumption of operations is still possible, the corporation will have to pay very expensive "reintegration costs". This requires making in-depth research into the suitability of this strategy as well as the circumstances for its success prior to making a decision in order to get a good return on investment.

In this context, the purpose of this paper is to provide a general overview of logistics outsourcing by identifying the factors that influence the success and performance, drawing on transaction and resource cost theory and other empirical studies.

Keywords: Logistics outsourcing, key success factors, performance, Partnership Model.

JEL Classification: D21, L21, L25, P17

Paper type: Theoretical Research

Résumé:

L'externalisation de la logistique est l'un des plus grands secteurs émergents de l'économie. Le nombre de prestataires de services logistiques a explosé, entraînant une forte concurrence. Les entreprises qui externalisent ces activités logistiques et les prestataires de service logistique ont dû faire face à des challenges dans leurs projets d'externalisation.

Pour tirer profit du potentiel de l'externalisation, les entreprises qui externalisent ces activités logistiques doivent être conscientes des facteurs de succès et d'échec, ainsi que des risques qui les accompagnent.

Sur le plan financier, organisationnel et opérationnel, les avantages de l’externalisation des activités logistiques sont diversifiés et complexes. Cependant, il est tout aussi vrai qu’elle cache des dangers considérables que les entreprises doivent prendre en considération avant de prendre une décision. En effet, cette prise de décision provoque d’importants changements organisationnels et structurels à long terme pour l’entreprise qui le fait, et même si la reprise des opérations est encore possible, la société devra payer des "coûts de réintégration très coûteux".

Pour ce faire, il faut effectuer des recherches approfondies sur la pertinence de cette stratégie et sur les circonstances de son succès avant de prendre une décision afin d’obtenir un bon rendement du capital investi.

Dans ce contexte, l’objectif de cet article est de fournir un aperçu général de l’externalisation logistique en identifiant les facteurs qui influencent le succès et la performance, en s’appuyant sur la théorie des coûts de transaction et des ressources et d’ autres études empiriques.

Mots clés: Externalisation logistique, facteurs clés de succès, performance, Modèle de Partenariat.

Classification JEL: D21, L21, L25, P17

Type de papier: Article Théorique
1. Introduction

In today's global market, every business must compete with customer choices that come from all around the world. Rapid commodification is the most evident effect of this hyper-competitive environment. Increased shareholder value is desired, as is growth and profitability. It is becoming more vital to do the right thing than to do everything. As a result, businesses are becoming more focused and specialized. They analyze each operation to see if and how it creates a distinct competitive advantage. Areas that provide an advantage are likely to receive more internal investment, whereas those that do are not likely to be either deleted completely or placed in competition with an ever-expanding marketplace of external service providers, in other words, they will be considered for outsourcing.

According to Corbett (2004), outsourcing is a management tool used to transform an organization away from the typical vertically integrated, self-sufficient structure, which is becoming increasingly inefficient in today's hyper-competitive, performance-driven environment. Through outsourcing, the company proceeds toward a corporate structure in which it can make more focused on investments in areas where it has a distinct competitive advantage.

Outsourcing has become an important factor in the performance of organizations in recent years, and it can no longer be underestimated (Tomas, 2010). Since the Industrial Revolution, businesses have been concerned with how to improve their competitive advantage in order to expand their markets and profits (Handfield, 2006). Companies have attempted to improve performance by outsourcing activities that are not considered core competencies of the firm. Outsourcing of a variety of services, including cleaning, logistics, and compound maintenance, has become a considerable force in the global outsourcing trend services. However, there are still some questions about the level according to outsourcing results in a positive outcome and the conditions that support it. Although many businesses outsource to cut costs, they frequently fail to do so and may even increase if not done correctly (Meixell, 2008).

The management of the outsourcing function and the role it plays in revolutionizing improved organizational performance are high-profile challenges. Most active sectors have been developing at a fast pace over the last few years as a result of the broad introduction of the Internet, where benchmarking reports on outstanding cases of best performing organization profiles and how they achieved progress has been analyzed.

This paper investigates key success factors in logistics outsourcing. The study includes a brief overview of outsourcing and logistics outsourcing. In addition, a 'Partnership Model' is used to illustrate aspects that must be present in outsourcing relationships. Furthermore, a collection of outsourcing critical success factors that are considered by different authors is provided.

We have discovered that adopting outsourcing methodology into practice is crucial to a successful outsourcing project. Overall, we find that improved service levels and commercial viability for both parties, joint vision and partnership objectives, clear roles, topmanagement commitment and support, communication, and trust are the most common factor leading to logistics outsourcing success after the right third-party service provider has been selected.

This document discusses the main success factors of outsourcing logistics applicable to any supply chain. It aims to discuss, in a normative way, the foundations of the theory of logistic outsourcing, showing the different factors that condition the success of logistic outsourcing by relying on a panoply of practical research. It will be divided into five parts concerning; a literature review giving a general overview on logistics outsourcing and reviewing the reasons, motivations and risks involved in this process (part 2), then a conceptual review on the theories most impacting the success of outsourcing logistics (part 3), after an analysis of a
set of empirical studies that have been done on the key success factors of outsourcing with a deduction of assumptions (part 4) and finally and above all, a presentation of the crucial factors that impact the success of logistics outsourcing (part 5).

2. Literature review

2.1. General overview on logistics outsourcing

Outsourcing is transferring some activities to specialized providers who can complete them more efficiently. The 'make it or buy it' debate is at the heart of each outsourcing decision. In recent years, outsourcing has increased in number, and it is frequently mentioned as a strategy of managing with significant changes in technology and the corporate environment. Outsourcing is a sustainable business strategy as it allows organizations to utilize their resources, disperse risks, and focus on issues vital to their survival and future growth by handing over non-core operations to external providers (Sink and Langley, 1997). Many companies have turned to logistics outsourcing to reorganize their distribution networks and achieve a competitive advantage.

In the last several years, logistics outsourcing, or the use of a third-party logistics (3PL) provider for all or part of an organization's logistical activities, has increased considerably. For vertically integrated businesses, logistics outsourcing has become an increasingly effective method to cut costs and diversify risks. In all, over 60% of Fortune 500 companies indicate they have at least one contract with a third-party logistics supplier (Lambert, Emmelhainz and Gardner, 1999). The roles that 3PLs accomplish are diverse. According to a survey done by Lieb and Hickey (2002), 3PLs provide Fortune 500 firms with a wide range of services, as well as diverse logistical services to the average user. Strategic decision-making, industrial buying behavior, transportation purchasing, supplier selection, and logistics relationships are the five streams of research that connect to modeling third-party logistics procurement by industrial buyers (Sink and Langley, 1997).

The potential economic benefits of logistics outsourcing are discussed in research by Persson and Virum (2001). The benefits include elimination of infrastructure investments, access to world-class processes, products, services, or technology, and improved ability to respond quickly to changes in business environments. In addition, risk sharing, better cash-flow, minimizing operating costs, exchanging fixed costs with variable costs, access to resources not available in own organization are few examples. Managers have a wide variety of control choices when deciding on a sourcing strategy for a certain part of their organization. Tight control is required where there is a high possibility for vulnerability as well as a strong potential for competitive advantage. The firm's insignificant activities are at the other end of the spectrum. Between these two extremes, there are potential to establish unique incentives or more sophisticated monitoring contracts to balance intermediate degrees of susceptibility with more moderate probabilities of gaining a competitive advantage (Quinn and Hilmer, 1994). Value enhancement may add value to services by achieving efficiency via effective cost management and increasing effectiveness through value improvement. Adding value to an existing business – for example, by improving products and services – and adding value via innovation are both examples of value enhancement activities (Rothery and Robertson, 1996).

Outsourcing is widely acknowledged as an important tool for boosting local employment. It has been proven that logistics outsourcing enhances company's competitive position by improving business processes and creating synergistic effects. Transferring logistics to an outsource provider, often known as third-party logistics, allows the company to focus entirely on its key competencies. In the transportation literature, identifying the buyers' variables to achieve mode and carrier selection decisions receives a lot of attention. The early literature on
this topic placed a strong emphasis on cost-service tradeoffs. However, recent research has focused on third-party logistics purchasing.

**2.2. Logistics outsourcing: reasons, benefits and risks**

The decision-making process for an outsourcing strategy begins with a review of the company's internal resources, followed by a comparison of the benefits and drawbacks of an outsourcing operation. (Desreumaux and Romerlaer, 2001).

The decision to externalize is a long-term strategic decision that has a wide range of consequences for the organization of the company and the future conditions of its operations (Bravard et al., 2007). This decision is based on the application of three rules in a sequential order.

**The positioning in the core of the business:** According to Barthélemy (Barthelemy, 2000), the important condition for outsourcing decision-making is the differentiation between activities that are part of the "core of the business" and those that are not. All activities that are not related to the "heart of the business" can be outsourced.

**Level of performance:** When an internal activity’s level of performance falls less than that of the market’s best providers, it is recommended that it be outsourced. Using specialized service providers allows you to cut costs, improve activity performance, and reallocate resources away from the "core of the business" (Bravard and al., 2007).

**The transactional cost level:** Outsourcing allows you to reduce your production costs by taking advantage of scalability gains made by the providers. Outsourcing, on the other side, frequently results in high transaction costs (Barthelemy, 2001).

Outsourcing operations is projected to bring a slew of advantages. According to the Ernst & Young Outsourcing Barometer (2005), the most frequently mentioned business benefit is cost. Companies value determining fixed charges for services or functions that may involve significant expense, unmanageable expenditure variability, and uncertainties (substantial investments and renewals in IT hardware) in terms of support functions investments as a result of this idea of saving money by doing things.

Moreover, as long as the process is carried out under good conditions, flexibility and simplicity are almost certain outcomes. By taking over personnel, the service provider already has the responsibility for staff management, with the latter making the necessary resource adjustments rather than the client company. The formulation of the conditions for staff transfers is almost strategic in nature. (Chafai and al., 2021)

Outsourcing logistics has experienced tremendous growth. It has now become an integral part of a company’s competitive strategy. External logistics providers can be used for a variety of reasons, including cost savings and cost management, strategic (refocusing on core business), and organizational (simplifying the structure and gaining flexibility) (Elomari and Mahzoum, 2020).

The list of risks of outsourcing is long. However, it seems to us that it can be reduced to four main risks:

- **Underperformance:** We speak of underperformance when the service provider does not achieve the performance objectives set by the contract. Such a situation can be very harmful to the client (Barthélemy, 2007).
- **Opportunism:** This behavior can manifest itself in a drop in the quality of services, refusal to apply new technologies, delays in execution, unforeseen price increases (Elomari and Mahzoum, 2020).
- **Dependence on the service provider:** The company that outsources can become dependent on the supplier, especially for the most sensitive activities such as logistics or IT and which leads the company to no longer have the knowledge and the
expertise needed to understand, analyze and control the activities of the service provider (Bellaaj, 2009).

- Loss of know-how and skills: The loss of know-how and skills following an outsourcing operation comes mainly from the transfer of personnel and equipment to the service provider. The success of an outsourcing operation requires maintaining a sufficient level of skill internally so that the company can monitor its outsourced activities and ensure that the service provider meets the contractual requirements. In the longer term, the internalization of an outsourced activity, or even a simple change of service provider, becomes very complex maneuvers when you no longer have in-house skills (Elomari and Mahzoum, 2020).

3. Theories dealing with the determinants of the success of the outsourcing operation: The conceptual review

The choice of a particular organization must respond to the following question: what is the structural arrangement that best contributes to the company's strategy in terms of cost control, flexibility, decision-making, information quality and knowledge production? Beyond intra-organizational arrangements, the company is faced with a binary choice, that of carrying out the activity internally or that of outsourcing it. There is a theoretical framework for outsourcing decisions, which consists of a set of theories. These theories mobilized to frame outsourcing can be explained by the complexity of this phenomenon and the fact that most theories of organizations are partial and each focuses on a particular aspect of the problem of the organization (Rojot, 2003). In the next section, we cite the main theories identified in the literature:

3.1. Transaction cost theory

According to transaction cost theory (TCT), the choice between carrying out an activity internally or externally depends on the total costs generated by this activity. These costs take two forms: production costs and transaction costs. Outsourcing generally makes it possible to reduce production costs by taking advantage of the economies of scale achieved by service providers. On the other hand, outsourcing often involves high transaction costs (Barthelemy, 2001). The level of transaction costs varies according to the three “contractual risks” (Williamson, 1985):

- The specificity of the assets, i.e. the adaptation of personnel and equipment to the particular needs of a company;
- Uncertainty as to the behavior of the service provider and the evolution of the environment;
- The frequency of use of the activity.

The figure below summarizes the contribution of transaction cost theory of management and outsourcing decision issues.
As a result, transaction cost theory is only interested in cost reduction (transaction and production). Outsourcing, on the other hand, may be understood as the realization of a performance difference between internal services and the top provider in the market, as empirical studies reveal (Barthélemy, 2001). The focus is no longer on minimizing transaction or manufacturing costs, but on improving performance, often at the expense of the risks involved. As a way, outsourcing may be defined as the recognition of a performance difference between internal services and the best market supplier ("performance gap"). Outsourcing's goal is to improve performance, even if this means higher transaction costs or even higher production costs.

3.2. The theory of resource and competence

Unlike transaction cost theory, resource theory is based on a simple idea: differences in performance between firms in the same industry can be explained by differences in resources and skills. The objective of management is then to identify, protect, exploit and create resources and skills to generate a sustainable competitive advantage (Ghertmann, 2000). The “core business” can be defined as the activities for which a company has a competitive advantage (Alexander and Young, 1996a). According to resource theory, the resources and skills underlying such activities must exhibit four characteristics: value, rarity, and imperfect imitability and substitutability (Barney, 1991). According to the resource theory, the following implications can be drawn: Activities that are part of a company’s "core business" must be kept within the company because they are the basis of its competitive advantage. Conversely, activities that are not part of the “core business” can be outsourced (Quinn and Hilmer, 1994). Outsourcing such activities has direct and indirect benefits. The direct interest lies in the reduction of costs and the improvement of performance made possible by the use of specialized service providers. The indirect interest resides in the reallocation of the financial resources saved in the “core business” of the company. This then results in increased value creation at the level of the entire company. (Barthelemy, 2003).

Unlike the transaction cost theory, it can be noted that the resource theory does not only focus on reducing costs at the activity level. Its reasons in terms of value creation at the level of the
entire company, understood as a portfolio of resources and skills (Conner and Prahalad, 1996).

4. Focus on the various empirical explanatory studies of the factors impacting the success of outsourcing

Logistics outsourcing is one of the fastest expanding sectors. The number of outsourcing organizations and logistics service providers has exploded, resulting in fierce rivalry. Both outsourcing firms and service providers confront profound challenges in their outsourcing operations. To take full advantage of the outsourcing potential, outsourcing organizations require a greater comprehension of the success and failure elements, as well as the worries that go along with them. Since the early 1990s, the number of companies who have opted to outsource all or part of their logistic function has dramatically increased. As a consequence, there has been an expansion in research on logistics outsourcing.

A detailed search of the relevant literature demonstrates a divergence between theory and practice in outsourcing. Overall, these findings suggest that outsourcing organizations should proceed with caution when deciding what, how, and to whom to outsource a service. Because each business has its own context, such study articles have limitations and are not helpful to everyone. It is necessary to get knowledge of the major success criteria in logistics outsourcing so that others can benefit from their experiences.

Key success criteria are ranked differently by various researchers (Ellram1995; Lambert, Emmelhainz, and Gardner1999; Tate1996; Greaver1999; MayerBrown2003; Cohen and Young2006). Outsourcing is not only about achieving financial and corporate objectives. Since outsourcing may have a significant influence on a company's competiveness over time, it is important to have a systematic approach to managing the partnership. Measuring outsourcing success requires an awareness of diverse parties' viewpoints on those involved and impacted in the process. Outsourcing organizations also require conceptual tools to analyze their outsourced case in order to determine which critical success elements must be included for their outsourcing possibility, particularly during the preparation phase.

Certain additional variables must be considered throughout and after the outsourcing process is implemented in order to ensure the success of contract logistics. The first and most important point to remember is that the decision to outsource must come from the top. Communication between logistics users and providers (Bowman 1995; Andel 1994; McKeon 1991; Trunick 1989) is also critical of the synchronization of internal company functions and outsourced logistics. Firms should clearly define their position and duties, as well as their expectations and requirements, to service providers. Internal communication is crucial as well. Managers are advised to describe exactly what they are outsourcing and why, and then require the help of every department (Bowman 1995). Richardson (1990) and Maltz (1995) both highlight the necessity of management education regarding the advantages of contract logistics.

Management must be persuaded to consider outsourcing as a strategic activity. Outsourcing's success hinges on a user-provider relationship built on mutual trust and faith (Bradley 1994). This is not to say that control measures are not necessary. Corporations should require service providers to report on a regular basis (Distribution 1995; Richardson 1990). It is critical to carefully pick third parties and keep control while gaining trust (Richardson 1994). Internal controls must be in place to link all payments to invoices, bills of lading, or purchase orders (Bradley 1994). Users must be willing to share private information with a capable third party in order to help a capable third party minimize total logistical costs, which is a critical feature of effective outsourcing linked to trust (Bowman 1995). Users' sensitive data on products,
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shipments, and customers, on the other hand, is the responsibility and obligation of service providers (Distribution 1995).

There are several more vital ingredients, according to Richardson (1990), that make outsourcing successful. Focus on the customer; defining operating standards and monitoring performance against those standards; understanding the payback period, the benefits expected by the firm, and the ways to obtain those benefits are among them. Factors include being mindful that outsourcing may demand a longer period of service than the firm is accustomed to and developing information systems that will allow the firm to make continuous cost/value comparisons. The most important factors for successful outsourcing, according to McKeon (1991), are understanding each other's cultures and organizational structures to ensure a good match, and knowing logistics strategy, i.e., understanding the logistics function role in meeting the firm's business objectives (e.g. differentiation or low cost). The extent to which the firm will use partners may be determined by the firm's business objectives: outsource a particular function or outsource all critical tasks. The value of the human element in outsourcing cannot be overstated. The company should involve the personnel who are currently delivering the logistics service since their knowledge can help with the transition from in-house to third-party logistics.

Moreover, if outsourcing is implemented, they must be given the opportunity to move with the function, demonstrating their value. However, there is a risk that current employees will damage the process out of fear of being laid off as a result of the outsourcing of service (Maltz 1995).

The diverse relationships between the involved parties are the success criteria needed to develop sustainable partnerships in the domain of contract logistics. This component emphasizes the necessity of an open and honest environment, key management, logical and effective internal assessment systems, mutual respect and empathy, investment commitment, and financial and commercial arrangements. According to Razzaque (1998, p. 101), contract logistics requires a high level of commitment and determination on the part of the buying firms. Each of these success elements must be examined seriously by management in order to understand how they might be implemented. Only then will companies be able to fully realize the benefits of outsourcing and form long-term partnerships that demonstrate the numerous benefits that third-party logistics can provide.

Formulation of Research Hypotheses

It's imperative to comprehend why certain logistics outsourcing partnerships succeed while others fail. A thorough examination of the extant literature demonstrates a divergence between theory and practice in outsourcing.

The majority of studies focus on the strategic component of logistics outsourcing (Quinn and Hilmer, 1994). According to these investigations, the choice to outsource logistics is based on a main goal. These factors are often related to the firm's growth and necessitate a preliminary assessment of the strategic development axis and future corporate skills (Quélin, 2007). As a result of this, the company may decide to outsource a strategic aim connected to structural modernization and management optimization (Reallocation of resources). To focus on its main business and change the scope of its activities, the company outsources, to lighten the structure and gain flexibility, to respond to an internal demand, to deal with environmental unpredictability, and to support the company's internationalization objectives.

According to the theoretical analysis, the success of an outsourcing operation is dependent on an appropriate choice of outsourced activities and strong relationship management with the service provider. The decision of outsourced activities is based on a review of contractual risks and the degree of proximity of the activity being outsourced to the company's "core
business." Furthermore, good relationship management with the service provider relies on the formulation of a contract that is matched to the level of contractual risks (Barthélemy, 2004a). As a result of our theoretical analysis, we attempted to answer the following broad question: What are the crucial success factors that ensure the logistics outsourcing operation's success? Three hypotheses have been formulated in light of theoretical investigations on this issue in the hopes of offering an answer to this somewhat difficult question:

- **H1:** Successful outsourcing necessitates the application of outsourcing methodology.
- **H2:** Previous to the formalization of the partnership, the evaluation and discussion of drivers and facilitators considerably reduces the risk of misaligned perceptions between the parties.
- **H3:** Successful outsourcing requires debunked outsourcing myths.
- **H4:** Improved service levels and commercial viability for both parties, common vision and partnership objectives, clear responsibilities, top management commitment and support, communication, and trust are all aspects that contribute to logistics outsourcing success.

We aimed through these hypotheses to analyze the main key success factors that impact the success of the logistics outsourcing operation.

### 5. Critical Success Factors of outsourcing

Overall, these studies suggest that outsourcing organizations should exercise extreme caution when deciding what, how, and to whom to outsource a task. Because outsourcing can have a significant impact on a company's competitiveness over time, it is important to have a holistic approach to managing the relationship. The first and most important step is to choose a third-party logistics provider (how to outsource logistics service providers).

According to Aghazadeh (2003), the logistics outsourcing process has five steps (Making the Decision, Evaluating the Operations and Developing Criteria and Objectives, Making the List and Sending Letters, Consideration and Selection, and Beginning the New Partnership), whereas Greaver (1999) proposes seven steps. The approach of outsourcing is more essential than the number of steps. Thus, successful outsourcing necessitates the use of outsourcing technique.

The second factor that helps organizations succeed in outsourcing is understanding the key success or management approaches for successfully operating and maintaining outsourcing. Managers require a technique for developing and implementing partnerships that is systematic and repeatable. The 'Partnership Model,' established by Lambert, Emmelhainz, and Gardner (1999), gives clear techniques for dealing with the challenges that may lead to partnership failure.

The model is made up of three primary components: drivers, facilitators, and management. The motivations for partnering are compelling. Asset/cost efficiency, improved customer service, marketing advantage, and profit/growth stability are all strategic benefits of building a partnership. Each party must have sufficient drivers for a partnership to succeed, but not all must be present. Each party's drivers do not have to be the same. The relationship will fail if neither party perceives or believes that they have a realistic opportunity of gaining significant benefits from it. In order to use the concept, each party must first establish its own drivers. Facilitators create an environment that is conducive to relationship growth and maintenance. Corporate compatibility, same managerial philosophy and procedures, mutuality, and symmetry are the four major facilitators in any partnership. There are five additional facilitators that are not present in every relationship, but when they are, they strengthen it. The potential for a relationship is only established by drivers and facilitators; management components decide how it is realized. Joint activities and processes (planning, joint
operational controls, communication, risk/reward sharing, trust and commitment, contract style, scope, and financial investment) are used to develop and sustain a partnership.

The following eight myths that dominate present outsourcing management practices are at the source of the gap between theory and practice in outsourcing: (1) the myth of sourcing independence; (2) the myth of service autonomy; (3) the myth of economies of scale; (4) the myth of self-management; (5) the enemy; (6) procurement; (7) the myth of steady state; and (8) the myth of sourcing competency. As a result, successful outsourcing necessitates eliminating outsourcing myths.

The keys to success in logistics outsourcing after selecting the third service provider, according to various authors (e.g. Schwartz 2003; Murphy and Poist 2000; Whipple and Frankel 2000; Howarth, Gillin and Bailey 1995; Jonsson and Zineldin 2003; Tate 1996; Moore 1998), are trust, performance evaluation, sharing information and communication, top management support, clear goal, vision, and roles.

Since organizations must share knowledge, benefits, and risks with one another, trust is the first and most important factor in outsourcing logistics success (Tate 1996). The logistics company obtains the opportunity to improve its service level and develop the relationship for a longer period of time as a result of trust.

One of the most important variables in determining success and maintaining achievement after outsourcing begins is performance assessment. This component is also one of the top five critical success criteria found in the KPMG study (2000). Companies outsource logistics services in order to improve their operations and service while also lowering costs. If the performance is not up to standard, outsourcing may be terminated or fail since the outsourcing goal is not attained.

Because both partners know what they want and offer the required information, sharing information and communication increases the efficiency and efficacy of logistics outsourcing. Outsourcing might fail due to a lack of information and communication, especially in strategic alliances (Murphy and Poist 2000; Whipple and Frankel 2000).

The second most significant success factor, according to KPMG research (2000), is senior management support and commitment. Top management commitment and support are vital because they can provide strategic direction and solutions for overcoming difficulties, as well as making the required funds and resources accessible for the project.

To avoid confusion among employees and companies, the aim, vision, and roles are essential (van Laarhoven, Berglund and Peters 2000; Whipple and Frankel 2000; Murphy and Poist 2000). According to the KPMG study, contracting out responsibilities is the third most significant success factor (2000).

In addition to the success factors listed above, we may add the following as a result of personal experience and scholarly review: a rational process, the right people on the outsourcing team, managing the transition phase as a project, fully defined scope, established financial baseline, and maintaining competitive pressure (the ability to switch to another provider at a reasonable cost and risk, and the ability to require a provider to offer market-value prices and terms).

6. Conclusion

The value of logistics outsourcing has risen dramatically in recent years. Users of logistics services, such as industrial and service organizations, are aware that logistics should be entrusted to a specialized logistics provider. Logistics firms, on the other side, are interested in providing a whole range of logistics services.

Outsourcing studies must be conducted in detail in countries in transition. First, the advantages of manufacturing outsourcing should be investigated, particularly in terms of
internationalization of corporate operations and globalization of world production. In addition, we should consider the possibilities in transportation and other logistical activities. One of the key findings is that businesses who adopt a systematic process for developing and implementing partnerships (such as the Partnership Model) have a better chance of succeeding. Outsourcing companies and third-party service providers require sufficient drivers, facilitators, and management components to make a partnership successful.

The other major finding is that successful outsourcing relationship management requires dispelling myths that currently exist in outsourcing management. The literature review supports the hypothesis that the success of logistics outsourcing partnerships is highly dependent on the management abilities of the organizations that engage third-party logistics providers.

The major factor contributing to logistics outsourcing success after the right third-party service provider has been selected, are improved service levels and commercial viability for both parties, joint vision and objectives of the partnership, clear roles (contract specifying responsibilities and agreement on key performance indicators), top management commitment and support, communication (open and honest information flow), and trust.

The goal of this study was to have a better knowledge of the major success criteria in logistics outsourcing. This research aimed to assist logistics managers from various industries and logistics service provider managers in becoming more effective in their tasks related to their outsourcing case and thus improve firm performance through the engagement of their knowledge and skills by analyzing the factors that contribute to a successful outsourcing relationship and ways in which the architecture of logistics outsourcing can be analyzed and improved.

As a result, the purpose of this research is to add to the existing research by looking at how critical success criteria in outsourcing are identified. Managers require conceptual tools to identify critical difficulties, such as the presence of outsourcing myths and the adoption of all phases of the outsourcing technique, prior to adopting a partnership. This article presents such a "refined model," which can be a useful tool for logistics managers to put in place a suitable structure for their logistics outsourcing relationship, as it considers all aspects of logistics outsourcing success.

However, the lack of empirical studies in this paper limits the generality of the conclusions on key success and failure factors in accordance to the provided vision of key success factors. In order to effectively understand logistics outsourcing practices, we must conduct empirical studies and test hypotheses empirically.

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